As filed with the Securities and Exchange Commission on December 5, 2016
File No. 001-37905

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

Amendment No. 1
to
FORM 10

GENERAL FORM FOR REGISTRATION OF SECURITIES PURSUANT TO SECTION 12(b) OR 12(g) OF THE SECURITIES EXCHANGE ACT OF 1934

BRIGHTHOUSE FINANCIAL, INC.
(Exact Name of Registrant as Specified in Its Charter)

Delaware (State or Other Jurisdiction of Incorporation or Organization)	**81-3846992** (I.R.S. Employer Identification Number)
Gragg Building, 11225 North Community House Road Charlotte, North Carolina (Address of Principal Executive Offices)	**28277** (Zip Code)

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

Securities to be registered pursuant to Section 12(b) of the Act:

Title of Each Class to be so Registered	Name of Each Exchange on Which Each Class is to be Registered
Common stock, par value $0.01 per share	**New York Stock Exchange**

Securities to be registered pursuant to Section 12(g) of the Act:
None

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

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

Brighthouse Financial, Inc.
Information Required in Registration Statement
Cross-Reference Sheet Between the Information Statement and Items of Form 10

This Registration Statement on Form 10 incorporates by reference information contained in our Information Statement filed as Exhibit 99.1 to this Form 10. For your convenience, we have provided below a cross-reference sheet identifying where the items required by Form 10 can be found in the Information Statement.

Item No.	Item Caption	Location in Information Statement
1.	Business	*See* "Summary," "Risk Factors," "Note Regarding Forward-Looking Statements," "The Separation and Distribution," "Formation of Brighthouse and the Restructuring," "Recapitalization," "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Business," "Regulation" and "Where You Can Find More Information."
1A.	Risk Factors	*See* "Summary," "Risk Factors" and "Note Regarding Forward-Looking Statements."
2.	Financial Information	*See* "Summary," "Risk Factors," "Recapitalization," "Selected Historical Combined Financial Data," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Quantitative and Qualitative Disclosures About Market Risk."
3.	Properties	*See* "Business — Properties."
4.	Security Ownership of Certain Beneficial Owners and Management	*See* "Beneficial Ownership of Common Stock."
5.	Directors and Executive Officers	*See* "Management."
6.	Executive Compensation	*See* "Management" and "Compensation of Executive Officers and Directors."
7.	Certain Relationships and Related Transactions and Director Independence	*See* "Risk Factors," "Certain Relationships and Related Person Transactions" and "Management."
8.	Legal Proceedings	*See* "Business — Litigation and Regulatory Matters."
9.	Market Price of, and Dividends on, the Registrant's Common Equity and Related Stockholder Matters	*See* "The Separation and Distribution," "Dividend Policy," "Beneficial Ownership of Common Stock," "Description of Capital Stock" and "Shares Eligible for Future Sale."
10.	Recent Sales of Unregistered Securities	In the three years preceding the filing of this registration statement, the registrant has not issued any securities that were not registered under the Securities Act, except for the issuance of 100,000 shares of common stock of the registrant to MetLife, Inc. for aggregate consideration of $1,000 on September 28, 2016 in a transaction exempt from registration pursuant to Section 4(a)(2) of the Securities Act of 1933, as amended.
11.	Description of Registrant's Securities to be Registered	*See* "Description of Capital Stock."

Item No.	Item Caption	Location in Information Statement
12.	Indemnification of Directors and Officers	*See* "Risk Factors," "Certain Relationships and Related Person Transactions" and "Description of Capital Stock — Limitation of Liability and Indemnification of Directors and Officers."
13.	Financial Statements and Supplementary Data	*See* "Selected Historical Combined Financial Data," "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Index to Financial Statements, Notes and Schedules," "Index to Interim Condensed Combined Financial Statements, Notes and Schedules" and the financial statements referenced therein.
14.	Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	None.
15.	Financial Statements and Exhibits	(a) Financial Statements *See* "Index to Financial Statements, Notes and Schedules" and "Index to Interim Condensed Combined Financial Statements, Notes and Schedules" and the financial statements referenced therein. (b) Exhibits See below.

The following documents are filed as exhibits hereto:

Exhibit No.	Exhibit Descriptions
2.1	Form of Master Separation Agreement between MetLife, Inc. and Brighthouse Financial, Inc.*
3.1	Form of Amended and Restated Articles of Incorporation of Brighthouse Financial, Inc.*
3.2	Form of Amended and Restated By-laws of Brighthouse Financial, Inc.*
4.1	Form of Certificate for Common Stock, par value $0.01 per share*
10.1	Form of Transition Services Agreement among MetLife Services and Solutions, LLC, Brighthouse Services, LLC, MetLife, Inc. (but only with respect to certain provisions) and Brighthouse Financial, Inc. (but only with respect to certain provisions)*
10.2	Form of Registration Rights Agreement between MetLife, Inc. and Brighthouse Financial, Inc.*
10.3	Form of Investment Management Agreement*
10.4	Form of Transitional Trademark License Agreement*
10.5	Form of Intellectual Property License Agreement*
10.6	Form of Tax Receivables Agreement*
10.7	Form of Tax Separation Agreement*
10.8	Revolving Credit Agreement, dated as of December 2, 2016, among Brighthouse Financial, Inc., JP Morgan Chase Bank, N.A., as administrative agent, and the other lenders named therein
10.9	Term Loan Agreement, dated as of December 2, 2016, among Brighthouse Financial, Inc., JP Morgan Chase Bank, N.A., as administrative agent, and the other lenders named therein
21.1	List of subsidiaries of Brighthouse Financial, Inc.*
99.1	Preliminary Information Statement of Brighthouse Financial, Inc., subject to completion, dated December 5, 2016

* To be filed by amendment.

SIGNATURE

Pursuant to the requirements of Section 12 of the Securities Exchange Act of 1934, the registrant has duly caused this Registration Statement on Form 10 to be signed on its behalf by the undersigned, thereunto duly authorized.

BRIGHTHOUSE FINANCIAL, INC.

By: /s/ Anant Bhalla
Name: Anant Bhalla
Title: Chief Financial Officer

Dated: December 5, 2016

Exhibit 10.8

[EXECUTION COPY]

REVOLVING CREDIT AGREEMENT

dated as of

December 2, 2016

Among

BRIGHTHOUSE FINANCIAL, INC.
as the Company

The BANKS Party Hereto

and

JPMORGAN CHASE BANK, N.A.
as Administrative Agent

$2,000,000,000

J.P. MORGAN CHASE BANK, N.A.,
MERRILL LYNCH, PIERCE, FENNER & SMITH INCORPORATED,
WELLS FARGO SECURITIES, LLC,
U.S. BANK NATIONAL ASSOCIATION,
and
MORGAN STANLEY MUFG LOAN PARTNERS, LLC
as Joint Lead Arrangers and Joint Bookrunners

BANK OF AMERICA, N.A.,
WELLS FARGO BANK, NATIONAL ASSOCIATION,
U.S. BANK NATIONAL ASSOCIATION,
and
MORGAN STANLEY BANK, N.A., and THE BANK OF TOKYO MITSUBISHI UFJ, LTD.,
as Syndication Agents

GOLDMAN SACHS BANK USA,
HSBC BANK USA, NATIONAL ASSOCIATION,
CITIBANK, N.A.,
BARCLAYS BANK PLC,
BNP PARIBAS,
DEUTSCHE BANK SECURITIES INC.,
and
SUMITOMO MITSUI BANKING CORPORATION
as Documentation Agents

EXHIBITS

Exhibit A	Form of Note
Exhibit B	Form of Syndicated Letter of Credit
Exhibit C	[Reserved]
Exhibit D	Form of Assignment and Assumption
Exhibit E	Form of Confirming Bank Agreement

SCHEDULES

Schedule I	Commitments
Schedule II	[Reserved]
Schedule III	Material Subsidiaries
Schedule IV	Hybrid Instruments
Schedule V	Escrow Conditions
Schedule VI	Restructuring Transaction
Schedule VII	Spin-Off Transaction

REVOLVING CREDIT AGREEMENT dated as of December 2, 2016 among: BRIGHTHOUSE FINANCIAL, INC., a Delaware corporation, the BANKS party hereto and JPMORGAN CHASE BANK, N.A., as Administrative Agent.

The Company has requested that the Banks issue letters of credit for the account of the Company and its Subsidiaries, and the Company has requested that the Banks make loans to it, in an aggregate face or principal amount not exceeding $2,000,000,000 at any one time outstanding, and the Banks are prepared to issue such letters of credit and make such loans upon the terms and conditions hereof. Accordingly, the parties hereto agree as follows:

ARTICLE I

DEFINITIONS

SECTION 1.01 Definitions. The following terms, as used herein, have the following meanings:

"Active Joint Lead Arrangers" means JPMorgan, MLPFS and Wells Fargo Securities, LLC.

"Additional Commitment Bank" means (a) a Bank or (b) any other Person which is a NAIC Approved Bank, in each case that agrees to provide a Commitment or (in the case of a Bank) agrees to increase the amount of its Commitment pursuant to Section 2.11(c), with the consent of the Administrative Agent and each Fronting Issuing Bank (such consent not to be unreasonably withheld or delayed).

"Adjusted Consolidated Net Worth" means, at any date, without duplication, the sum of (a) the consolidated shareholders' equity, determined in accordance with GAAP, of the Company and its Consolidated Subsidiaries, plus (b) the aggregate Hybrid Instrument Amount; provided that, in determining such Adjusted Consolidated Net Worth, there shall be excluded (i) any "Accumulated Other Comprehensive Income (Loss)" shown on the consolidated balance sheet of the Company and its Consolidated Subsidiaries prepared in accordance with GAAP, (ii) the effects of the application of FASB ASC 815 to derivative or hedge transactions entered into with respect to statutory reserves related to universal life insurance policies with secondary guarantees that are designated as runoff in the Company's financial statements prepared in accordance with GAAP, or that the Company expects, in good faith, to be designated in runoff within 120 days of the Effective Date and are identified by the Company to be designated for runoff in the Company's financial statements prepared in accordance with GAAP, and the related tax impact, (iii) the effect of any election under the fair value option in FASB ASC 825 permitting a Person to measure its financial assets or liabilities at the fair value thereof, and the related tax impact, and (iv) all noncontrolling equity interests in subsidiaries (as determined in accordance with Statement of Financial Accounting Standards No. 160, entitled "Noncontrolling Interests in Consolidated Financial Statements") shown on the consolidated balance sheet of the Company and its Consolidated Subsidiaries.

"Administrative Agent" means JPMorgan, in its capacity as agent for the Banks hereunder, and its successors in such capacity.

“Administrative Questionnaire” means, with respect to each Bank, an administrative questionnaire in the form prepared by the Administrative Agent and submitted to the Administrative Agent (with a copy to the Company) duly completed by such Bank.

“Affiliate” of any Person means any other Person directly or indirectly controlling, controlled by or under common control with such Person.

“Agreement” means this Revolving Credit Agreement, as it may be amended or modified and in effect from time to time.

“Anti-Corruption Laws” has the meaning set forth in Section 4.17.

“Anti-Money Laundering Laws” has the meaning set forth in Section 4.17.

“Applicable Lending Office” means, as to each Bank, its office, branch or Affiliate located at its address set forth in its Administrative Questionnaire or such other office, branch or Affiliate of such Bank as it may hereafter designate as its Applicable Lending Office for purposes hereof by notice to the Company and the Administrative Agent.

“Applicable Commitment Fee Rate”, “Applicable Letter of Credit Commission” and “Applicable Margin” means, for any day, with respect to the Commitment Fees payable hereunder or with respect to the letter of credit fees payable under Section 2.10(b) or with respect to the interest margin on any Base Rate Loan or Euro-Dollar Loan, as the case may be, the applicable rate per annum set forth below under the caption “Applicable Commitment Fee Rate”, “Applicable Letter of Credit Commission”, “Applicable Margin (Base Rate Loans)” or “Applicable Margin (Euro-Dollar Loans)”, respectively, based upon the ratings by Moody’s and S&P, respectively, applicable on such date to the Index Debt:

	Index Debt Ratings (S&P/ Moody’s)	Applicable Commitment Fee Rate	Applicable Margin (Euro-Dollar Loans)	Applicable Margin (Base Rate Loans)	Applicable Letter of Credit Commission
Category 1	≥ A- / A3	0.150%	1.250%	0.250%	1.125%
Category 2	BBB+ / Baa1	0.175%	1.375%	0.375%	1.250%
Category 3	BBB / Baa2	0.225%	1.625%	0.625%	1.500%
Category 4	BBB- / Baa3	0.300%	1.875%	0.875%	1.750%
Category 5	< BBB- / Baa3	0.375%	2.250%	1.250%	2.125%

For purposes of the foregoing, (a) if the ratings established or deemed to have been established by Moody’s and S&P for the Index Debt shall fall within different Categories that are one Category apart, the Applicable Commitment Fee Rate, the Applicable Letter of Credit Commission and the Applicable Margin shall be determined by reference to the Category of the higher of the two ratings; (b) if the ratings established or deemed to have been established by Moody's and S&P for the Index Debt shall fall within different Categories that are more than one Category apart, the Applicable Commitment Fee Rate, the Applicable Letter of Credit Commission and the Applicable Margin shall be determined by reference to the Category next below that of the higher of the two ratings; (c) if only one of Moody's and S&P shall have in effect a rating for the Index Debt, the Applicable Commitment Fee Rate, the Applicable Letter of Credit Commission and the Applicable Margin shall be determined by reference to the Category of such rating; (d) if neither Moody's nor S&P shall have in effect a rating for the Index Debt (other than by reason of the circumstances referred to in the second to last sentence of this definition), then the applicable rating shall be determined by reference to Category 5, provided that, if neither Moody's nor S&P shall have in effect a rating for the Index Debt on the Effective Date, from such date until the earlier of (x) the date Moody's or S&P shall have a rating in effect for such Index Debt or (y) March 31, 2017, the ratings of the Index Debt shall be deemed to be the financial strength ratings of MetLife Insurance Company USA established by Moody's and S&P reduced, in each case, by three rating levels (i.e. if the S&P rating for MetLife Insurance Company USA is A+, the rating three notches below, BBB+, would be applicable); and (e) if the ratings established or deemed to have been established by Moody's and S&P for the Index Debt shall be changed (other than as a result of a change in the rating system of Moody's or S&P), such change shall be effective as of the date on which it is first announced by the applicable rating agency, irrespective of when notice of such change shall have been furnished by the Company to the Administrative Agent and the Banks pursuant to Section 5.01 or otherwise. Each change in the Applicable Commitment Fee Rate, the Applicable Letter of Credit Commission and the Applicable Margin shall apply during the period commencing on the effective date of such change and ending on the date immediately preceding the effective date of the next such change. If the rating system of Moody's or S&P shall change, or if either such rating agency shall cease to be in the business of rating corporate debt obligations, the Company and the Banks shall negotiate in good faith to amend this definition to reflect such changed rating system or the unavailability of ratings from such rating agency and, pending the effectiveness of any such amendment, the Applicable Commitment Fee Rate, the Applicable Letter of Credit Commission and the Applicable Margin shall be determined by reference to the rating of Moody's and/or S&P, as the case may be, most recently in effect prior to such change or cessation. References herein to "Applicable Margin" shall refer to the Applicable Margin for the relevant Type of Loan, as applicable.

"Applicable Percentage" means, with respect to any Bank at any time, the percentage of the total Commitments at any time represented by such Bank's Commitment; provided that in the case of Section 2.17 when a Defaulting Bank shall exist, "Applicable Percentage" shall mean the percentage of the total Commitments (disregarding any Defaulting Bank's Commitment) represented by such Bank's Commitment. If the Commitments have terminated or expired, the Applicable Percentages shall be determined based upon the Commitments most recently in effect, giving effect to any assignments and to any Bank's status as a Defaulting Bank at the time of determination.

"Applicant" means, with respect to a particular Letter of Credit, the Company or any other Subsidiary of the Company applying for such Letter of Credit pursuant to Section 2.01 and Section 2.02, provided that, if the Applicant is a Subsidiary of the Company, the Company shall be a Co-Applicant with respect to such Letter of Credit.

“Assignee” has the meaning set forth in Section 10.06(c).

“Assignment and Assumption” means an assignment and assumption entered into by a Bank and an Assignee (with the consent of any party whose consent is required by Section 10.06), and accepted by the Administrative Agent, in the form of Exhibit D or any other form approved by the Administrative Agent.

“Availability Effective Date” means (i) with respect to the Specified Loan, the date the conditions set forth in Section 3.01 and the Escrow Conditions are satisfied and (ii) with respect to any other extension of credit, the initial date the conditions set forth in Section 3.01 are satisfied (without giving effect to the proviso set forth in Section 3.01(d)).

“Bail-In Action” means the exercise of any Write-Down and Conversion Powers by the applicable EEA Resolution Authority in respect of any liability of an EEA Financial Institution.

“Bail-In Legislation” means, with respect to any EEA Member Country implementing Article 55 of Directive 2014/59/EU of the European Parliament and of the Council of the European Union, the implementing law for such EEA Member Country from time to time which is described in the EU Bail-In Legislation Schedule.

“Bank” means each Person listed under the caption “BANKS” on the signature pages hereof, and each other Person that shall become a party hereto as a Bank pursuant to this Agreement (other than any such Person that ceases to be a Bank by means of assignment pursuant to this Agreement), together with its successors. For purposes of clarification, the term “Bank” shall include each Fronting Issuing Bank.

“Bankruptcy Event” means, with respect to any Person, such Person becomes the subject of a bankruptcy or insolvency proceeding, or has had a receiver, conservator, trustee, administrator, custodian, assignee for the benefit of creditors or similar Person charged with the reorganization or liquidation of its business appointed for it, or, in the good faith determination of the Administrative Agent, has taken any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any such proceeding or appointment, provided that a Bankruptcy Event shall not result solely by virtue of any ownership interest, or the acquisition of any ownership interest, in such Person by a governmental body, agency or official or instrumentality thereof, provided, further, that such ownership interest does not result in or provide such Person with immunity from the jurisdiction of courts within the United States or from the enforcement of judgments or writs of attachment on its assets or permit such Person (or such governmental body, agency or official or instrumentality) to reject, repudiate, disavow or disaffirm any contracts or agreements made by such Person.

“Base Rate” means, for any day, a rate per annum equal to the greatest of (a) the Prime Rate in effect on such day, (b) the NYFRB Rate in effect on such day plus $1/2$ of 1% and (c) the LIBO Rate for a one month Interest Period (the “Relevant LIBO Rate”) on such day (or if such day is not a Euro-Dollar Business Day, the immediately preceding Euro-Dollar Business Day) plus 1%, provided that for the purpose of this definition, the LIBO Rate for any day shall be based on the LIBO Screen Rate (or if the LIBO Screen Rate is not available for such one month Interest Period, the Interpolated Rate) at approximately 11:00 a.m. London time on such day, provided further that if the Base Rate shall be less than zero, such rate shall be deemed to zero for the purposes of this Agreement. Any change in the Base Rate due to a change in the Prime Rate, the NYFRB Rate or the Relevant LIBO Rate shall be effective from and including the effective date of such change in the Prime Rate, the NYFRB Rate or the Relevant LIBO Rate, respectively.

"Base Rate Loan" means a Loan to be made by a Bank pursuant to Section 2.04 as a Base Rate Loan in accordance with the applicable Notice of Borrowing or Article VIII.

"Benefit Arrangement" means at any time an employee benefit plan within the meaning of Section 3(3) of ERISA which is not a Plan or a Multiemployer Plan and which is maintained or otherwise contributed to by any member of the ERISA Group.

"Brighthouse Reinsurance" means Brighthouse Reinsurance Company of Delaware, a Delaware corporation.

"Borrowing" has the meaning set forth in Section 1.03.

"Capital Stock" means any and all shares, interests, participations or other equivalents (however designated) of capital stock of a corporation, any and all equivalent ownership interests in a Person (other than a corporation), including partnership interests and membership interests, and any and all warrants, rights or options to purchase or other arrangements or rights to acquire any of the foregoing.

"Change of Control" means any event or series of events by which:

(i) prior to the Spin-Off Effective Date, any person or group of persons (within the meaning of Section 13 or 14 of the Securities Exchange Act of 1934, as amended) shall have acquired beneficial ownership (within the meaning of Rule 13d-3 promulgated by the SEC under said Act) of 35% or more of the outstanding shares of common stock of MetLife, or

(ii) from and after the Spin-Off Effective Date, any person or group of persons (within the meaning of Section 13 or 14 of the Securities Exchange Act of 1934, as amended) shall have acquired beneficial ownership (within the meaning of Rule 13d-3 promulgated by the SEC under said Act) of 25% or more of the outstanding shares of common stock of the Company;

provided that, for the avoidance of doubt, the consummation of the Spin-Off Transaction and the "distribution" of common stock of the Company to the shareholders of MetLife on the "distribution date" (as such terms are defined in the Specified Form 10) shall not be deemed to be a Change of Control.

"Co-Applicant" means the Company, acting as a co-applicant for an Applicant, with respect to a particular Letter of Credit.

"Code" means the Internal Revenue Code of 1986, as amended, or any successor statute.

"Collateral Account" has the meaning set forth in Section 2.03(e).

"Commitment" means, with respect to any Bank, the commitment of such Bank (a) to issue Syndicated Letters of Credit under Section 2.01(a) and to acquire participations in Fronted Letters of Credit and/or (b) to make Loans hereunder, in each case expressed as an amount representing the maximum aggregate amount of such Bank's Credit Exposure hereunder, as such commitment may be reduced or increased from time to time pursuant to this Agreement (including pursuant to assignments by or to such Bank pursuant to Section 10.06). The initial amount of each Bank's Commitment is set forth on Schedule I hereto or in the Assignment and Assumption or other instrument executed and delivered hereunder pursuant to which such Bank shall have assumed its Commitment, as applicable. The aggregate amount of the Banks' Commitments is $2,000,000,000 as of the Effective Date. The Commitments of the Banks are several and not joint and no Bank shall be responsible for any other Bank's failure (a) to issue Syndicated Letters of Credit under Section 2.01(a) and to acquire participations in Fronted Letters of Credit and/or (b) to make Loans hereunder.

"Commitment Availability Period" means the period from and including the Availability Effective Date to but excluding the earlier of the Commitment Termination Date and the date of termination of the Commitments.

"Commitment Termination Date" means the earlier to occur of (i) December 2, 2021 or, if such day is not a Euro-Dollar Business Day, the next preceding Euro-Dollar Business Day or (ii) if the Spin-Off Transaction has not occurred, the earlier to occur of: (x) the date that is three Domestic Business Days after the date on which the initial Loan (including, for the avoidance of doubt, the Specified Loan) is made hereunder or (y) August 15, 2017.

"Company" means Brighthouse Financial, Inc., a Delaware corporation, and its successors.

"Confirming Bank" means, with respect to any Bank, any other bank that has agreed, by delivery of a confirming bank agreement in substantially the form of Exhibit E (a "Confirming Bank Agreement"), that such other bank will itself honor the obligations of such Bank in respect of a draft complying with the terms of a Letter of Credit as if, and to the extent, such other bank were the "Issuing Bank" named in such Letter of Credit, provided that no Bank shall be obligated to so act as a Confirming Bank.

"Confirming Bank Agreement" has the meaning set forth in the definition of "Confirming Bank".

"Consolidated Subsidiary" means, at any date, any Subsidiary or other entity the accounts of which would be consolidated with those of the Company in its consolidated financial statements if such statements were prepared as of such date, and for the avoidance of doubt, prior to the Spin-Off Effective Date, including any corporation or other entity that the Company is anticipated to own on the Spin-Off Effective Date and the accounts of which are anticipated to be consolidated with the Company from and after the Spin-Off Effective Date and that is included in the combined financial statements of the Company and its related companies in the Specified Form 10.

"Consolidated Total Capitalization" means, at any date, for the Company and its Consolidated Subsidiaries, the sum of, without duplication, (i) Consolidated Total Indebtedness plus (ii) Adjusted Consolidated Net Worth.

"Consolidated Total Indebtedness" means, at any date, for the Company and its Consolidated Subsidiaries, the sum of, without duplication, (i) the aggregate amount of all Non-Operating Indebtedness plus (ii) the aggregate amount of all Hybrid Instruments of such Person to the extent such amount would not be included in the determination of Adjusted Consolidated Net Worth.

"Covenant Trigger Date" means the earlier to occur of: (i) the Spin-Off Effective Date and (ii) Availability Effective Date.

"Credit Documents" means (a) this Agreement, (b) the Notes, (c) with respect to any Letter of Credit, collectively, any application therefor and any other agreements, instruments, guarantees or other documents (whether general in application or applicable only to such Letter of Credit) governing or providing for (i) the rights and obligations of the parties concerned or at risk with respect to such Letter of Credit or (ii) any collateral security for any of such obligations, each as the same may be modified and supplemented and in effect from time to time and (d) the Fee Letters.

"Credit Exposure" means, with respect to any Bank at any time, the sum of (a) the aggregate principal amount of such Bank's Loans and (b) the aggregate amount of such Bank's LC Exposure, in each case, outstanding at such time.

"Credit Party" means the Administrative Agent, each Fronting Issuing Bank or any Bank.

"Debt" of any Person means, at any date, without duplication, (a) all obligations of such Person for borrowed money, (b) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments, (c) all obligations of such Person to pay the deferred purchase price of property or services, except trade accounts payable arising in the ordinary course of business, (d) all obligations of such Person as lessee under capital leases, (e) all non-contingent obligations of such Person to reimburse any bank or other Person in respect of amounts paid under a letter of credit, banker's acceptance or similar instrument, (f) all Debt of others secured by a Lien on any asset of such Person, whether or not such Debt is assumed by such Person, (g) all Debt of others Guaranteed by such Person, and (h) all obligations of such Person in respect of Disqualified Capital Stock (and, for the avoidance of doubt, Debt shall include Hybrid Instruments); provided that the definition of "Debt" does not include any obligations of such Person (x) under repurchase or reverse repurchase agreements to repurchase or resell (as applicable) securities (or other property) which arise out of or in connection with the sale of the same or substantially similar securities (or other property) or (y) to return collateral pledged in respect of or in connection with the loan of such securities.

"Default" means any condition or event which constitutes an Event of Default or which with the giving of notice or lapse of time or both would, unless cured or waived, become an Event of Default.

"Defaulting Bank" means any Bank that (a) has failed, within two Business Days of the date required to be funded or paid, to (i) fund any portion of its Loans, (ii) fund any portion of its obligations in respect of Letters of Credit (including its participations in Fronted Letters of Credit) or (iii) pay over to any Credit Party any other amount required to be paid by it hereunder, unless, in the case of clause (i) above, such Bank notifies the Administrative Agent in writing that such failure is the result of such Bank's good faith determination that a condition precedent to funding (specifically identified and including the particular default, if any) has not been satisfied, (b) has notified the Company or any Credit Party in writing, or has made a public statement to the effect, that it does not intend or expect to comply with any of its funding obligations under this Agreement (unless such writing or public statement indicates that such position is based on such Bank's good faith determination that a condition precedent (specifically identified and including the particular default, if any) to funding a loan under this Agreement cannot be satisfied) or generally under other agreements in which it commits to extend credit, (c) has failed, within three Business Days after request by the Administrative Agent or any Fronting Issuing Bank, acting in good faith, to provide a certification in writing from an authorized officer of such Bank that it will comply with its obligations (and is financially able to meet such obligations) to fund prospective Loans and obligations in respect of then outstanding Letters of Credit (including its participations in then outstanding Fronted Letters of Credit) under this Agreement, provided that such Bank shall cease to be a Defaulting Bank pursuant to this clause (c) upon receipt by the Administrative Agent or such Fronting Issuing Bank of such certification in form and substance satisfactory to the Administrative Agent and (if applicable) such Fronting Issuing Bank, (d) has become the subject of (A) a Bankruptcy Event or (B) a Bail-In Action, or (e) ceases to be a NAIC-Approved Bank and has failed to comply with its obligations under Section 2.16(b).

"Derivative Financial Products" of any Person means all obligations (including whether pursuant to any master agreement or any particular agreement or transaction) of such Person in respect of any rate swap transaction, basis swap, forward rate transaction, interest rate future, commodity swap, commodity option, equity or equity index swap, equity or equity index option, bond option, interest rate option, foreign exchange transaction, cap transaction, floor transaction, collar transaction, currency swap transaction, cross-currency rate swap transaction, currency future, currency option or any other similar transaction (including any option with respect to any of the foregoing) or any combination thereof.

"Disqualified Capital Stock" means that portion of any Capital Stock (other than Capital Stock that is solely redeemable, or at the election of the issuer thereof (not subject to any condition), may be redeemed, with Capital Stock that is not Disqualified Capital Stock) which, by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable at the option of the holder thereof), or upon the happening of any event, matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or is redeemable at the sole option of the holder thereof, on or prior to 180 days after the first anniversary of the Commitment Termination Date.

"Dollars" and the sign "$" means lawful money in the United States of America.

"Domestic Business Day" means any day except a Saturday, Sunday or other day on which commercial banks in New York City are authorized by law to close.

"EEA Financial Institution" means (a) any institution established in any EEA Member Country which is subject to the supervision of an EEA Resolution Authority, (b) any entity established in an EEA Member Country which is a parent of an institution described in clause (a) of this definition, or (c) any institution established in an EEA Member Country which is a subsidiary of an institution described in clauses (a) or (b) of this definition and is subject to consolidated supervision with its parent;

"EEA Member Country" means any of the member states of the European Union, Iceland, Liechtenstein, and Norway.

"EEA Resolution Authority" means any public administrative authority or any Person entrusted with public administrative authority of any EEA Member Country (including any delegee) having responsibility for the resolution of any EEA Financial Institution.

"Effective Date" means the date this Agreement becomes effective in accordance with Section 3.02.

"Environmental Laws" means any and all federal, state, local and foreign statutes, laws, regulations, ordinances, rules, judgments, orders, decrees, permits, concessions, grants, franchises, licenses, agreements or other governmental restrictions relating to the environment or to emissions, discharges or releases of pollutants, contaminants, petroleum or petroleum products, chemicals or industrial, toxic or hazardous substances or wastes into the environment including, without limitation, ambient air, surface water, ground water or land, or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of pollutants, contaminants, petroleum or petroleum products, chemicals or industrial, toxic or hazardous substances or wastes or the clean-up or other remediation thereof.

"Equity Issuance" means, with respect to any Person, (a) any issuance or sale by such Person of (i) any Capital Stock, (ii) any warrants or options exercisable in respect of Capital Stock (other than any warrants or options issued to directors, officers or employees of such Person in their capacity as such and any Capital Stock issued upon the exercise thereof) or (iii) any other security or instrument representing Capital Stock (or the right to obtain any Capital Stock) in such Person or (b) the receipt by such Person of any contribution to its capital (whether or not evidenced by any equity security) by any other Person; provided that Equity Issuance shall not include, with respect to any Subsidiary of the Company, any such issuance or sale by such Subsidiary to the Company or another Subsidiary or any capital contribution by the Company or another Subsidiary to such Subsidiary.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended, or any successor statute.

"ERISA Group" means the Company and all members of a controlled group of corporations and all trades or businesses (whether or not incorporated) under common control which, together with the Company, are treated as a single employer under Section 414(b) or 414(c) of the Code.

"Escrow Conditions" mean the terms and conditions set forth on Schedule V with respect to the Specified Loan.

“EU Bail-In Legislation Schedule” means the EU Bail-In Legislation Schedule published by the Loan Market Association (or any successor Person), as in effect from time to time.

“Euro-Dollar Business Day” means any Domestic Business Day on which commercial banks are open for international business (including dealings in Dollar deposits) in London.

“Euro-Dollar Loan” means a Loan to be made by a Bank pursuant to Section 2.04 as a Euro-Dollar Loan in accordance with the applicable Notice of Borrowing.

“Euro-Dollar Reserve Percentage” means, for any day, that percentage (expressed as a decimal) which is in effect on such day, as prescribed by the Board of Governors of the Federal Reserve System (or any successor) for determining the maximum reserve requirement for a member bank of the Federal Reserve System in New York City with deposits exceeding five billion dollars in respect of “Eurocurrency liabilities” (or in respect of any other category of liabilities which includes deposits by reference to which the interest rate on Euro-Dollar Loans is determined or any category of extensions of credit or other assets which includes loans by a non-United States office of any Bank to United States residents).

“Event of Default” has the meaning set forth in Section 6.01.

“Federal Funds Rate” means, for any day, the rate calculated by the NYFRB based on such day’s federal funds transactions by depositary institutions (or on any such day that is not a Domestic Business Day, on the immediately preceding Domestic Business Day), as determined in such manner as the NYFRB shall set forth on its public website from time to time, and published on the next succeeding Domestic Business Day by the NYFRB as the federal funds effective rate.

“Fee Letters” means, collectively, (i) those certain letter agreements, dated November 9, 2016, between the Company and each of the Active Joint Lead Arrangers and/or their affiliates and (ii) that certain letter agreement, dated November 9, 2016, among the Company and the Active Joint Lead Arrangers and/or their affiliates, in each case, as amended and in effect from time to time.

“Financial Officer” means the chief financial officer, principal accounting officer, treasurer, assistant treasurer, or other senior financial officer of the Company, in each case, to the extent duly authorized to deliver certifications hereunder.

“Fronted LC Commitment” means, with respect to any Fronting Issuing Bank, the maximum aggregate undrawn face amount of Fronted Letters of Credit which such Fronting Issuing Bank shall have agreed to issue hereunder (as set forth (i) in the case of any Fronting Issuing Bank party hereto as of the Effective Date, beneath the signature of such Fronting Issuing Bank on its signature page hereto or (ii) in the case of any Bank that shall become a Fronting Issuing Bank after the Effective Date, in the written instrument referred to in the definition of “Fronting Issuing Bank” by which it agrees to be a Fronting Issuing Bank hereunder), as such maximum amount may be changed from time to time in accordance with Section 2.01(a).

“Fronted LC Exposure” means, at any time, the sum of (a) the aggregate undrawn amount of all outstanding Fronted Letters of Credit at such time plus (b) the aggregate amount of all LC

Disbursements under Fronted Letters of Credit that have not yet been reimbursed by or on behalf of the Company at such time. The Fronted LC Exposure of any Bank shall at any time be its Applicable Percentage of the total Fronted LC Exposure at such time.

“Fronted Letter of Credit” means a letter of credit issued by a Fronting Issuing Bank as the sole issuing bank.

“Fronting Issuing Bank” means each Bank, if any, that has agreed, in its sole discretion, to be a Fronting Issuing Bank and to issue Fronted Letters of Credit hereunder, on or after the Effective Date by a written instrument executed by such Bank and the Company and delivered to the Administrative Agent hereunder (which instrument shall be in form and substance satisfactory to the Administrative Agent), whereupon such Bank shall become a Fronting Issuing Bank hereunder, provided that no Bank shall be obligated to so act as a Fronting Issuing Bank.

“Guarantee” by any Person means any obligation, contingent or otherwise, of such Person directly or indirectly guaranteeing any Debt of any other Person and, without limiting the generality of the foregoing, any obligation, direct or indirect, contingent or otherwise, of such Person (i) to purchase or pay (or advance or supply funds for the purchase or payment of) such Debt (whether arising by virtue of partnership arrangements, by agreement to keep-well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement conditions or otherwise) or (ii) entered into for the purpose of assuring in any other manner the obligee of such Debt of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part), provided that the term “Guarantee” shall not include endorsements for collection or deposit in the ordinary course of business. The term “Guarantee” used as a verb has a corresponding meaning.

“Hybrid Instruments” means Securities (as defined below) that are given at least some equity credit by S&P or Moody’s (and as to which, in the case of any Hybrid Instrument issued after the Effective Date, the Company shall have provided evidence of such equity credit to the Administrative Agent), provided that the term “Hybrid Instruments” shall exclude any Securities to the extent recorded in the shareholder’s equity section of the combined or consolidated balance sheet of the Company and its Consolidated Subsidiaries most recently filed with the SEC. As used herein “Securities” means any stock, share, partnership interest, membership interest in a limited liability company, voting trust certificate, certificate of interest or participation in any profit-sharing agreement or arrangement, option, warrant, bond, debenture, note, or other evidence of indebtedness, secured or unsecured, convertible, subordinated or otherwise, or in general any instruments commonly known as “securities” or any certificates of interest, shares or participations in temporary or interim certificates for the purchase or acquisition of, or any right to subscribe to, purchase or acquire, any of the foregoing.

“Hybrid Instrument Amount” means, with respect to any Hybrid Instruments, the principal amount (which principal amount may be a portion of the aggregate principal amount) of such Hybrid Instrument that is accorded equity credit treatment by S&P and/or Moody’s at the time of issuance thereof; provided that, (i) in the case such Hybrid Instruments are given equity credit by both S&P and Moody’s, the higher of the two amounts shall apply, (ii) the equity credit treatment given by S&P and Moody’s to any Hybrid Instrument at the time of issuance shall be deemed to apply to such Hybrid Instrument to the extent such Hybrid Instrument remains outstanding, irrespective of any change in the equity credit treatment given by either such rating agency to such Hybrid Instrument at any time after the date of issuance (it being agreed, for avoidance of doubt, that any change in the amount or percentage of the equity credit given to such Hybrid Instrument that is contemplated in the equity credit treatment given to such Hybrid Instrument as of the date of issuance (including, without limitation, any such change resulting from the life to maturity of such Hybrid Instrument or the amount of all such Hybrid Instruments as a percentage of total adjusted capital (as determined by S&P or Moody's)) shall continue to be given effect after the date of issuance in determining the Hybrid Instrument Amount) and (iii) the Hybrid Instrument Amount that is included in the determination of Adjusted Consolidated Net Worth shall not, at any time, exceed 15% of Consolidated Total Capitalization.

"Impacted Interest Period" has the meaning set forth in Section 2.09(b).

"Index Debt" means senior, unsecured, long-term indebtedness for borrowed money of the Company that is not guaranteed by any other Person or subject to any other credit enhancement.

"Insurance Subsidiary" means any Subsidiary which is subject to the regulation of, and is required to file statements with, any governmental body, agency or official in any State or territory of the United States or the District of Columbia which regulates insurance companies or the doing of an insurance business therein, including, without limitation, Brighthouse Reinsurance.

"Interest Election Request" means a request by the Company to convert or continue a Borrowing in accordance with Section 2.05(b).

"Interest Period" means, with respect to each Euro-Dollar Borrowing, the period commencing on the date of such Borrowing and ending one, two, three or six months (or, if available, nine or twelve months with the consent of all of the Banks) thereafter, as the Company may elect in the applicable Notice of Borrowing or Interest Election Request; provided that:

(a) any Interest Period which would otherwise end on a day which is not a Euro-Dollar Business Day shall be extended to the next succeeding Euro-Dollar Business Day unless such Euro-Dollar Business Day falls in another calendar month, in which case such Interest Period shall end on the next preceding Euro-Dollar Business Day;

(b) any Interest Period which begins on the last Euro-Dollar Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall end on the last Euro-Dollar Business Day of a calendar month; and

(c) any Interest Period which begins before the Commitment Termination Date and would otherwise end after the Commitment Termination Date shall end on the Commitment Termination Date.

For purposes hereof, the date of a Borrowing initially shall be the date on which such Borrowing is made and thereafter shall be the effective date of the most recent conversion or continuation of such Borrowing.

"Intermediate Co." means Brighthouse Holdings, LLC, a Delaware limited liability company.

"Interpolated Rate" means, at any time, for any Interest Period, the rate per annum (rounded to the same number of decimal places as the LIBO Screen Rate) determined by the Administrative Agent (which determination shall be conclusive and binding absent manifest error) to be equal to the rate that results from interpolating on a linear basis between: (a) the LIBO Screen Rate for the longest period for which the LIBO Screen Rate is available for Dollars that is shorter than the Impacted Interest Period; and (b) the LIBO Screen Rate for the shortest period (for which that LIBO Screen Rate is available for Dollars) that exceeds the Impacted Interest Period, in each case, at such time.

"JPMorgan" means JPMorgan Chase Bank, N.A.

"LC Disbursement" means a payment made by a Bank pursuant to a Letter of Credit.

"LC Exposure" means, at any time, the sum of (a) the Syndicated LC Exposure at such time plus (b) the Fronted LC Exposure at such time. The LC Exposure of any Bank shall at any time be the sum of (a) its Syndicated LC Exposure at such time plus (b) its Fronted LC Exposure at such time.

"LC Reimbursement Loan" means a Loan the proceeds of which are used solely to finance the reimbursement of LC Disbursements as contemplated by Section 2.03(a).

"Letters of Credit" means letters of credit issued under Section 2.01 and shall include Syndicated Letters of Credit and Fronted Letters of Credit.

"LIBO Rate" has the meaning set forth in Section 2.09(b).

"LIBO Screen Rate" has the meaning set forth in Section 2.09(b).

"Lien" means, with respect to any asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such asset. For the purposes of this Agreement, the Company or any Subsidiary shall be deemed to own subject to a Lien any asset which it has acquired or beneficially holds subject to the interest of a vendor or lessor under any conditional sale agreement, capital lease or other title retention agreement relating to such asset.

"Loan" means a Base Rate Loan or a Euro-Dollar Loan and "Loans" means Base Rate Loans or Euro-Dollar Loans or any combination of the foregoing.

"Material Adverse Effect" means a material adverse effect on (a) business, assets, property or financial condition of the Company and its Consolidated Subsidiaries, taken as a whole or (b) the validity or enforceability of any of the Credit Documents or the material rights and remedies of the Banks under the Credit Documents.

"Material Subsidiary" means (a) Intermediate Co., (b) Brighthouse Reinsurance, (c) any other Subsidiary that has total assets (including, without limitation, Capital Stock of its Subsidiaries) in excess of 10% of the total assets of the Company and its Consolidated

Subsidiaries (based upon and as of the date of the filing of the most recent combined or consolidated balance sheet of the Company furnished pursuant to Section 4.04 or 5.01), and (d) any Subsidiary formed or organized after the Effective Date that owns, directly or indirectly, greater than 10% of the Capital Stock of any other Material Subsidiary. In the event that the aggregate total assets of the Material Subsidiaries represents less than 80% of the consolidated total assets of the Company and its Consolidated Subsidiaries (as reported on the Company's most recent combined or consolidated balance sheet furnished pursuant to Section 4.04 or 5.01), the Company shall promptly designate an additional Subsidiary or Subsidiaries as Material Subsidiaries in order that, after such designation, the aggregate total assets of the Material Subsidiaries represent at least 80% of the consolidated total assets of the Company and its Consolidated Subsidiaries (as reported on the Company's most recent combined or consolidated balance sheet furnished pursuant to Section 4.04 or 5.01).

"MetLife" means MetLife, Inc., a Delaware corporation.

"MLPFS" means Merrill Lynch, Pierce, Fenner & Smith Incorporated (or any other registered broker-dealer wholly-owned by Bank of America Corporation to which all or substantially all of Bank of America Corporation's or any of its subsidiaries' investment banking, commercial lending services or related businesses may be transferred following the Effective Date.

"Moody's" means Moody's Investors Service, Inc.

"Multiemployer Plan" means at any time an employee pension benefit plan within the meaning of Section 4001(a)(3) of ERISA to which any member of the ERISA Group is then making or accruing an obligation to make contributions or has within the preceding five plan years made contributions, including for these purposes any Person which ceased to be a member of the ERISA Group during such five-year period.

"NAIC" means the National Association of Insurance Commissioners and any successor thereto.

"NAIC Approved Bank" means (a) any Bank that is a bank listed on the most current "Bank List" of banks approved by the NAIC (the "NAIC Approved Bank List") or (b) any Bank as to which its Confirming Bank is a bank listed on the NAIC Approved Bank List.

"NAIC Approved Bank List" has the meaning set forth in the definition of "NAIC Approved Bank".

"Net Proceeds" means, with respect to any Equity Issuance, the aggregate cash proceeds received in respect of such Equity Issuance, net of all reasonable fees and out-of-pocket expenses paid to third parties (other than Affiliates of the Company) in connection therewith; provided that Net Proceeds of any Equity Issuance shall not include any proceeds received in respect of the exercise of stock options held by officers, directors, employees, or consultants of the Company or any of its Subsidiaries.

"Non-Consenting Bank" means any Bank that does not approve any consent, waiver or amendment that (a) requires the approval of each Bank or each affected Banks in accordance with the terms of Section 10.05 and (b) has been approved by the Required Banks.

"Non-Defaulting Banks" means any Bank that is not a Defaulting Bank.

"Non-NAIC Approved Bank" means, at any time, any Bank that is not a NAIC Approved Bank.

"Non-Operating Indebtedness" of any Person means, at any date, all Debt (other than Operating Indebtedness) of such Person.

"Non-Pro Rata Issuance Election" means an election by the Company to have a Syndicated Letter of Credit issued, renewed, extended or amended on an adjusted pro rata basis, as more fully described in clause (d) of Section 2.16.

"Notes" means a promissory note or notes of the Company, substantially in the form of Exhibit A hereto, evidencing the obligation of the Company to repay the Loans made to it hereunder, and "Note" means any one of such promissory notes issued hereunder.

"Notice of Borrowing" has the meaning set forth in Section 2.05(a).

"NYFRB" means the Federal Reserve Bank of New York.

"NYFRB Rate" means, for any day, the greater of (a) the Federal Funds Rate in effect on such day and (b) the Overnight Bank Funding Rate in effect on such day (or for any day that is not a Domestic Business Day, for the immediately preceding Domestic Business Day); provided that if none of such rates are published for any day that is a Domestic Business Day, the term "NYFRB Rate" means the rate for a federal funds transaction quoted at 11:00 a.m. on such day received to the Administrative Agent from a Federal funds broker of recognized standing selected by it; provided, further, that if any of the aforesaid rates shall be less than zero, such rate shall be deemed to be zero for purposes of this Agreement.

"Obligations" means all advances to, and debts, liabilities, obligations, covenants and duties of, the Company or any Applicant arising under any Credit Document or otherwise with respect to any Loan or Letter of Credit, whether direct or indirect (including those acquired by assumption), absolute or contingent, due or to become due, now existing or hereafter arising and including interest and fees that accrue after the commencement by or against the Company or any Applicant or any Affiliate thereof of any proceeding under any bankruptcy, insolvency or similar laws affecting creditors' rights generally naming such Person as the debtor in such proceeding, regardless of whether such interest and fees are allowed claims in such proceeding

"Operating Indebtedness" of any Person means, at any date, without duplication, any Debt of such Person (a) in respect of or supporting (including any Guarantee of Debt in respect thereof) AXXX, XXX and other similar life reserve requirements, (b) incurred in connection with repurchase agreements and securities lending, (c) to the extent the proceeds of which are used directly or indirectly (including for the purpose of funding portfolios that are used to fund trusts in order) to support AXXX, XXX and other similar life reserves, (d) to the extent the proceeds of which are used to fund discrete customer-related assets or pools of assets (and related hedge instruments and capital) that are at least notionally segregated from other assets and have sufficient cash flow to pay principal and interest thereof, with insignificant risk of other assets of the Company and its Subsidiaries being called upon to make such principal and interest payments or (e) excluded entirely from financial leverage by both S&P and Moody's in their evaluation of such Person.

"Overnight Bank Funding Rate" means, for any day, the rate comprised of both overnight federal funds and overnight Eurodollar borrowings by United Sates-managed banking offices of depository institutions, as such composite rate shall be determined by the NYFRB as set forth on its public website from time to time, and published on the next succeeding Domestic Business Day by the NYFRB as an overnight bank funding rate (from and after such date as the NYFRB shall commence to publish such composite rate).

"Parent" means, with respect to any Bank, any Person as to which such Bank is, directly or indirectly, a subsidiary.

"Participant" has the meaning set forth in Section 10.06(b).

"Participant Register" has the meaning set forth in Section 10.06(b).

"Patriot Act" has the meaning set forth in Section 4.17.

"Payment Account" means an account designated by the Administrative Agent in a notice to the Company and the Banks to which payments hereunder are to be made.

"PBGC" means the Pension Benefit Guaranty Corporation or any entity succeeding to any or all of its functions under ERISA.

"Person" means an individual, a corporation, a partnership, an association, a trust or any other entity or organization, including a government or political subdivision or an agency or instrumentality thereof.

"Plan" means at any time an employee pension benefit plan (other than a Multiemployer Plan) which is covered by Title IV of ERISA or subject to the minimum funding standards under Section 412 of the Code and either (i) is maintained, or contributed to, by any member of the ERISA Group for employees of any member of the ERISA Group or (ii) has at any time within the preceding five years been maintained, or contributed to, by any Person which was at such time a member of the ERISA Group for employees of any Person which was at such time a member of the ERISA Group.

"Prime Rate" means the rate of interest publicly announced from time to time by JPMorgan as its prime rate as in effect at its principal office in New York City; each change in the Prime Rate shall be effective from and including the date such change is publicly announced as being effective.

"Quarterly Dates" means the last day of March, June, September and December in each year, the first of which shall be the first such day after the date hereof.

“Register” has the meaning set forth in Section 2.07(b).

“Regulation S-X” means Regulation S-X promulgated under the Securities Act of 1933, as amended from time to time, and as interpreted by the SEC.

“Regulations T, U and X” means Regulations T, U and X, respectively, of the Board of Governors of the Federal Reserve System, in each case as in effect from time to time.

“Related Parties” means, with respect to any specified Person, such Person’s Affiliates and the respective directors, officers, employees, agents and advisors of such Person and such Person’s Affiliates.

“Required Banks” means at any time Banks having Commitments representing more than 50% of the aggregate amount of the Commitments at such time; provided that, if the Commitments have expired or been terminated, “Required Banks” means Banks having more than 50% of the aggregate amount of the Credit Exposures of the Banks at such time.

“Restructuring Effective Date” means the date the Restructuring Transaction is consummated, in a manner reasonably satisfactory to the Administrative Agent and the Active Joint Lead Arrangers.

“Restructuring Transaction” means the corporate restructuring described in the Specified Form 10, pursuant to which, among other things, (i) the Company shall own all of the voting Capital Stock of Intermediate Co., (ii) Intermediate Co. shall own, directly or indirectly, all of the Capital Stock of MetLife Insurance Company USA, Brighthouse Securities, LLC, Brighthouse Services, LLC, MetLife Advisors, LLC, First MetLife Investors Insurance Company, New England Life Insurance Company and each other Insurance Subsidiary to be acquired by the Company and Intermediate Co. and (iii) the ownership structure of the Company and its Subsidiaries shall be as set forth on Schedule VI.

“Sanctions” has the meaning set forth in Section 4.17.

“Sanctions Laws” has the meaning set forth in Section 4.17.

“S&P” means Standard and Poor’s Ratings Services.

“SEC” means Securities and Exchange Commission or any governmental body, agency or official succeeding to its principal functions.

“Secured Obligations” has the meaning set forth in Section 2.03(e).

“Specified Date” means the day after the first date that the following shall have occurred on terms and conditions, and in form and substance, satisfactory to the Administrative Agent and the Active Joint Lead Arrangers: (i) (x) the Company shall own all of the voting Capital Stock of Intermediate Co. and (y) Intermediate Co. shall own, directly or indirectly, all of the Capital Stock of MetLife Insurance Company USA, Brighthouse Securities, LLC, Brighthouse Services, LLC, MetLife Advisors, LLC, First MetLife Investors Insurance Company, New England Life Insurance Company and each other Insurance Subsidiary to be acquired by the Company and

Intermediate Co. pursuant to the Restructuring Transaction, (ii) the other elements of the Restructuring Transaction and the Restructuring Effective Date shall have occurred and (iii) the Spin-Off Transaction shall have been consummated and the Spin-Off Effective Date shall have occurred.

"Specified Form 10" means that certain Form 10, filed by the Company with the Securities and Exchange Commission on October 5, 2016, as may be amended in a manner not adverse to the Administrative Agent and the Banks or otherwise with the consent of the Active Joint Lead Arrangers.

"Specified Loan" means, subject to the satisfaction of the Escrow Conditions, a single Loan borrowed by the Company and funding solely into escrow pursuant to Section 3.01(d) of the Agreement. For the avoidance of doubt, the Specified Loan may not include any issuance of a Letter of Credit or give rise to any LC Exposure.

"Spin-Off Effective Date" means the date the Spin-Off Transaction is consummated, in a manner reasonably satisfactory to the Administrative Agent and the Active Joint Lead Arrangers.

"Spin-Off Transaction" means the distribution and separation transaction described in the Specified Form 10, pursuant to which, among other things, (i) MetLife will not own more than 19.9% of the Company's Capital Stock, (ii) the Restructuring Transaction shall have been consummated and (iii) the ownership structure of the Company and its Subsidiaries after giving effect to the Spin-Off Transaction shall be as set forth on Schedule VII.

"Statutory Statement" means a statement of the condition and affairs of an Insurance Subsidiary, prepared in accordance with accounting procedures and practices prescribed or permitted by an applicable insurance regulatory authority or the NAIC, as modified in accordance with permitted practices approved by an applicable insurance regulatory authority, and filed with an applicable insurance regulatory authority or the NAIC.

"Subsidiary" means any corporation or other entity of which securities or other ownership interests having ordinary voting power to elect a majority of the board of directors or other persons performing similar functions are at the time directly or indirectly owned by the Company, and, prior to the Spin-Off Effective Date, any corporation or other entity that the Company is anticipated to own on the Spin-Off Effective Date and that is included in the combined financial statements of Company and its related companies in the Specified Form 10.

"Syndicated LC Exposure" means, at any time, the sum of (a) the aggregate undrawn amount of all outstanding Syndicated Letters of Credit at such time plus (b) the aggregate amount of all LC Disbursements under Syndicated Letters of Credit that have not yet been reimbursed by or on behalf of the Company at such time. The Syndicated LC Exposure of any Bank shall at any time be its Applicable Percentage of the total Syndicated LC Exposure at such time.

"Syndicated Letter of Credit" means a single multi-bank letter of credit issued by all of the Banks (acting through the Administrative Agent in accordance with the provisions hereof) in which each Bank, as an issuing bank thereunder, has a several (but not joint) obligation in respect of a specified portion of the amount of such letter of credit.

“Type”, when used in reference to any Loan or Borrowing, refers to whether the Loan is a Base Rate Loan or a Euro-Dollar Loan.

“Write-Down and Conversion Powers” means, with respect to any EEA Resolution Authority, the write-down and conversion powers of such EEA Resolution Authority from time to time under the Bail-In Legislation for the applicable EEA Member Country, which write-down and conversion powers are described in the EU Bail-In Legislation Schedule.

SECTION 1.02 Accounting Terms and Determinations.

(a) All accounting terms not specifically or completely defined herein shall be construed in conformity with, and all financial data required to be submitted pursuant to this Agreement shall be prepared in conformity with, GAAP, as in effect from time to time, applied in a manner consistent with that used in preparing the audited financial statements or statutory statements, as of the Effective Date, except as otherwise specifically prescribed herein.

(b) If at any time any change in GAAP would affect the computation of any requirement set forth in any Credit Document, and either the Borrowers or the Required Banks shall so request, the Administrative Agent, the Banks and the Company shall negotiate in good faith to amend such requirement to preserve the original intent thereof in light of such change in GAAP (subject to the approval of the Required Banks); provided that, until so amended, (i) such requirement shall continue to be computed in accordance with GAAP as in effect prior to such change therein and (ii) the Company shall provide to the Administrative Agent and the Banks financial statements and other documents required under this Agreement or as reasonably requested hereunder setting forth a reconciliation between calculations of such requirement made before and after giving effect to such change in GAAP.

SECTION 1.03 Types of Borrowings. The term “Borrowing” denotes the aggregation of Loans to be made to the Company pursuant to Section 2.04, or converted or continued pursuant to Section 2.05(b), on a single date and for a single Interest Period. Borrowings are classified for purposes of this Agreement by reference to the pricing of Loans comprising such Borrowing (e.g., a “Euro-Dollar Borrowing” is a Borrowing comprised of Euro-Dollar Loans).

ARTICLE II

THE CREDITS

SECTION 2.01 Letters of Credit.

(a) General. Subject to the terms and conditions set forth herein, at the request of any Applicant, and, if a Subsidiary of the Company is the Applicant, the Company, as Co-Applicant, at any time and from time to time during the Commitment Availability Period, (i) each Bank agrees to issue Syndicated Letters of Credit and (ii) each Fronting Issuing Bank agrees to issue Fronted Letters of Credit, in each case denominated in Dollars for the account of the Company or any of its Subsidiaries, that will not result in (x) the aggregate outstanding amount of the Credit Exposures of the Banks exceeding the aggregate amount of the Commitments of the Banks, (y) the aggregate outstanding amount of the Credit Exposure of such

Bank exceeding the aggregate amount of the Commitment of such Bank and (z) with respect to Fronted Letters of Credit, the aggregate undrawn face amount of Fronted Letters of Credit issued by such Fronting Issuing Bank plus the aggregate amount of unreimbursed LC Disbursements in respect of Fronted Letters of Credit exceeding its Fronted LC Commitment.

Each Syndicated Letter of Credit shall be a standby letter of credit in substantially the form attached hereto as Exhibit B, with such changes therein (i) as the Administrative Agent determines are acceptable to it and not adverse to the Banks or (ii) the Required Banks shall approve. Without the prior consent of each Bank, no Syndicated Letter of Credit may be issued that would vary the several and not joint nature of the obligations of the Banks thereunder, and each Syndicated Letter of Credit shall be issued by all of the Banks having Commitments at the time of issuance as a single multi-bank letter of credit, but the obligation of each Bank thereunder shall be several and not joint, based upon its Applicable Percentage (or other applicable share if the Company has made a Non-Pro Rata Issuance Election with respect to such Syndicated Letters of Credit) of the aggregate undrawn amount of such Letter of Credit.

Each Fronted Letter of Credit shall be a standby letter of credit in such form as the Applicant, and, if a Subsidiary of the Company is the Applicant, the Company, as Co-Applicant, shall request and reasonably acceptable to the Administrative Agent and the applicable Fronting Issuing Bank with respect thereto. Each Fronted Letter of Credit shall be issued by, and be the sole obligation as issuing bank of, the applicable Fronting Issuing Bank (without impairing each Bank's participation obligations with respect thereto). No Bank shall have any obligation hereunder to become a Fronting Issuing Bank hereunder and any election to do so shall be in the sole discretion of each Bank. Notwithstanding anything herein to the contrary, any addition or removal of a Fronting Issuing Bank hereunder or change in its Fronted LC Commitment may be effected only with the agreement of such Fronting Issuing Bank and the Company (and with the consent of Administrative Agent (such consent not to be unreasonably withheld)) (provided that no such change shall increase the Commitment of any Bank).

If requested by the Company but, in each case subject to the terms and conditions of this Agreement, and if the Company advises the applicable Fronting Issuing Bank or the Administrative Agent, as the case may be, of such requirements prior to the issuance of such Letter of Credit, a Letter of Credit will have provisions that satisfy the requirements for letters of credit under credit-for-reinsurance provisions (except to the extent that issuance of a Letter of Credit with such provisions would, in the reasonable judgment of the Administrative Agent or the applicable Fronting Issuing Bank, materially change the potential liability of such Administrative Agent or such Fronting Issuing Bank, as applicable) in the jurisdiction of organization of the beneficiary of such Letter of Credit with respect to support variable annuity policies and reinsurance reserve requirements; provided that none of the applicable Fronting Issuing Bank, the Administrative Agent or the Bank shall be obligated to verify that such provisions satisfy such requirements for reserve credit.

(b) Notice of Issuance, Amendment, Renewal or Extension. To request the issuance of a Letter of Credit (or the amendment, renewal or extension of an outstanding Letter of Credit), the Applicant, and, if a Subsidiary of the Company is the Applicant, the Company, as Co-Applicant) shall hand deliver or telecopy (or transmit by electronic communication, if arrangements for doing so have been approved by the Administrative Agent) to the

Administrative Agent and (in the case of a Fronted Letter of Credit) the applicable Fronting Issuing Bank, (not later than noon (New York City time) two Domestic Business Day (or such shorter time as the Administrative Agent or the applicable Fronting Issuing Bank may agree in a particular instance in their sole discretion) prior to, the requested date of issuance, amendment, renewal or extension) a notice requesting the issuance of a Syndicated Letter of Credit or Fronted Letter of Credit, or identifying the Letter of Credit to be amended, renewed or extended, and specifying the date of issuance, amendment, renewal or extension, as the case may be (which shall be a Domestic Business Day), the date on which such Letter of Credit is to expire (which shall comply with Section 2.01(d)), the amount of such Letter of Credit, the name and address of the beneficiary thereof and the terms and conditions of (and such other information as shall be necessary to prepare, amend, renew or extend, as the case may be) such Letter of Credit.

If requested by the Administrative Agent or (in the case of any Fronted Letter of Credit) the applicable Fronting Issuing Bank through the Administrative Agent, the Applicant, and, if a Subsidiary of the Company is the Applicant, the Company, as Co-Applicant, also shall submit a letter of credit application on standard form of the Person that is serving as Administrative Agent or such Fronting Issuing Bank, as applicable, in connection with any request for a Letter of Credit. In the event of any inconsistency between the terms and conditions of this Agreement and the terms and conditions of any form of letter of credit application or other agreement submitted by the Company to, or entered into by the Company with, the Person that is serving as Administrative Agent or such Fronting Issuing Bank, as applicable, relating to any Letter of Credit, the terms and conditions of this Agreement shall control.

If any Letter of Credit shall provide for the automatic extension of the expiry date thereof unless the Administrative Agent or (in the case of any Fronted Letter of Credit) the applicable Fronting Issuing Bank shall give notice to the beneficiary thereof on or before the time specified therein (which shall not be more than 60 days prior to the stated expiration date, unless otherwise agreed by the Administrative Agent or the applicable Fronting Issuing Bank, in their sole discretion, as applicable) that such expiry date shall not be extended (each such Letter of Credit, an "Evergreen Letter of Credit" and such notice, a "Non-Extension Notice"), then the Administrative Agent or such Fronting Issuing Bank, as applicable, will give a Non-Extension Notice under such Evergreen Letter of Credit in accordance with its terms if requested to do so by notice given to the Administrative Agent or such Fronting Issuing Bank (through the Administrative Agent) by (i) at any time a Default shall have occurred and be continuing, the Required Banks, (ii) at any time on or after the date that the Commitments are terminated, any Bank or (iii) the Applicant, and, if a Subsidiary of the Company is the Applicant, the Company, as Co-Applicant, provided that the Administrative Agent or such Fronting Issuing Bank, as applicable, will give a Non-Extension Notice such that each Evergreen Letter of Credit expires no later than one year after the Commitment Termination Date.

(c) Limitations on Amounts and Daily Transactions. Each Letter of Credit shall be issued, amended, renewed or extended if and only if (and upon such issuance, amendment, renewal or extension of each Letter of Credit the Company shall be deemed to represent and warrant that), after giving effect to such issuance, amendment, renewal or extension, the aggregate outstanding amount of the Credit Exposures of the Banks shall not exceed the aggregate amount of the Commitments of the Banks.

In no event may more than 25 issuances, amendments, renewals and/or extensions of Letters of Credit occur on any day, unless the Administrative Agent shall otherwise agree.

(d) Expiry Date. Each Letter of Credit shall expire at or prior to the close of business on the earlier of (i) the date one year after the date of the issuance of such Letter of Credit (provided that such Letter of Credit may contain "evergreen" provisions for the renewal or extension thereof to a date not later than one year after the then current expiry date thereof) or (ii) the first anniversary of the Commitment Termination Date. The Company shall cause any Letter of Credit outstanding on or after the date that is five Business Days prior to the Commitment Termination Date to be cash collateralized in accordance with Section 2.03(e) on or prior to such date and for so long as such Letter of Credit is outstanding.

(e) Obligation of Banks. With respect to any Syndicated Letter of Credit, the obligation of any Bank under such Syndicated Letter of Credit shall be several and not joint and shall at any time be in an amount equal to such Bank's Applicable Percentage (or other applicable share if the Company has made a Non-Pro Rata Issuance Election with respect to such Syndicated Letters of Credit) of the aggregate undrawn amount of such Letter of Credit, and each Syndicated Letter of Credit shall expressly so provide.

By the issuance of a Fronted Letter of Credit (or an amendment to a Fronted Letter of Credit increasing the amount thereof) by any Fronting Issuing Bank, and without any further action on the part of any Fronting Issuing Bank or the Banks, the applicable Fronting Issuing Bank hereby grants to each Bank, and each Bank hereby acquires from such Fronting Issuing Bank, a participation in such Fronted Letter of Credit equal to such Bank's Applicable Percentage of the aggregate amount available to be drawn under such Fronted Letter of Credit. Each Bank acknowledges and agrees that its obligation to acquire participations in respect of Fronted Letters of Credit is absolute and unconditional and shall not be affected by any circumstance whatsoever, including any amendment, renewal or extension of any Fronted Letter of Credit or the occurrence and continuance of a Default or reduction or termination of the Commitments. In consideration and in furtherance of the foregoing, each Bank hereby absolutely and unconditionally agrees to pay to the Administrative Agent, for account of the applicable Fronting Issuing Bank, such Bank's Applicable Percentage of each LC Disbursement made by such Fronting Issuing Bank in respect of any Fronted Letter of Credit, promptly upon the request of such Fronting Issuing Bank at any time from the time such LC Disbursement is made until such LC Disbursement is reimbursed by the Company or at any time after any reimbursement payment is required to be refunded to the Company for any reason. Such payment shall be made without any offset, abatement, withholding or reduction whatsoever. Promptly following receipt by the Administrative Agent of any payment from the Company pursuant to Section 2.03(a) in respect of any Fronted Letter of Credit, the Administrative Agent shall distribute such payment to the applicable Fronting Issuing Bank or, to the extent that the Banks have made payments pursuant to this paragraph to reimburse such Fronting Issuing Bank, then to the Banks and such Fronting Issuing Bank as their interests may appear. Any payment made by a Bank pursuant to this paragraph to reimburse the applicable Fronting Issuing Bank for any LC Disbursement shall not relieve the Company of its obligation to reimburse such LC Disbursement.

(f) Adjustment of Applicable Percentages. Upon (i) each addition of a new Bank hereunder and (ii) each change in the Commitment of a Bank pursuant to this Agreement, including pursuant to an increase in the commitments pursuant to Section 2.11, then (A) in the case of each outstanding Syndicated Letter of Credit, with the consent of the beneficiary thereunder to the extent required by the terms thereof or under applicable law (including, if applicable, the Uniform Customs and Practices for Documentary Credits governing such Syndicated Letter of Credit), the Administrative Agent shall promptly amend such Syndicated Letter of Credit to specify the Banks that are parties thereto, after giving effect to such event, and such Banks' respective Applicable Percentages (or other applicable share if the Company has made a Non-Pro Rata Issuance Election with respect to such Syndicated Letters of Credit) as of the effective date of such amendment and (B) in the case of each outstanding Fronted Letter of Credit, the participation interest of each Bank therein shall automatically be adjusted to reflect, and each Bank shall have a participation in such Fronted Letter of Credit equal to, such Bank's Applicable Percentage of the aggregate amount available to be drawn under such Fronted Letter of Credit after giving effect to such event. However, it is acknowledged by the Administrative Agent and the Banks that amendments of outstanding Syndicated Letters of Credit may not be immediately effected. Accordingly, whether or not Syndicated Letters of Credit are amended as contemplated hereby, the Banks agree that they shall purchase and sell participations or otherwise make or effect such payments among themselves (but through the Administrative Agent) so that payments by the Banks of drawings under Syndicated Letters of Credit and payments by the Company of LC Disbursements and interest thereon are, except as otherwise expressly set forth herein, in each case shared by the Banks in accordance with the respective Applicable Percentages (or other applicable shares if the Company has made a Non-Pro Rata Issuance Election with respect to such Syndicated Letters of Credit) of the Banks from time to time in effect.

(g) Conditions to Issuance. None of the Fronting Issuing Bank, the Administrative Agent nor any Bank shall have any obligation to issue Letters of Credit, so long as:

(i) Any order, judgment or decree of any governmental authority or arbitrator shall by its terms purport to enjoin or restrain the Fronting Issuing Bank, the Administrative Agent or any Bank from issuing such Letter of Credit;

(ii) Any law applicable to such Fronting Issuing Bank, the Administrative Agent or any Bank or any request or directive (whether or not having the force of law) from any governmental authority with jurisdiction over such Fronting Issuing Bank, the Administrative Agent or such Bank shall prohibit, or request that such Fronting Issuing Bank, the Administrative Agent or such Bank refrain from, the issuance of letters of credit generally or such Letter of Credit in particular or shall impose upon such Fronting Issuing Bank, the Administrative Agent or such Bank with respect to any such Letter of Credit any restriction, reserve or capital requirement (for which such Fronting Issuing Bank, the Administrative Agent or such Bank is not otherwise compensated hereunder) not in effect on the Effective Date, or shall impose upon such Fronting Issuing Bank, the Administrative Agent or such Bank any unreimbursed loss, cost or expense which was not applicable on the Closing Date and which such Fronting Issuing Bank, the Administrative Agent or such Bank in good faith deems material to it;

(iii) The issuance of such Letter of Credit would violate one or more policies of such Fronting Issuing Bank, the Administrative Agent or any Bank, as applicable, applicable to letters of credit generally;

(iv) Except as otherwise agreed by such Fronting Issuing Bank or the Administrative Agent, as applicable, such Letter of Credit is in an initial amount less than $1,000,000;

(v) Such Letter of Credit is to be denominated in a currency other than US Dollars;

(vi) Such Letter of Credit contains any provisions for automatic reinstatement of the stated amount after any drawing thereunder; or

(vii) If such Letter of Credit is a Fronted Letter of Credit, and any Bank is a Defaulting Bank, after giving effect to the reallocation of such Defaulting Bank's participation among the non-defaulting Banks as set forth in Section 2.17 to the extent of their respective Commitment, unless the Company has delivered cash collateral or the Fronting Issuing Bank has entered into other arrangements with the Company or such Defaulting Bank satisfactory to the Fronting Issuing Bank to eliminate the applicable Fronting Issuing Bank's risk with respect to such Defaulting Bank.

(h) Letters of Credit Issued for Subsidiaries. The Company, as Co-Applicant, shall be obligated to pay each LC Disbursement and accrued interest thereon and all other payment obligations with respect to each Letter of Credit that is issued or outstanding hereunder or in support of any obligations of, or is for the account of, any Subsidiary of the Company. The Company hereby acknowledges that the issuance of Letters of Credit for the account of any of its Subsidiaries inures to the benefit of the Company, and that the Company's business derives substantial benefits from the businesses of such Subsidiaries. The Company hereby unconditionally guarantees the full and punctual payment of all reimbursement obligations in respect of LC Disbursements and all interest thereon payable by each Subsidiary pursuant to this Agreement and the full and punctual payment of all other amounts payable by each Subsidiary under this Agreement. Upon failure by any Subsidiary to pay punctually any such amount, the Company shall forthwith pay the amount not so paid at the place and in the manner specified in this Agreement. The agreement of the Company under this clause (h) is a continuing guarantee and shall apply to all obligations of the Subsidiaries under this Agreement whenever arising, and is a guarantee of payment and is not merely a guarantee of collection. The obligations of the Company hereunder shall be unconditional, absolute and continuing and, without limiting the generality of the foregoing, shall not be released, discharged or otherwise affected by: (i) any extension, renewal, settlement, compromise, waiver or release in respect of any obligation of any Subsidiary by operation of law or otherwise; (ii) any modification or amendment of or supplement to this Agreement; (iii) any change in the corporate existence, structure or ownership of any Subsidiary, or any insolvency, bankruptcy, reorganization or other similar proceeding affecting any Subsidiary or its assets; (iv) the existence of any claim, set-off or other rights which the Company may have at any time against any Subsidiary, the Administrative Agent, any Bank or any other Person, whether in connection herewith or any unrelated transactions, provided that nothing herein shall prevent the assertion of any such claim by separate suit or compulsory counterclaim; (v) any invalidity or unenforceability relating to or against any Subsidiary for any reason of any Credit Document or Letter of Credit, or any provision of applicable law or regulation purporting to prohibit the payment by any Subsidiary of any reimbursement obligation, interest or any other amount payable by it under any Credit Documents or in respect of any Letter of Credit issued hereunder; and (vi) any other act or omission to act or delay of any kind by Subsidiary, the Administrative Agent, any Bank or any other Person or any other circumstance whatsoever which might, but for the provisions of this paragraph, constitute a legal or equitable discharge of or defense to the Company's obligations hereunder.

SECTION 2.02 Issuance and Administration of Syndicated Letters of Credit. With respect to each Syndicated Letter of Credit, such Syndicated Letter of Credit shall be executed and delivered by the Administrative Agent in the name and on behalf of, and as attorney-in-fact for, the Banks party to such Syndicated Letter of Credit, and the Administrative Agent shall act as the agent of each such Bank to (a) receive drafts, other demands for payment and other documents presented by the beneficiary under such Syndicated Letter of Credit, (b) determine whether such drafts, demands and documents are in compliance with the terms and conditions of such Syndicated Letter of Credit and (c) notify such Bank and the Company (who shall notify the Applicant, if a Subsidiary of the Company is the Applicant), that a valid drawing has been made and the date that the related LC Disbursement is to be made; provided that the Administrative Agent shall have no obligation or liability for any LC Disbursement under such Syndicated Letter of Credit, and each Syndicated Letter of Credit shall expressly so provide. Each Bank hereby irrevocably appoints and designates the Administrative Agent as its attorney-in-fact, acting through any duly authorized officer of the Person that is serving as the Administrative Agent, to execute and deliver in the name and on behalf of such Bank each Syndicated Letter of Credit to be issued by the Banks hereunder. Promptly upon the request of the Administrative Agent, each Bank will furnish to the Administrative Agent such powers of attorney or other evidence as any beneficiary of any such Letter of Credit may reasonably request in order to demonstrate that the Administrative Agent has the power to act as attorney-in-fact for such Bank to execute and deliver each Syndicated Letter of Credit.

SECTION 2.03 Reimbursement for LC Disbursements, Cover, Etc.

(a) Reimbursement. If any Bank shall make any LC Disbursement in respect of any Letter of Credit, the Company shall reimburse, or shall cause the Subsidiary that is the Applicant with respect to such Letter of Credit to reimburse, such Bank in respect of any such LC Disbursement by paying to the Administrative Agent an amount equal to such LC Disbursement not later than 2:30 p.m., New York City time, on (A) the Domestic Business Day that the Company receives notice of such LC Disbursement, if such notice is received prior to 10:00 a.m., New York City time, or (B) the Domestic Business Day immediately following the day that the Company receives such notice, if such notice is received on a day which is not a Domestic Business Day or is not received prior to 10:00 a.m., New York City time, on a Domestic Business Day; provided that, at any time during the Commitment Availability Period, the Company may, subject to the conditions to borrowing set forth herein, request in accordance with Section 2.05(a) that such payment be financed with a Base Rate Borrowing in an equivalent amount and, to the extent so financed, the Company's obligation to make such payment shall be discharged and replaced by the resulting Base Rate Borrowing.

(b) Reimbursement Obligations Absolute. The Company's obligation to reimburse LC Disbursements as provided in Section 2.03(a) shall be absolute, unconditional and irrevocable, and shall be performed strictly in accordance with the terms of this Agreement under any and all circumstances whatsoever and irrespective of (i) any lack of validity or enforceability of any Letter of Credit, or any term or provision therein, (ii) any draft or other document presented under a Letter of Credit proving to be forged, fraudulent or invalid in any respect or any statement therein being untrue or inaccurate in any respect, (iii) payment under a Letter of Credit against presentation of a draft or other document that does not comply with the terms of such Letter of Credit, (iv) at any time or from time to time, without notice to the Company or any Applicant, the time for any performance of or compliance with any of such reimbursement obligations of any other Applicant or party thereto shall be waived, extended or renewed, (v) any of such reimbursement obligations of any other Applicant or party thereto shall be amended or otherwise modified in any respect, or any guarantee of any of such reimbursement obligations or any security therefor shall be released, substituted or exchanged in whole or in part or otherwise dealt with, (vi) any lien or security interest granted to, or in favor of, the Administrative Agent or any of the Banks as security for any of such reimbursement obligations shall fail to be perfected, (vii) the occurrence of any Default, (viii) the existence of any proceedings of the type described in Section 6.01(g) or (h) with respect to any other Applicant or party thereto of any of such reimbursement obligations, (ix) any lack of validity or enforceability of any of such reimbursement obligations against any other Applicant or party thereto of any of such reimbursement obligations, or (x) any other event or circumstance whatsoever, whether or not similar to any of the foregoing, that might, but for the provisions of this Section, constitute a legal or equitable discharge of the obligations of the Company hereunder.

Neither the Administrative Agent nor any Bank nor any of their Related Parties shall have any liability or responsibility by reason of or in connection with the issuance or transfer of any Letter of Credit or any payment or failure to make any payment thereunder (irrespective of any of the circumstances referred to in the preceding sentence), or any error, omission, interruption, loss or delay in transmission or delivery of any draft, notice or other communication under or relating to any Letter of Credit (including any document required to make a drawing thereunder), any error in interpretation of technical terms or any consequence arising from causes beyond their control; provided that the foregoing shall not be construed to excuse the Administrative Agent or a Bank from liability to the Company to the extent of any direct damages (as opposed to consequential damages, claims in respect of which are hereby waived by the Company to the extent permitted by applicable law) suffered by the Company that are caused by (x) the gross negligence or willful misconduct of the Administrative Agent or such Bank, as the case may be, or (y) in the case of any Bank, its failure to make an LC Disbursement in respect of any drawing properly made under a Letter of Credit as provided in Section 2.03(c), in the case of each of the foregoing clauses (x) and (y), as determined by a court of competent jurisdiction. The parties hereto expressly agree that:

(i) the Administrative Agent or (in the case of any Fronted Letter of Credit) the applicable Fronting Issuing Bank may accept documents that appear on their face to be in substantial compliance with the terms of a Letter of Credit without responsibility for further investigation, regardless of any notice or information to the contrary, and may make payment upon presentation of documents that appear on their face to be in substantial compliance with the terms of such Letter of Credit;

(ii) the Administrative Agent or (in the case of any Fronted Letter of Credit) the applicable Fronting Issuing Bank shall have the right, in its sole discretion, to decline to accept such documents and to make such payment if such documents are not in strict compliance with the terms of such Letter of Credit; and

(iii) this sentence shall establish the standard of care to be exercised by the Administrative Agent or (in the case of any Fronted Letter of Credit) the applicable Fronting Issuing Bank when determining whether drafts and other documents presented under a Letter of Credit comply with the terms thereof (and the parties hereto hereby waive, to the extent permitted by applicable law, any standard of care inconsistent with the foregoing).

(c) Disbursement Procedures.

(i) The following provisions shall apply to any Syndicated Letter of Credit. The Administrative Agent shall, within a reasonable time following its receipt thereof, examine all documents purporting to represent a demand for payment under any Syndicated Letter of Credit. The Administrative Agent shall promptly after such examination (A) notify each of the Banks and the Company by telephone (confirmed by telecopy) of such demand for payment and (B) deliver to each Bank a copy of each document purporting to represent a demand for payment under such Syndicated Letter of Credit. With respect to any drawing properly made under any such Syndicated Letter of Credit, each Bank will make an LC Disbursement in respect of such Syndicated Letter of Credit in accordance with its liability under such Syndicated Letter of Credit and this Agreement, such LC Disbursement to be made to the account of the Administrative Agent most recently designated by it for such purpose by notice to the Banks. The Administrative Agent will make any such LC Disbursement available to the beneficiary of such Syndicated Letter of Credit by promptly crediting the amounts so received, in like funds, to the account identified by such beneficiary in connection with such demand for payment, provided that the Administrative Agent will be obligated to honor drawings under any Syndicated Letter of Credit only to the extent of funds received. Promptly following any LC Disbursement by any Bank in respect of any such Syndicated Letter of Credit, the Administrative Agent will notify the Company of such LC Disbursement; provided that any failure to give or delay in giving such notice shall not relieve the Company of its obligation to reimburse the Banks with respect to any such LC Disbursement or any of its other obligations hereunder.

(ii) The following provisions shall apply to any Fronted Letter of Credit. The applicable Fronting Issuing Bank shall, within a reasonable time following its receipt thereof, examine all documents purporting to represent a demand for payment under a Fronted Letter of Credit. The applicable Fronting Issuing Bank shall promptly after such examination notify the Administrative Agent and the Company by telephone (confirmed by telecopy) of such demand for payment and whether such Fronting Issuing Bank has made or will make a LC Disbursement thereunder; provided that any failure to give or delay in giving such notice shall not relieve the Company of its obligation to reimburse such Fronting Issuing Bank and the Banks with respect to any such LC Disbursement.

(d) Interim Interest. If any LC Disbursement is made, then, unless the Company shall reimburse such LC Disbursement in full on the date such LC Disbursement is made (without regard for when notice thereof is given), the unpaid amount thereof shall bear interest, for each day from and including the date such LC Disbursement is made to but excluding the date that the Company reimburses such LC Disbursement, at the rate per annum equal to 2% plus the Base Rate plus the Applicable Margin.

(e) Provision of Cover. In the event the Company shall have provided (or be required to provide) cash collateral for outstanding Letters of Credit pursuant to Section 2.01(d), Section 2.17, Section 6.01 or clause (f) hereof, the Administrative Agent will establish a separate cash collateral account (the "Collateral Account"), which may be a "securities account" (as defined in Section 8-501 of the Uniform Commercial Code as in effect in New York (the "NY UCC")), in the name and under the sole dominion and control of the Administrative Agent (and, in the case of a securities account, in respect of which the Administrative Agent is the "entitlement holder" (as defined in Section 8-102(a)(7) of the NY UCC)) into which there shall be deposited from time to time such amounts paid to the Administrative Agent as cash collateral for the applicable LC Exposure. As collateral security for the prompt payment in full when due of the Obligations and all reimbursement obligations in respect of LC Disbursements, all interest thereon, and all other obligations of the Company under the Credit Documents whether or not then outstanding or due and payable (such obligations being herein collectively called the "Secured Obligations"), the Company hereby pledges and grants to the Administrative Agent, for the benefit of the Banks and the Administrative Agent as provided herein, a security interest in all of its right, title and interest in and to the Collateral Account and the balances from time to time in the Collateral Account (including the investments and reinvestments therein provided for below). The balances from time to time in the Collateral Account shall not constitute payment of any Secured Obligations until applied by the Administrative Agent as provided herein. Anything in this Agreement to the contrary notwithstanding, funds held in the Collateral Account shall be subject to withdrawal only as provided in this Section 2.03(e). Amounts on deposit in the Collateral Account shall be invested and reinvested by the Administrative Agent in such short-term investments as the Administrative Agent shall determine in its sole discretion. All such investments and reinvestments shall be held in the name and be under the sole dominion and control of the Administrative Agent and shall be credited to the Collateral Account. At any time, and from time to time, while an Event of Default has occurred and is continuing, the Administrative Agent shall, if instructed by the Required Banks in their sole discretion, liquidate any such investments and reinvestments and credit the proceeds thereof to the Collateral Account and apply or cause to be applied such proceeds and any other balances in the Collateral Account to the payment of any of the Secured Obligations due and payable. If at any time (i) no Default has occurred and is continuing and (ii) all of the Secured Obligations then due have been paid in full but Letters of Credit remain outstanding, the Administrative Agent shall, from time to time, at the request of the Company, deliver to the Company, against receipt but without any recourse, warranty or representation whatsoever, such of the balances in the Collateral Account as exceed the aggregate undrawn face amount of all outstanding Letters of Credit. When all of the Secured Obligations shall have been paid in full, all Letters of Credit have expired or been terminated and the Commitments have terminated, the Administrative Agent shall promptly deliver to the Company, for account of the Company, against receipt but without any recourse, warranty or representation whatsoever, the balances remaining in the Collateral Account.

(f) Without limiting clause (z) of Section 2.01(a), if, at any time, the sum of (i) aggregate undrawn face amount of Fronted Letters of Credit issued by such Fronting Issuing Bank plus (ii) the aggregate amount of unreimbursed LC Disbursements in respect of Fronted Letters of Credit of any Fronting Issuing Bank exceeding its Fronted LC Commitment, the Company shall immediately, *first*, repay any unreimbursed LC Disbursements owing to such Fronting Issuing Bank and, *second*, either provide cash collateral the amount equal to such excess above such Fronting Issuing Bank's Fronted LC Commitment or cause one or more of the outstanding Fronted Letters of Credit issued by such Fronting Issuing Bank to be cancelled, reduced or cancelled and reissued as one or more Syndicated Letters of Credit, in each case so that such excess above such Fronted LC Commitment is eliminated.

SECTION 2.04 Loans. At any time and from time to time during the Commitment Availability Period each Bank severally agrees, on the terms and conditions set forth in this Agreement, to make loans in Dollars to the Company pursuant to this Section in amounts such that (x) the aggregate outstanding amount of the Credit Exposures of the Banks shall not exceed the aggregate amount of the Commitments of the Banks and (y) the aggregate outstanding amount of the Credit Exposure of such Bank shall not exceed the Commitment of such Bank; provided that the aggregate outstanding principal amount of Loans (other than LC Reimbursement Loans) shall not exceed $1,000,000,000; provided further that such limit may, upon the written request of the Company to the Administrative Agent, be increased proportionately in connection with any increase in the aggregate Commitments after the Effective Date pursuant to Section 2.11. Each Borrowing shall be in an aggregate principal amount of $25,000,000 or any larger multiple of $1,000,000 and shall be made from the several Banks ratably in proportion to their respective Commitments; provided that, notwithstanding the foregoing, a Base Rate Borrowing may be in an amount that is required to finance the reimbursement of an LC Disbursement as contemplated by Section 2.03(a). Within the foregoing limits, the Company may borrow under this Section, repay or, to the extent permitted by Section 2.12, prepay Loans and reborrow at any time during the Commitment Availability Period under this Section.

SECTION 2.05 Notice of Borrowings; Interest Elections.

(a) The Company shall give the Administrative Agent notice (a "Notice of Borrowing") not later than 11:00 a.m. (New York City time) on (x) the date of each Base Rate Borrowing by the Company and (y) the third Euro-Dollar Business Day before each Euro-Dollar Borrowing by the Company, specifying:

(i) the date of such Borrowing, which shall be a Domestic Business Day in the case of a Base Rate Borrowing or a Euro-Dollar Business Day in the case of a Euro-Dollar Borrowing,

(ii) the aggregate amount (in Dollars) of such Borrowing,

(iii) whether the Loans comprising such Borrowing are to be Base Rate Loans or Euro-Dollar Loans,

(iv) in the case of a Euro-Dollar Borrowing, the duration of the Interest Period applicable thereto, subject to the provisions of the definition of Interest Period,

(v) whether the Loans comprising such Borrowing are to be LC Reimbursement Loans; and

(vi) certifying that all other conditions in Section 3.01(b) and (c), and, in the case of any drawing on or before the Specified Date, Sections 3.01(d) and (e) have been satisfied.

(b) Interest Elections. Each Borrowing initially shall be of the Type specified in the applicable Notice of Borrowing and, in the case of a Euro-Dollar Borrowing, shall have an initial Interest Period as specified in such Notice of Borrowing. Thereafter, the Company may elect to convert such Borrowing to a different Type or to continue such Borrowing and, in the case of a Euro-Dollar Borrowing, may elect Interest Periods therefor, all as provided in this subsection (b). The Company may elect different options with respect to different portions of the affected Borrowing, in which case each such portion shall be allocated ratably among the Banks holding the Loans comprising such Borrowing, and the Loans comprising each such portion shall be considered a separate Borrowing. To make an election pursuant to this Section, the Company shall notify the Administrative Agent of such election by telephone by the time that a Notice of Borrowing would be required under Section 2.05(a) if the Company were requesting a Borrowing of the Type resulting from such election to be made on the effective date of such election. Each such telephonic Interest Election Request shall be irrevocable and shall be confirmed promptly by hand delivery or telecopy to the Administrative Agent of a written Interest Election Request in a form approved by the Administrative Agent and signed by the Company. Each telephonic and written Interest Election Request shall specify the following information in compliance with Section 2.04:

(i) the Borrowing to which such Interest Election Request applies and, if different options are being elected with respect to different portions thereof, the portions thereof to be allocated to each resulting Borrowing (in which case the information to be specified pursuant to clauses (iii) and (iv) below shall be specified for each resulting Borrowing);

(ii) the effective date of the election made pursuant to such Interest Election Request, which shall be a Business Day;

(iii) whether the resulting Borrowing is to be a Base Rate Borrowing or a Euro-Dollar Borrowing; and

(iv) if the resulting Borrowing is a Euro-Dollar Borrowing, the Interest Period to be applicable thereto after giving effect to such election, which shall be a period contemplated by the definition of the term “Interest Period”.

If any such Interest Election Request requests a Euro-Dollar Borrowing but does not specify an Interest Period, then the Company shall be deemed to have selected an Interest Period of one month’s duration. Promptly following receipt of an Interest Election Request, the Administrative Agent shall advise each Bank of the details thereof and of such Bank’s portion of each resulting

Borrowing. If the Company fails to deliver a timely Interest Election Request with respect to a Euro-Dollar Revolving Borrowing prior to the end of the Interest Period applicable thereto, then, unless such Borrowing is repaid as provided herein, at the end of such Interest Period such Borrowing shall be converted to a Base Rate Borrowing. Notwithstanding any contrary provision hereof, if an Event of Default has occurred and is continuing and the Administrative Agent, at the request of the Required Banks, so notifies the Company, then, so long as an Event of Default is continuing (i) no outstanding Borrowing may be converted to or continued as a Euro-Dollar Borrowing and (ii) unless repaid, each Euro-Dollar Borrowing shall be converted to a Base Rate Borrowing at the end of the Interest Period applicable thereto.

SECTION 2.06 Funding of Loans.

(a) Upon receipt of a Notice of Borrowing, the Administrative Agent shall promptly notify each Bank of the contents thereof and of such Bank's share of such Borrowing and such Notice of Borrowing shall not thereafter be revocable by the Company.

(b) Not later than 12:00 noon (New York City time) (or 1:00 p.m. (New York City time) in the case of any Base Rate Borrowing) on the date of each Borrowing, each Bank participating therein shall (except as provided in subsection (c) of this Section) make available its share of such Borrowing, in Federal or other funds immediately available in New York City, to the Administrative Agent at its address specified in or pursuant to Section 10.01. Unless the Administrative Agent determines that any applicable condition specified in Article III has not been satisfied, the Administrative Agent will make the funds so received from the Banks available to the Company at the Administrative Agent's aforesaid address.

(c) If any Bank makes a new Loan hereunder to the Company on a day on which the Company is to repay all or any part of an outstanding Loan or unreimbursed LC Disbursement from such Bank, such Bank shall apply the proceeds of its new Loan to make such repayment and only an amount equal to the difference (if any) between the amount being borrowed and the amount being repaid shall be made available by such Bank to the Administrative Agent as provided in subsection (b) of this Section, or remitted by the Company to the Administrative Agent as provided in Section 2.13, as the case may be.

(d) Unless the Administrative Agent shall have received notice from a Bank prior to the time of any Borrowing that such Bank will not make available to the Administrative Agent such Bank's share of such Borrowing, the Administrative Agent may assume that such Bank has made such share available to the Administrative Agent on the date of such Borrowing in accordance with subsections (b) and (c) of this Section and the Administrative Agent may, in reliance upon such assumption, make available to the Company on such date a corresponding amount. If and to the extent that such Bank shall not have so made such share available to the Administrative Agent, such Bank and the Company severally agree to repay to the Administrative Agent forthwith on demand such corresponding amount together with interest thereon, for each day from the date such amount is made available to the Company until the date such amount is repaid to the Administrative Agent, at (i) in the case of the Company, a rate per annum equal to the higher of the Federal Funds Rate and the interest rate applicable thereto pursuant to Section 2.09 and (ii) in the case of such Bank, the higher of the Federal Funds Rate and a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation. If such Bank shall repay to the Administrative Agent such corresponding amount, such amount so repaid shall constitute such Bank's Loan included in such Borrowing for purposes of this Agreement.

(e) In the event that the Company has made a Non-Pro Rata Issuance Election and thereafter the Company requests a Loan, such Loan shall, subject to the other terms and provisions hereof, be advanced, *first*, by those Non-NAIC Approved Banks that do not participate in the issuance, renewal, extension or amendment of one or more Syndicated Letters of Credit as the result of such Non-Pro Rata Issuance Election until, after giving effect thereto, the Credit Exposure owing to the Banks are held by the Banks pro rata in accordance with their respective Commitments, and, *second*, by the Bank (including such Non-NAIC Approved Banks) pro rata in accordance with their respective Commitments, provided that, for the avoidance of doubt, the aggregate outstanding amount of the Credit Exposure of such Bank shall not exceed the Commitment of such Bank notwithstanding the provisions of this Section 2.06(e).

SECTION 2.07 Evidence of Loans.

(a) Each Bank shall maintain in accordance with its usual practice records evidencing the indebtedness of the Company to such Bank resulting from each Loan made by such Bank, including the amounts of principal and interest payable and paid to such Bank from time to time hereunder, and setting forth the Commitments of the Banks.

(b) The Administrative Agent, acting solely for this purpose as an agent of the Company, shall maintain a copy of each Assignment and Assumption delivered to it and a register for the recordation of the names and addresses of the Banks and the Commitments of, and principal amounts (and stated interest) of the Loans owing to, each Bank from time to time (the "Register"). The entries in the Register shall be conclusive absent clear error, and the Company, the Administrative Agent and the Banks shall treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Bank hereunder for all purposes of this Agreement. The Register shall be available for inspection by the Company and any Bank at any reasonable time and from time to time upon reasonable prior notice.

(c) The failure of any Bank or the Administrative Agent to maintain such records required by this Section 2.07 or any error therein shall not in any manner affect the obligations of the Company to repay the Loans in accordance with the terms of this Agreement.

(d) Any Bank may request that the Loans of such Bank to the Company be evidenced by a single Note, in substantially the form of Exhibit A hereto with appropriate modifications to reflect the fact that it evidences Loans of the relevant Type, payable by the Company to such Bank for the account of its Applicable Lending Office. In such event, the Company shall prepare, execute and deliver to such Bank a Note payable to such Bank (or, if requested by such Bank, to such Bank and its registered assigns). Thereafter, once recorded in and to the extent consistent with the information contained in the Register, the Loans evidenced by such Note and interest thereon shall at all times (including after assignment pursuant to Section 10.06) be represented by one or more Notes in such form payable to the payee named therein (or, to such payee and its registered assigns). For any Loan evidenced by a Note pursuant to this clause (d), any transfer of a Note must be recorded in the Register in order to be effective.

SECTION 2.08 Maturity of Loans. Each Loan shall mature, and the Company hereby unconditionally promises to pay the unpaid principal of each Loan (together with accrued interest thereon and all other amounts then payable under this Agreement) on the Commitment Termination Date.

SECTION 2.09 Interest Rates of Loans.

(a) Each Base Rate Loan shall bear interest on the outstanding principal amount thereof, for each day from the date such Loan is made until it becomes due, at a rate per annum equal to the sum of the Base Rate for such day plus the Applicable Margin. Such interest shall accrue and be payable quarterly in arrears on each Quarterly Date and on the date of termination of the Commitments in their entirety (and, if later, the date the Loans shall be paid in full). Any overdue principal of or interest on any Base Rate Loan shall bear interest, payable on demand, for each day until paid at a rate per annum equal to the sum of 2% plus the Base Rate for such day plus the Applicable Margin.

(b) Each Euro-Dollar Loan shall bear interest on the outstanding principal amount thereof, for the Interest Period applicable thereto, at a rate per annum equal to the sum of the applicable LIBO Rate plus the Applicable Margin. Such interest shall be payable (i) for each Interest Period on the last day thereof and, if such Interest Period is longer than three months, at intervals of three months after the first day thereof and (ii) in the event of any conversion of any Euro-Dollar Loan prior to the end of the current Interest Period therefor, accrued interest on such Euro-Dollar Loan shall be payable on the effective date of such conversion.

The "LIBO Rate" applicable to any Interest Period means, with respect to any Euro-Dollar Loan for any Interest Period, the LIBO Screen Rate at approximately 11:00 a.m., London time, two Euro-Dollar Business Days prior to the commencement of such Interest Period; provided that if the LIBO Screen Rate shall not be available at such time for such Interest Period (an "Impacted Interest Period") with respect Dollars then the LIBO Rate shall be the Interpolated Rate.

"LIBO Screen Rate" means, for any day and time, with respect to any Euro-Dollar Loan for any Interest Period, the London interbank offered rate as administered by ICE Benchmark Administration (or any other Person that takes over the administration of such rate for Dollars for a period equal in length to such Interest Period as displayed on such day and time on the applicable Bloomberg screen page that displays such rate (or, in the event such rate does not appear on a Bloomberg page or screen, on any successor or substitute page on such screen that displays such rate, or on the appropriate page of such other information service that publishes such rate from time to time as selected by the Administrative Agent in its reasonable discretion), provided that if the LIBO Screen Rate shall be less than zero, such rate shall be deemed to zero for the purposes of this Agreement.

(c) Any overdue principal of any Euro-Dollar Loan shall bear interest, payable on demand, for each day from and including the date payment thereof was due to but excluding the date of actual payment, at a rate per annum equal to the sum of 2% plus the Applicable Margin plus the average (rounded upward, if necessary, to the next higher 1/16 of 1%) of the respective rates per annum (as of the date of determination) at which one-day (or, if such amount due remains unpaid more than three Euro-Dollar Business Days, then for such other period of time not longer than six months as the Administrative Agent may select) deposits in Dollars in an amount approximately equal to such overdue payment due to the Person serving as the Administrative Agent are offered to such Person in the London interbank market for the applicable period determined as provided above (or, if the circumstances described in clause (a) or (b) of Section 8.01 shall exist, at a rate per annum equal to the sum of 2% plus the Base Rate for such day plus the Applicable Margin). Any overdue interest on any Euro-Dollar Loan shall bear interest, payable on demand, for each day from and including the date payment thereof is due to but excluding the date of actual payment, at a rate per annum equal to the sum of 2% plus the Base Rate for such day plus the Applicable Margin.

(d) The Administrative Agent shall determine each interest rate applicable to the Loans and other amounts hereunder. The Administrative Agent shall give prompt notice to the Company and the Banks of each rate of interest so determined, and its determination thereof shall be conclusive in the absence of manifest error.

SECTION 2.10 Fees.

(a) The Company agrees to pay to the Administrative Agent for account of each Bank a Commitment Fee, which shall accrue at the Applicable Commitment Fee Rate, on the daily unused amount of the Commitment of such Bank during the period from and including the date hereof to but excluding the date that the Commitments terminate. Accrued Commitment Fees shall be payable on each Quarterly Date, commencing on the first such date after the Effective Date; provided that all such fees shall be payable on the date on which the Commitments terminate and any such fees accruing after such date shall be payable on demand.

(b) The Company agrees to pay to the Administrative Agent for account of each Bank a letter of credit fee with respect to Letters of Credit, which shall accrue at the Applicable Letter of Credit Commission on the average daily aggregate undrawn amount of all outstanding Letters of Credit during the period from and including the Effective Date to but excluding the later of the date on which such Bank's Commitment terminates and the date on which such Bank ceases to have any LC Exposure. Letter of credit fees accrued through and including each Quarterly Date shall be payable on the third Business Day following such Quarterly Date, commencing on the first such Business Day to occur; provided that all such fees shall be payable on the date on which the Commitments terminate and any such fees accruing after such date shall be payable on demand.

(c) The Company agrees to pay to the Administrative Agent for the account of each Fronting Issuing Bank a fronting fee with respect to each Fronted Letter of Credit issued by such Fronting Issuing Bank, which shall accrue at a rate per annum agreed in writing between the Company and such Fronting Issuing Bank (and notified to the Administrative Agent) on the average daily aggregate undrawn amount of each such Fronted Letters of Credit during the period from and including the date of issuance thereof to but excluding the later of the expiry date thereof and the date on which there ceases to be any LC Exposure thereunder. Fronting fees accrued through and including each Quarterly Date shall be payable on the third Business Day following such Quarterly Date, commencing on the first such Business Day to occur; provided that all such fees shall be payable on the date on which the Commitments terminate and any such fees accruing after such date shall be payable on demand.

(d) The Company agrees to pay, on demand, to the Administrative Agent (with respect to Syndicated Letters of Credit) and each Fronting Issuing Bank (with respect to Fronted Letters of Credit issued by it), in each case for its own account, all commissions, charges, costs and expenses with respect to the issuance, amendment, renewal and extension of each such Letter of Credit and drawings and other transactions relating thereto in amounts customarily charged from time to time in like circumstances by the Person that is serving as the Administrative Agent or such Fronting Issuing Bank, as the case may be, or, as may be separately agreed from time to time by the Company and the Administrative Agent or such Fronting Issuing Bank, as the case may be.

(e) All fees payable hereunder shall be paid on the dates due, in immediately available funds, to the Administrative Agent for distribution, as applicable, to the Banks entitled thereto. Fees paid hereunder shall not be refundable under any circumstances.

SECTION 2.11 Termination, Reduction or Increase of Commitments.

(a) Unless previously terminated, the Commitments shall automatically terminate on the Commitment Termination Date.

(b) The Company may, upon at least three Domestic Business Days' notice to the Administrative Agent, terminate at any time, or proportionately and permanently reduce from time to time by an aggregate amount of $10,000,000 or any larger multiple of $5,000,000, the aggregate amount of the Commitments, provided that, after giving effect to such termination or any such reduction, the aggregate outstanding amount of the Credit Exposures of the Banks shall not exceed the aggregate amount of the Commitments of the Banks. Upon receipt of such a notice, the Administrative Agent shall promptly notify each Bank of the contents thereof and of such Bank's ratable share of such reduction (if such notice is a notice of reduction) and such notice shall not thereafter be revocable by the Company. Any termination or reduction of the Commitments shall be permanent.

(c) The Company shall have the right, at any time after the Effective Date and from time to time prior to the date that is 30 days prior to the Commitment Termination Date, to increase the aggregate Commitments hereunder by an aggregate amount of up to $500,000,000, by causing one or more Additional Commitment Banks (which may include any existing Bank, provided that no existing Bank shall be obligated to increase its Commitment) to provide a (or, in the case of an existing Bank, to increase its) Commitment (each such increase, a "Commitment Increase"), provided that (i) no Bank shall have any obligation hereunder to become an Additional Commitment Bank and any election to do so shall be in the sole discretion of each Bank, (ii) each Additional Commitment Bank shall have entered into an agreement in form and substance satisfactory to the Company and the Administrative Agent pursuant to which such Additional Commitment Bank shall provide a Commitment (or, if such Additional Commitment Bank is an existing Bank, pursuant to which its Commitment shall be increased), (iii) unless the Administrative Agent otherwise agrees, such Commitment of any Additional Commitment Bank which is not an existing Bank shall be in an amount of at least $25,000,000 and (iv) unless the Administrative Agent otherwise agrees, each Commitment Increase shall be in an amount of at least $25,000,000. Each such Additional Commitment Bank shall enter into an agreement in form and substance satisfactory to the Company and the Administrative Agent pursuant to which such Additional Commitment Bank shall, as of the effective date of such Commitment Increase (which shall be a Domestic Business Day and, unless the

Administrative Agent otherwise agrees, on which no issuance, amendment, renewal or extension of any Letter of Credit is scheduled to occur, provide a Commitment (or, if any such Additional Commitment Bank is an existing Bank, increase its Commitment in the amount specified therein and (if not an existing Bank) become a Bank hereunder. Notwithstanding the foregoing, no Commitment Increase pursuant to this Section shall be effective unless:

(i) the Company shall have given the Administrative Agent notice of any such increase at least three Domestic Business Days prior to the relevant effective date of such Commitment Increase;

(ii) no Default shall have occurred and be continuing on such effective date; and

(iii) each of the representations and warranties of the Company contained in this Agreement (other than the representations and warranties set forth in Sections 4.04(e) and 4.05 as to any matter which has theretofore been disclosed in writing by the Company to the Banks) shall be true on and as of such effective date with the same force and effect as if made on and as of such date (or, if any such representation or warranty is expressly stated to have been made as of a specific date, as of such specific date).

Each notice under clause (i) above shall be deemed to constitute a representation and warranty by the Company as to the matters specified in clauses (ii) and (iii) above. On the effective date of each Commitment Increase, the Company shall simultaneously (i) prepay in full the outstanding Loans (if any) held by the Banks immediately prior to giving effect to the relevant Commitment Increase, (ii) if the Company shall have so requested in accordance with this Agreement, borrow new Loans from all Banks (including, if applicable, any new Banks) such that, after giving effect thereto, the Loans are held ratably by the Banks in accordance with their respective Commitments (after giving effect to such Commitment Increase) and (iii) pay to the Banks the amounts, if any, payable under Section 2.14.

SECTION 2.12 Optional Prepayments.

(a) The Company may, upon at least one Domestic Business Day's notice to the Administrative Agent (or such shorter time as the Administrative Agent may agree in its sole discretion) , prepay any Base Rate Borrowing made to the Company in whole at any time, or from time to time in part in amounts aggregating $5,000,000 or any larger multiple of $1,000,000, by paying the principal amount to be prepaid together with accrued interest thereon to the date of prepayment.

(b) The Company may, upon notice to the Administrative Agent by 10:00 a.m., New York City time, at least three Domestic Business Days prior to the date of prepayment, prepay any Euro-Dollar Borrowing made to the Company in whole at any time, or from time to time in part in amounts aggregating $5,000,000 or any larger multiple of $1,000,000, by paying the principal amount to be prepaid together with (x) accrued interest thereon to the date of prepayment and (y) all losses and expenses (if any) relating thereto which are (i) determined pursuant to Section 2.14 and (ii) notified to the Company by the relevant Bank at least one Domestic Business Day prior to the date of such prepayment, provided that the failure of any Bank to so notify the Company of the amount of any such loss or expense shall not relieve the Company of its obligation to pay the same.

(c) Each prepayment pursuant to this Section shall be applied to prepay ratably the Loans of the several Banks included in the relevant Borrowing being prepaid. Upon receipt of a notice of prepayment pursuant to this Section, the Administrative Agent shall promptly notify each Bank of the contents thereof and of such Bank's ratable share (if any) of such prepayment and such notice shall not thereafter be revocable by the Company.

SECTION 2.13 Payments Generally; Pro Rata Treatment.

(a) The Company shall make or cause to be made each payment required to be made by it hereunder (whether reimbursement of LC Disbursements, principal of or interest on the Loans, fees, amounts under Article VIII or otherwise) or under any other Credit Document (except to the extent otherwise provided therein) not later than 2:00 p.m., New York City time, on the date when due, in immediately available funds, without set-off or counterclaim. Any amounts received after such time on any date may, in the discretion of the Administrative Agent, be deemed to have been received on the next succeeding Domestic Business Day for purposes of calculating interest thereon. All such payments shall be made to the Administrative Agent at its Payment Account, except as otherwise expressly provided in the relevant Credit Document, and except that payments pursuant to Section 10.03 and Article VIII shall be made directly to the Persons entitled thereto. The Administrative Agent shall distribute any such payments received by it for account of any other Person to the appropriate recipient promptly following receipt thereof. If any payment hereunder shall be due on a day that is not a Domestic Business Day or Euro-Dollar Business Day (as applicable), the date for payment shall be extended to the next succeeding Domestic or Euro-Dollar Business Day (as applicable) and, in the case of any payment accruing interest, interest thereon shall be payable for the period of such extension. All payments hereunder or under any other Credit Document shall be made in Dollars.

(b) If at any time insufficient funds are received by and available to the Administrative Agent to pay fully all amounts of unreimbursed LC Disbursements in respect of Letters of Credit or interest thereon, principal of or interest on the Loans and fees then due hereunder, such funds shall be applied (i) first, to pay interest and fees then due hereunder in respect of such Letters of Credit or Loans (as applicable), pro rata among the Banks in accordance with the amounts of interest and fees then due to the Banks, and (ii) second, to pay such unreimbursed LC Disbursements or principal in respect of Loans (as applicable) then due hereunder, pro rata among the Banks in accordance with the amounts of unreimbursed LC Disbursements or principal of Loans then due to the Banks.

(c) Except to the extent otherwise provided herein: (i) each reimbursement of LC Disbursements in respect of Letters of Credit and each payment of principal in respect of

Loans shall be for account of the Banks, pro rata in accordance with the amounts of unreimbursed LC Disbursements or principal of Loans (as the case may be) then due and payable to the Banks; (ii) each termination or reduction of the amount of Commitments under Section 2.11 shall be applied to the respective Commitments of the Banks, pro rata in accordance with their respective Applicable Percentages; and (iii) each payment of interest, Commitment Fees and letter of credit fees shall be for account of the Banks, pro rata in accordance with the amounts of interest, Commitment Fees and letter of credit fees (as the case may be) then due and payable to the Banks.

(d) Unless the Administrative Agent shall have received notice from the Company prior to the date on which any payment is due to the Administrative Agent for account of the Banks hereunder that the Company will not make such payment, the Administrative Agent may assume that the Company made such payment on such date in accordance herewith and may, in reliance upon such assumption, distribute to the Banks the amount due. In such event, if the Company has not in fact made such payment, then each of the Banks severally agrees to repay to the Administrative Agent forthwith on demand the amount so distributed to such Bank with interest thereon, for each day from and including the date such amount is distributed to it to but excluding the date of payment to the Administrative Agent, at the higher of the Federal Funds Rate and a rate determined by Administrative Agent in accordance with banking industry rules for interbank compensation.

(e) If any Bank shall fail to make any payment required to be made by it pursuant to Section 2.01(e), 2.03(a), 2.06(d), 2.13(d), 2.16(b), 7.07 or shall otherwise be a Defaulting Bank, then the Administrative Agent may, in its discretion and notwithstanding any contrary provision hereof, (i) apply any amounts thereafter received by the Administrative Agent for the account of such Bank for the benefit of the Administrative Agent or the applicable Fronting Issuing Bank to satisfy such Bank's obligations to it or any such Fronting Issuing Bank under such Section until all such unsatisfied obligations are fully paid, and/or (ii) hold any such amounts in a segregated account as cash collateral for, and application to, any future funding obligations of such Bank under any such Section, in the case of each of clauses (i) and (ii) above, in any order as determined by the Administrative Agent in its discretion.

SECTION 2.14 Funding Losses. If the Company makes any payment of principal with respect to any Euro-Dollar Loan (pursuant to Article VI or VIII or otherwise), or converts any Euro-Dollar Loan, on any day other than the last day of the Interest Period applicable thereto, or the end of an applicable period fixed pursuant to Section 2.09(c), or if the Company fails to borrow, convert, continue or prepay any Euro-Dollar Loans after notice has been given to any Bank in accordance with Section 2.05(a), 2.05(b) or 2.12(b), as applicable, the Company shall reimburse each Bank within 15 days after demand for any resulting loss or expense incurred by it (or by an existing or prospective participant in the related Loan), including (without limitation) any loss incurred in obtaining, liquidating or employing deposits from third parties, but excluding loss of margin for the period after any such payment or failure to borrow, provided that such Bank shall have delivered to the Company a certificate as to the amount of such loss or expense, which certificate shall be conclusive in the absence of manifest error.

SECTION 2.15 Computation of Interest and Fees. Interest based on the Prime Rate shall be computed on the basis of a year of 365 days (or 366 days in a leap year) and paid for the actual number of days elapsed (including the first day but excluding the last day). All other interest and fees shall be computed on the basis of a year of 360 days and paid for the actual number of days elapsed (including the first day but excluding the last day).

SECTION 2.16 Provisions Relating to NAIC Approved Banks.

(a) Each Bank agrees to use commercially reasonable efforts in order to, at all times, (i) be listed on the NAIC Approved Bank List or (ii) maintain in effect a Confirming Bank Agreement with a Person which is listed on the NAIC Approved Bank List to act as a Confirming Bank for such Bank in respect of its obligations under the Syndicated Letters of Credit (which Person, prior to entering in such Confirming Bank Agreement, shall be subject to the prior written consent of each of the Company and the Administrative Agent, such consent, in each case, shall not be unreasonably withheld or delayed). If any Bank shall enter into a Confirming Bank Agreement hereunder at any time, it shall promptly furnish a copy thereof to the Company and the Administrative Agent. If at any time any Bank shall cease to be a NAIC Approved Bank, such Bank shall promptly notify the Company and the Administrative Agent and forthwith comply with its obligations under this clause (a).

(b) If at any time any Bank shall not be listed on the NAIC Approved Bank List and shall not have in effect a Confirming Bank Agreement with a Person which is so listed (provided such Bank is not a Defaulting Bank at such time), such Bank shall be obligated to provide cash collateral for its LC Exposure on the following terms:

(i) With respect to any then existing Fronted LC Exposure of such Bank, at the option of the applicable Fronting Issuing Bank or the Company, such Bank shall forthwith deliver to the Administrative Agent or the applicable Fronting Issuing Bank an amount in cash equal to 100% of the maximum amount of such Non-NAIC Approved Bank's Fronted LC Exposure (such amount provided in respect of such Fronted LC Exposure being herein called "Fronted LC Cash Collateral"). Upon receipt of any Fronted LC Cash Collateral (including any additional cash collateral provided under clause (iii) below that constitutes Fronted LC Cash Collateral), the Administrative Agent or the applicable Fronting Issuing Bank will establish one or more cash collateral accounts (which, in each case, may be a "securities account" (as defined in Section 8-501 of the NY UCC, in the name and under the sole dominion and control of the Administrative Agent or the applicable Fronting Issuing Bank (and, in the case of a securities account, in respect of which the Administrative Agent or the applicable Fronting Issuing Bank is the "entitlement holder" (as defined in Section 8-102(a)(7) of the NY UCC)) (each such cash collateral account, a "Fronted LC Collateral Account") and deposit therein the relevant portion of such Fronted LC Cash Collateral (including the relevant portion of any additional cash collateral provided by such Bank in respect of its additional Fronted LC Exposure pursuant to clause (iii) below) as collateral solely for the benefit of the applicable Fronting Issuing Bank to secure such Bank's obligations in respect of the Fronted LC Exposure with respect to Fronted Letters of Credit issued by such Fronting Issuing Bank and such Bank hereby pledges and grants to the Administrative Agent or the applicable Fronting Issuing Bank, for the benefit of the applicable Fronting Issuing Bank, a security interest in all of its right, title and interest in and to each Fronted LC Collateral Account and the balances from time to time therein (including the investments and reinvestments therein provided for below). The balances from time to time in a Fronted LC Collateral Account shall not constitute payment of any such obligations until applied by the Administrative Agent or the applicable Fronting Issuing Bank as provided herein.

(ii) With respect to any then existing Syndicated LC Exposure of such Bank, such Bank and/or the Company may request that another Bank act as a Confirming Bank for (and to enter into a Confirming Bank Agreement with) such Bank with respect to such Bank's then existing Syndicated LC Exposure (and such additional Syndicated LC Exposure of such Bank, to the extent provided in clause (iii) below); provided that (A) no Bank shall be obligated to so act as a Confirming Bank and (B) any agreement of such Bank to so act as a Confirming Bank shall be on such terms and conditions and subject to payment of such fees as shall be agreed among such Confirming Bank, the Bank that is no longer a NAIC Approved Bank, the Administrative Agent and the Company (including, to the extent required by the Confirming Bank or the Company, the requirement that such Bank shall forthwith deliver to the Administrative Agent an amount in cash equal to the maximum amount of such Syndicated LC Exposure (such amount provided in respect of such Syndicated LC Exposure being herein called the "Syndicated LC Cash Collateral")). Upon receipt of any Syndicated LC Cash Collateral (including any additional cash collateral provided under clause (iii) below that constitutes Syndicated LC Cash Collateral) by the Administrative Agent from such Bank, the Administrative Agent will establish a cash collateral account (of the type described in clause (i) above) (the "Syndicated LC Collateral Account" and, together with each Fronted LC Collateral Account, each a "LC Collateral Account") and deposit therein such Syndicated LC Cash Collateral (including any additional cash collateral provided by such Bank in respect of its additional Syndicated LC Exposure pursuant to clause (iii) below) as collateral solely for the benefit of the Confirming Bank to secure such Bank's obligations to the Confirming Bank under such Confirming Bank Agreement in respect of such Bank's Syndicated LC Exposure and such Bank hereby pledges and grants to the Administrative Agent, for the benefit of the Confirming Bank, a security interest in all of its right, title and interest in and to the Syndicated LC Collateral Account and the balances from time to time therein (including the investments and reinvestments therein provided for below). The balances from time to time in the Syndicated LC Collateral Account shall not constitute payment of any such obligations until applied by the Administrative Agent as provided herein.

(iii) If at any time thereafter the Company shall request additional Letters of Credit and at such time such Bank shall not be a NAIC Approved Bank (provided such Bank is not a Defaulting Bank), upon the request of any applicable Fronting Issuing Bank, applicable Confirming Bank or the Company, as applicable, such Bank shall provide additional cash collateral in respect of its Applicable Percentage of the maximum amount of the LC Exposure under such Letter of Credit in accordance with clause (i) or (ii) above, as applicable (provided that, with respect to any Fronted LC Exposure, such collateral shall be provided only at the option of the applicable Fronting Issuing Bank and with respect to any Syndicated LC Exposure, such collateral shall be provided only at the option of the applicable Confirming Bank) and, upon receipt of such collateral, the Fronting Issuing Bank, Administrative Agent or such other party shall deposit, hold and apply such collateral as Fronted LC Cash Collateral or Syndicated LC Cash Collateral, as applicable, in accordance with this subsection (b).

(iv) Anything in this Agreement to the contrary notwithstanding, funds held in any LC Collateral Account established under this subsection (b) shall be subject to withdrawal only as provided herein. Amounts on deposit in each LC Collateral Account shall be invested and reinvested by the Administrative Agent in such short-term investments as the Administrative Agent shall determine in its sole discretion or, in the case of any Fronted LC Collateral Account, as the applicable Fronting Issuing Bank for whose benefits the funds therein have been pledged may direct the Administrative Agent or, in the case of the Syndicated LC Collateral Account, as the applicable Confirming Bank(s) may direct the Administrative Agent. All such investments and reinvestments shall be held in the name and be under the sole dominion and control of the Administrative Agent and shall be credited to the relevant LC Collateral Account for the benefit of the Person for which such funds are being held. At any time, and from time to time, the Administrative Agent shall, if instructed by (in the case of any Fronted LC Collateral Account) the applicable Fronting Issuing Bank in its sole discretion or (in the case of the Syndicated LC Collateral Account) the applicable Confirming Bank (or the Company if that Non-NAIC Approved Bank does not have in effect a Confirming Bank Agreement) in its sole discretion, as the case may be, liquidate any such investments and reinvestments and credit the proceeds thereof to such LC Collateral Account and apply or cause to be applied the balances therein to the payment of such Bank's obligations then due and payable which are secured by such balances.

(v) If at any time the Letters of Credit in respect of any LC Exposure for which cash collateral has been provided by such Non-NAIC Approved Bank under this subsection (b) shall no longer exist, the Administrative Agent shall, at the request of such Non-NAIC Approved Bank, deliver to such Non-NAIC Approved Bank (with the concurrence of the applicable Fronting Issuing Bank, applicable Confirming Bank or the Company, as applicable), against receipt but without any recourse, warranty or representation whatsoever, the remaining balance in the relevant LC Collateral Account.

(vi) If at any time such Bank shall have become a NAIC Approved Bank, subject, in the case of any Syndicated LC Exposure of such Bank, to (x) the termination of the Confirming Bank Agreement entered into between the applicable Confirming Bank and such Bank releasing the Confirming Bank's obligation thereunder to act a Confirming Bank for such Bank and (y) with the consent of the beneficiary under each Syndicated Letter of Credit to the extent required by the terms thereof or under applicable law (including, if applicable, the Uniform Customs and Practices for Documentary Credits governing such Syndicated Letter of Credit), the amendment of each such Syndicated Letter of Credit by the Administrative Agent to reinstate such Bank's liability thereunder (and terminate the applicable Confirming Bank's liability thereunder as such Confirming Bank), the Administrative Agent shall, at the request of such Bank, deliver to such Bank (with the concurrence of the applicable Fronting Issuing Bank (with respect to any Fronted LC Exposure), the applicable Confirming Bank (with respect to any Syndicated LC Exposure)) or the Company (with respect to any Syndicated LC Exposure for which the Non-NAIC Approved Bank does not have in effect a Confirming Bank Agreement)), against receipt but without any recourse, warranty or representation whatsoever, the remaining balance in the relevant LC Collateral Account.

(c) Notwithstanding anything herein to the contrary, so long as any Bank shall be a Non-NAIC Approved Bank, the Company may, upon notice to such Bank and the Administrative Agent, require such Bank, at the expense of such Bank, to assign, without recourse (in accordance with and subject to the restrictions contained in Section 10.06), all its interests, rights and obligations under this Agreement and the Letters of Credit issued, or participated in, by such Bank to any Person that shall be on the NAIC Approved List and shall assume such obligations (which assignee may be another Bank, if it, in its sole discretion, accepts such assignment) with (and subject to) the consent of the Administrative Agent (which consent shall not unreasonably be withheld); provided that such Bank shall have received payment of an amount equal to the outstanding amount of its LC Disbursements (including participations therein), principal of its Loans, accrued interest thereon, accrued fees and all other amounts payable to it hereunder, from the assignee (to the extent of such outstanding LC Disbursements, Loans and accrued interest and fees) or the Company (in the case of all other amounts) (provided that the Company may deduct, or cause such assignee to deduct, from amounts payable by them or it, as applicable, to such Bank hereunder all fees, costs and expenses reasonably incurred by the Company in effecting such assignment).

(d) The Company may, subject to the terms and conditions set forth in this clause (d), request that all Syndicated Letters of Credit that are requested to be issued or that are outstanding during the period that such Non-NAIC Approved Bank (i) does not have a Confirming Bank and (ii) continues to be a Bank hereunder be issued or renewed, extended or amended, as applicable, by the Banks on an adjusted pro rata basis that excludes the Commitment of such Non-NAIC Approved Bank, provided that, if the Company elects to request that any Syndicated Letter of Credit be issued, renewed, extended or amended on an adjusted pro rata basis, (i) such issuance, renewal, extension or adjustment shall be made only to the extent that it would not cause the Credit Exposure owing to any Bank to exceed such Bank's Commitment and (ii) thereafter, if the Company elects to request a Loan, such Loan shall be advanced as provided in Section 2.06(e).

SECTION 2.17 Defaulting Banks. Notwithstanding any provision of this Agreement to the contrary, if any Bank becomes a Defaulting Bank, then the following provisions shall apply for so long as such Bank is a Defaulting Bank:

(a) Commitment Fees shall cease to accrue on the Commitment of such Defaulting Bank pursuant to Section 2.10(a);

(b) the Commitment and Credit Exposure of such Defaulting Bank shall not be included in determining whether the Required Banks have taken or may take any action hereunder (including any consent to any amendment, waiver or other modification pursuant to Section 10.05); provided that this clause (b) shall not apply to the vote of a Defaulting Bank in the case of an amendment, waiver or other modification requiring the consent of such Bank or each Bank affected thereby;

(c) with respect to any Fronted LC Exposure (if any):

(i) all or any part of the Fronted LC Exposure of such Defaulting Bank (other than such Fronted LC Exposure that is cash collateralized pursuant to Section 2.16(b)) shall be reallocated among the Non-Defaulting Banks in accordance with their respective Applicable Percentages but only to the extent (x) the sum of all Non-Defaulting Banks' Credit Exposures plus such Defaulting Bank's LC Exposure does not exceed the total of all Non-Defaulting Banks' Commitments and (y) such reallocation does not, as to any Non-Defaulting Bank, cause such Non-Defaulting Bank's Credit Exposure to exceed its Commitment (and, if such reallocation can only partially be effected, such reallocation shall be made ratably among the then outstanding Fronted Letters of Credit, unless otherwise agreed by the Fronting Issuing Banks and the Administrative Agent);

(ii) if the reallocation described in clause (i) above cannot, or can only partially, be effected, the Company shall within one Business Day following notice by the Administrative Agent cash collateralize for the benefit of the applicable Fronting Issuing Bank only the Company's obligations in respect thereof corresponding to such Defaulting Bank's Fronted LC Exposure thereunder (after giving effect to any partial reallocation pursuant to clause (i) above) in accordance with the procedures set forth in Section 2.03(e) for so long as such Fronted LC Exposure is outstanding;

(iii) if the Company cash collateralizes any portion of such Defaulting Bank's Fronted LC Exposure pursuant to clause (ii) above, the Company shall not be required to pay any letter of credit fees to such Defaulting Bank pursuant to Section 2.10(b) with respect to such Defaulting Bank's Fronted LC Exposure during the period and to the extent that such Defaulting Bank's Fronted LC Exposure is cash collateralized;

(iv) if the Fronted LC Exposure of the Non-Defaulting Banks is reallocated pursuant to clause (i) above, then the letter of credit fees payable to the Banks pursuant to Section 2.10(b) shall be adjusted in accordance with such Non-Defaulting Banks' Applicable Percentages;

(v) if all or any portion of such Defaulting Bank's Fronted LC Exposure is neither reallocated nor cash collateralized pursuant to clause (i) or (ii) above, then, without prejudice to any rights or remedies of any applicable Fronting Issuing Bank or any other Bank hereunder, all Commitment Fees that otherwise would have been payable to such Defaulting Bank (solely with respect to the portion of such Defaulting Bank's Commitment that was utilized by such Fronted LC Exposure) and letter of credit fees payable under Section 2.10(b) with respect to such Defaulting Bank's Fronted LC Exposure shall be payable to the applicable Fronting Issuing Banks until and to the extent that such Fronted LC Exposure is reallocated and/or cash collateralized;

(vi) so long as such Bank is a Defaulting Bank, no Fronting Issuing Bank shall be required to issue, amend or increase any Fronted Letter of Credit, unless it is satisfied that the related exposure and the Defaulting Bank's then outstanding Fronted LC Exposure will be 100% covered by the Commitments of the Non-Defaulting Banks and/or cash collateral will be provided by the Company in accordance with Section

2.17(c), and participating interests in any newly issued or increased Fronted Letter of Credit shall be allocated among Non-Defaulting Banks in a manner consistent with Section 2.17(c)(i) (and such Defaulting Bank shall not participate therein); and

(vii) if (i) a Bankruptcy Event or a Bail-In Action with respect to a Parent of any Bank shall occur following the date hereof and for so long as such event shall continue or (ii) any Fronting Issuing Bank has a good faith belief that any Bank has defaulted in fulfilling its obligations under one or more other agreements in which such Bank commits to extend credit, such Fronting Issuing Bank shall not be required to issue, amend or increase any Fronted Letter of Credit, unless such Fronting Issuing Bank shall have entered into arrangements with the Company or such Bank, satisfactory to such Fronting Issuing Bank, to defease any risk to it in respect of such Bank hereunder;

(d) with respect to any Syndicated LC Exposure (if any):

(i) letter of credit fees shall cease to accrue on such Defaulting Bank's Syndicated LC Exposure pursuant to Section 2.10(b), except to the extent (A) such Defaulting Bank's Syndicated LC Exposure is the subject of a Confirming Bank Agreement (in which case, such Letter of Credit Fees shall be for the account of the applicable Confirming Bank) or (B) as set forth in clause (iii) below;

(ii) with respect to any Syndicated Letter of Credit outstanding at the time such Bank becomes a Defaulting Bank, with the consent of the beneficiary thereunder to the extent required by the terms thereof or under applicable law (including, if applicable, the Uniform Customs and Practices for Documentary Credits governing such Syndicated Letter of Credit), (x) all or any part of the Syndicated LC Exposure of such Defaulting Bank (other than any such Syndicated LC Exposure for which a Confirming Bank is then acting as a Confirming Bank for such Defaulting Bank pursuant to Section 2.16(b)) shall be reallocated among the Non-Defaulting Banks in accordance with their respective Applicable Percentages but only to the extent (I) the sum of all Non-Defaulting Banks' Credit Exposures plus such Defaulting Bank's LC Exposure does not exceed the total of all Non-Defaulting Banks' Commitments and (II) such reallocation does not, as to any Non-Defaulting Bank, cause such Non-Defaulting Bank's Credit Exposure to exceed its Commitment and (y) each such Syndicated Letter of Credit (other than any Syndicated Letter of Credit in respect of which a Confirming Bank is then acting as a Confirming Bank for such Bank pursuant to Section 2.16(b)) shall be amended by the Administrative Agent to specify the Banks that are parties to such Syndicated Letter of Credit (excluding, for avoidance of doubt, such Defaulting Bank), after giving effect to such event, and such Banks' respective Applicable Percentages as of the effective date of such amendment;

(iii) if the Syndicated LC Exposure of the Non-Defaulting Banks is reallocated with respect to any Syndicated Letter of Credit pursuant to clause (ii) above, then the letter of credit fees payable to the Banks with respect to such Syndicated Letter of Credit pursuant to Section 2.10(b) shall be adjusted in accordance with such Non-Defaulting Banks' Applicable Percentages; and

(iv) the Syndicated LC Exposures of the Banks in respect of any newly issued Syndicated Letter of Credit shall be allocated among Non-Defaulting Banks in a manner consistent with clause (ii) above (and such Defaulting Bank shall have no obligation under each such Syndicated Letter of Credit to the extent such Syndicated LC Exposures in respect thereof are so reallocated);

(e) the Administrative Agent may, in its discretion, apply or hold payments for the account of such Defaulting Bank as set forth in Section 2.13(e) and until such time as the readjustments with respect to such Defaulting Bank are effected pursuant to subsection (f) of this Section, the Company may, upon notice to such Defaulting Bank and the Administrative Agent, require such Bank, at the expense of such Defaulting Bank, to assign, without recourse (in accordance with and subject to the restrictions contained in Section 10.06), all its interests, rights and obligations under this Agreement and the Letters of Credit issued, or participated in, by such Defaulting Bank to any Person that shall assume such obligations (which assignee may be another Bank, if it accepts such assignment) with (and subject to) the consent of the Administrative Agent (which consent shall not unreasonably be withheld); provided that (i) such Defaulting Bank shall have received payment of an amount equal to the outstanding amount of its LC Disbursements (including participations therein), principal of its Loans, accrued interest thereon, accrued fees and all other amounts payable to it hereunder, from the assignee (to the extent of such outstanding LC Disbursements, Loans and accrued interest and fees) or the Company (in the case of all other amounts) (provided that the Company may deduct, or cause such assignee to deduct, from amounts payable by them or it, as applicable, to such Bank hereunder all fees, costs and expenses reasonably incurred by the Company in effecting such assignment) and (ii) concurrently with such assignment, to the extent any LC Exposure of such Defaulting Bank theretofore shall have been reallocated pursuant to this Section, the Credit Exposures of the Banks (including, after giving effect to such assignment, such assignee) shall be readjusted (and payments made by the relevant parties) in a manner consistent with subsection (f) of this Section, such that, after giving effect thereto, the Banks (including such assignee, but not such Defaulting Bank) shall hold the Credit Exposures then outstanding in accordance with their respective Applicable Percentages; and

(f) in the event that the Administrative Agent, the Company and (to the extent there shall be Fronted Letters of Credit then outstanding) each Fronting Issuing Bank each agrees that a Defaulting Bank has adequately remedied all matters that caused such Bank to be a Defaulting Bank, then such Bank shall cease to be a Defaulting Bank and the Credit Exposures of the Banks shall be readjusted as follows:

(i) with respect to any Fronted LC Exposure then outstanding, such Fronting LC Exposure shall be readjusted to reflect the inclusion of such Bank's Commitment and such Bank shall purchase at par such of the unreimbursed LC Disbursements then outstanding (if any) of the other Banks in respect of such Fronted LC Exposure as the Administrative Agent shall determine may be necessary in order for such Bank to hold such LC Disbursements in accordance with its Applicable Percentage;

(ii) with respect to any Syndicated LC Exposure then outstanding, (x) with the consent of the beneficiary under each outstanding Syndicated Letter of Credit to the extent required by the terms thereof or under applicable law (including, if applicable, the Uniform Customs and Practices for Documentary Credits governing such Syndicated

Letter of Credit) and to the extent such Syndicated Letter of Credit was theretofore amended or issued pursuant to subsection (d)(ii) or (d)(iv), as applicable, of this Section to reflect the exclusion of such Bank's Commitment, (I) each such Syndicated Letter of Credit shall be amended by the Administrative Agent to specify the Banks (including such Bank) that are then parties to such Syndicated Letter of Credit and such Banks' respective Applicable Percentages, in each case reflecting the inclusion of such Bank's Commitment, as of the effective date of such amendment and (II) if such Syndicated Letter of Credit was not theretofore amended pursuant to subsection (d)(ii) of this Section to reflect the exclusion of such Bank's Commitment thereunder, but instead the face amount of such Syndicated Letter of Credit was increased or a new Letter of Credit was issued hereunder in favor of the beneficiary of such Syndicated Letter of Credit in order to provide such beneficiary with an aggregate undrawn face amount of Letters of Credit from the Non-Defaulting Banks (including, if applicable, the applicable Fronting Issuing Banks) in the amount required by such beneficiary, the amount of such Syndicated Letter of Credit or new Letter of Credit shall be amended by the Administrative Agent to decrease the amount thereof, or the Company shall arrange for such new Letter of Credit to be surrendered by such beneficiary to the Administrative Agent or the applicable Fronting Issuing Bank, in order to reflect the inclusion of such Bank's Commitment pursuant to the amendment to such Syndicated Letter of Credit under sub-clause (I) above (provided that, notwithstanding anything herein to the contrary, the Company shall not be required to pay any letter of credit fees to such Bank pursuant to Section 2.10(b) until such amendments with respect to such Letters of Credit shall have become effective); (y) (subject to clause (x) being satisfied with respect to a Syndicated Letter of Credit) the Syndicated LC Exposure of the Banks with respect to such Syndicated Letter of Credit shall be readjusted to reflect the inclusion of such Bank's Commitment; and (z) (subject to clause (x) being satisfied with respect to a Syndicated Letter of Credit) such Bank shall purchase at par such of the unreimbursed LC Disbursements then outstanding (if any) of the other Banks with respect to such Syndicated Letter of Credit as the Administrative Agent shall determine may be necessary in order for such Bank to hold such LC Disbursements in accordance with its Applicable Percentage; and

(iii) with respect to any Loans then outstanding, such Bank shall purchase at par such of the Loans of the other Banks as the Administrative Agent shall determine may be necessary in order for such Bank to hold such Loans in accordance with its Applicable Percentage.

Subject to Section 10.16, no readjustment under this Section 2.17(f) shall constitute a waiver or release of any claim of any party hereunder against a Defaulting Bank arising from that Bank having become a Defaulting Bank, including any claim of a Non-Defaulting Bank as a result of such Non-Defaulting Bank's increased exposure following such reallocation.

ARTICLE III

CONDITIONS

SECTION 3.01 Each Credit Extension. The obligation of each Bank to issue, amend, renew or extend any Letter of Credit or to make any Loan is subject to the satisfaction of the following conditions:

(a) in the case of a Letter of Credit, receipt by the Administrative Agent of a notice of issuance, amendment, renewal or extension, as the case may be, with respect to such Letter of Credit, as required by Section 2.01(b) or, in the case of a Borrowing, receipt by the Administrative Agent of a Notice of Borrowing as required by Section 2.05(a);

(b) the fact that, immediately before and after issuance, amendment, renewal or extension of such Letter of Credit or such Loan no Default shall have occurred and be continuing;

(c) the fact that the representations and warranties (other than, except with respect to an extension of credit on the Effective Date or the Spin-Off Effective Date, the representations and warranties in Section 4.04(e) and Section 4.05) of the Company contained in this Agreement shall be true on and as of the date of such issuance, amendment, renewal or extension of such Letter of Credit or such Loan (or, if any such representation or warranty is expressly stated to have been made as of a specific date, as of such specific date);

(d) (i) the Specified Date shall have occurred or (ii) for all Loans made or Letters of Credit issued, amended, renewed or extended prior to the Specified Date, (x) the Company shall own all of the voting Capital Stock of Intermediate Co. and (y) Intermediate Co. shall own, directly or indirectly, all of the Capital Stock of MetLife Insurance Company USA, Brighthouse Securities, LLC, Brighthouse Services, LLC, MetLife Advisors, LLC, First MetLife Investors Insurance Company, New England Life Insurance Company and each other Insurance Subsidiary to be acquired by the Company and Intermediate Co. pursuant to the Restructuring Transaction, and the Administrative Agent shall have received evidence thereof in form and substance satisfactory to it, provided that, notwithstanding the failure of the foregoing clause (x) to be satisfied, but subject, in all cases, to all the other conditions hereof, and subject to the satisfaction (as determined by the Active Joint Lead Arrangers in their sole discretion) of the Escrow Conditions, the Company may request the Specified Loan; and

(e) (i) the Specified Date shall have occurred or (ii) for all Loans made or Letters of Credit issued, amended, renewed or extended prior to the Specified Date, the other elements of the Restructuring Transaction and the Spin-Off Transaction shall have been consummated prior to, or shall be consummated substantially concurrently with (which shall include consummation no more than three Domestic Business Days thereafter), the issuance, amendment, renewal or extension of any Letter of Credit or making of any Loan (including the Specified Loan), in each case, on terms and conditions reasonably satisfactory to the Administrative Agent and the Active Joint Lead Arrangers, and the Administrative Agent shall have received evidence thereof in form and substance satisfactory to it.

Each issuance, amendment, renewal or extension of a Letter of Credit and the making of any Loan hereunder shall be deemed to be a representation and warranty by the Company on the date of such issuance, amendment, renewal or extension or Loan, as the case may be, as to the facts specified in clauses (b) and (c) of this Section, and in the case of any such event on or before the Specified Date, as to the facts specified in clauses (d) and (e) of this Section.

SECTION 3.02 Effectiveness. This Agreement shall become effective on the first date that all of the following conditions shall have been satisfied (or waived in accordance with Section 10.05):

(a) receipt by the Administrative Agent of counterparts of this Agreement signed by each of the Persons listed on the signature pages hereto (or, in the case of any Bank as to which an executed counterpart shall not have been received, receipt by the Administrative Agent in form satisfactory to it of telecopy or other written confirmation from such Bank of execution and delivery of a counterpart hereof by such Bank);

(b) receipt by the Administrative Agent of an opinion of internal and external counsel to the Company addressed to it and the Banks and dated the Effective Date, covering such matters relating to the Company, this Agreement or the transactions contemplated hereby as the Administrative Agent shall reasonably request. The Company hereby requests such counsel to deliver such opinions;

(c) receipt by the Administrative Agent of a certificate, dated the Effective Date and signed by a Financial Officer of the Company, certifying: (i) (x) that the representations and warranties contained in this Agreement shall be true on and as of such date and (y) no Default or Event of Default shall have occurred and be continuing, (ii) as to clause (h) of this Section 3.02, (iii) (x) the ratings by Moody's and S&P, respectively, applicable on the Effective Date (to the extent obtained prior thereto) to the Index Debt or (y) the financial strength ratings by Moody's and S&P, respectively, applicable on the Effective Date of MetLife Insurance Company USA and (iv) a calculation of Adjusted Consolidated Net Worth on the Effective Date;

(d) receipt by the Administrative Agent of such documents and certificates as the Administrative Agent may reasonably request relating to the organization, existence and good standing of the Company, the authorization of the transactions contemplated hereby and any other legal matters relating to each of the Company, this Agreement or the transaction contemplated hereby, all in form and substance reasonably satisfactory to the Administrative Agent, including a certified copy of the resolutions of the Board of Directors of the Company, in form and substance reasonably satisfactory to the Administrative Agent, authorizing the execution, delivery and performance of this Agreement and other Credit Documents;

(e) receipt by the Administrative Agent of all documents and instruments as it may reasonably request relating to the existence of the Company (including information required to comply with "know your customer" or similar identification requirements of any Bank), the corporate authority for and the validity and enforceability of this Agreement and the other Credit Documents, and any other matters related hereto, all in form and substance reasonably satisfactory to the Administrative Agent;

(f) receipt by the Administrative Agent of (i) evidence as of the Effective Date as to payment of all fees required to be paid, and all expenses required to be paid or reimbursed for which invoices have been presented (including, without limitation, fees and disbursements of counsel to JPMorgan required to be paid as of the Effective Date and invoiced at least two (2) Domestic Business Days prior to the Effective Date) in connection with this Agreement, on or before the Effective Date and (ii) of a Continuing Agreement for Standby Letters of Credit executed by the Company, in form and substance satisfactory to the JPMorgan and the Company;

(g) the Active Joint Lead Arrangers shall be reasonably satisfied with the proposed terms and conditions of the Restructuring Transaction and the Spin-Off Transaction with respect to the Company and its Subsidiaries and the transactions contemplated thereby;

(h) except as disclosed on the Specified Form 10, there shall not have occurred a material adverse change since December 31, 2015 in the business, assets, property or financial condition of the Company and its Consolidated Subsidiaries, taken as a whole; and

(i) receipt by the Administrative Agent of counterparts of a Note signed by the Company in favor of each Bank requesting a Note.

The Administrative Agent shall promptly notify the Company and the Banks of the Effective Date, and such notice shall be conclusive and binding on all parties hereto.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES

On the Effective Date, Spin-Off Effective Date and each other date as required by the Credit Documents, the Company represents and warrants that:

SECTION 4.01 Corporate Existence and Power. The Company (a) is a corporation duly incorporated and validly existing under the laws of the State of Delaware, (b) has (i) all corporate power and authority and (ii) all material governmental licenses, authorizations, consents and approvals required, in each case, to own or lease its assets and carry on its business as now conducted and (c) is duly qualified and is licensed and, as applicable, in good standing under the laws of each jurisdiction where its ownership, lease or operation of properties or the conduct of its business requires such qualification or license, except in each case referred to in the foregoing clauses (b)(ii) and (c) to the extent that such failure to do so would not reasonably be expected to have a Material Adverse Effect.

SECTION 4.02 Corporate and Governmental Authorization; Contravention. The execution, delivery and performance by the Company of this Agreement and the other Credit Documents to which it is a party are within the Company's corporate powers, have been duly authorized by all necessary corporate action, require no action by or in respect of, or filing with, any governmental body, agency or official and do not contravene, or constitute a default under, any provision of applicable law or regulation or of the articles of incorporation or by-laws of the Company or of any material agreement, judgment, injunction, order, decree or other instrument binding upon the Company or any of its Material Subsidiaries or result in the creation or imposition of any Lien on any asset of the Company or any of its Material Subsidiaries.

SECTION 4.03 Binding Effect. This Agreement and the other Credit Documents to which it is a party constitute the legal, valid and binding obligations of the Company, in each case enforceable in accordance with their respective terms, except as the same may be limited by bankruptcy, insolvency or similar laws affecting creditors' rights generally and by general principles of equity.

SECTION 4.04 Financial Information; No Material Adverse Change.

(a) The combined balance sheets of the Company and its Consolidated Subsidiaries, and the related combined statements of income, cash flows and shareholders' net investment for the fiscal year then ended, reported on by Deloitte & Touche LLP and set forth in the Company's Specified Form 10, a copy of which has been delivered to the Administrative Agent on behalf of each of the Banks, fairly present, in conformity with generally accepted accounting principles, the combined financial position of the Company and its Consolidated Subsidiaries as of such date and their combined results of operations and changes in financial position for the period covered by such financial statements.

(b) The unaudited combined balance sheets of the Company and its Consolidated Subsidiaries as of June 30, 2016 and the related unaudited combined statements of income, cash flows and shareholders' net investment for the period then ended, set forth in the Company's Specified Form 10, a copy of which has been delivered to the Administrative Agent on behalf of each of the Banks, fairly present, in conformity with generally accepted accounting principles applied on a basis consistent with the financial statements referred to in subsection (a) of this Section, the combined financial position of the Company and its Consolidated Subsidiaries as of such date and their consolidated results of operations and changes in financial position for such period (subject to normal year-end adjustments and, to the extent permitted by Regulation S-X, the absence of footnotes).

(c) A copy of a duly completed and signed annual Statutory Statement or other similar report of or for each Insurance Subsidiary that is a Material Subsidiary in the form filed with the governmental body, agency or official which regulates insurance companies in the jurisdiction in which such Insurance Subsidiary is domiciled for the year ended December 31, 2015 has been delivered to the Administrative Agent on behalf of each of the Banks and fairly presents, in accordance with statutory accounting principles, the information contained therein.

(d) A copy of a duly completed and signed quarterly Statutory Statement or other similar report of or for each Insurance Subsidiary that is a Material Subsidiary in the form filed with the governmental body, agency or official which regulates insurance companies in the jurisdiction in which such Insurance Subsidiary is domiciled for the quarter ended September 30, 2016 has been delivered to the Administrative Agent on behalf of each of the Banks and fairly presents, in accordance with statutory accounting principles, the information contained therein.

(e) Except as disclosed in the Specified Form 10, since December 31, 2015, there has been no material adverse change in the business, assets, property or financial condition of the Company and its Consolidated Subsidiaries, considered as a whole.

SECTION 4.05 Litigation. There is no action, suit or proceeding pending against, or to the knowledge of the Company threatened against, the Company or any of its Subsidiaries before any court or arbitrator or any governmental body, agency or official (a) which has or would be reasonably expected to have a Material Adverse Effect, or (b) which in any manner draws into question the validity or enforceability of this Agreement or any other Credit Document. The Company has reasonably concluded that its compliance with Environmental Laws is unlikely to result in a Material Adverse Effect.

SECTION 4.06 Compliance with ERISA. Except as would not reasonably be expected to result in a Material Adverse Effect, each member of the ERISA Group has fulfilled its obligations under the minimum funding standards of ERISA and the Code with respect to each Plan and is in compliance in all material respects with the presently applicable provisions of ERISA and the Code with respect to each Plan. Except as would not reasonably be expected to result in a Material Adverse Effect, no member of the ERISA Group has (i) sought a waiver of the minimum funding standard under Section 412 of the Code in respect of any Plan, (ii) failed to make any required contribution or payment to any Plan or Multiemployer Plan or in respect of any Benefit Arrangement, or made any amendment to any Plan or Benefit Arrangement, which has resulted or could result in the imposition of a Lien or the posting of a bond or other security under ERISA or the Code (other than a bond or other security required in connection with the creation and adoption of a pension plan for the Company) or (iii) incurred any liability under Title IV of ERISA other than a liability to the PBGC for premiums under Section 4007 of ERISA.

SECTION 4.07 Taxes. The Company and its Subsidiaries have filed all income tax returns and all other material tax returns which are required to be filed by them and have paid all taxes due pursuant to such returns or pursuant to any assessment received by the Company or any Subsidiary, except for any such taxes that are being contested in good faith by appropriate proceedings and for which adequate reserves have been made, and except in each case to the extent that the failure to do so would not reasonably be expected to have a Material Adverse Effect. The charges, accruals and reserves on the books of the Company and its Subsidiaries in respect of taxes are, in the opinion of the Company, adequate.

SECTION 4.08 Subsidiaries. Each of the Company's Material Subsidiaries (a) is a corporation or limited liability company that is duly incorporated or organized, validly existing and (except where such concept is not applicable) in good standing under the laws of its jurisdiction of incorporation or formation, (b) has all corporate or limited liability power (as applicable) and authority and all material governmental licenses, authorizations, consents and approvals, in each case, required to own or lease its assets and carry on its business as now conducted and (c) is duly qualified and is licensed and, as applicable, in good standing under the laws of each jurisdiction where its ownership, lease or operation of properties or the conduct of its business requires such qualification or license, except in each case referred to in the foregoing clauses (b) and (c) to the extent that such failure to do so would not reasonably be expected to have a Material Adverse Effect.

SECTION 4.09 Not an Investment Company. The Company is not an "investment company" within the meaning of the Investment Company Act of 1940, as amended.

SECTION 4.10 Obligations to be Pari Passu. The Company's obligations under this Agreement and each other Credit Document to which it is a party rank pari passu as to priority of payment and in all other respects with all other material unsecured and unsubordinated Debt of the Company, with the exception of those obligations that are mandatorily preferred by law and not by contract.

SECTION 4.11 No Default. No event has occurred and is continuing which constitutes, or which, with the passage of time or the giving of notice or both, would constitute, a default under or in respect of any material agreement, instrument or undertaking to which the Company or any Material Subsidiary is a party or by which either the Company or any Material Subsidiary or any of their respective assets is bound, unless such default would not have or be reasonably expected to have a Material Adverse Effect.

SECTION 4.12 Material Subsidiaries. Set forth as Schedule III hereto is a true, correct and complete list of each Material Subsidiary as of the date hereof.

SECTION 4.13 [Reserved].

SECTION 4.14 Full Disclosure. None of the reports, financial statements, certificates or other information furnished by or on the behalf of the Company to the Administrative Agent or any Bank in connection with the negotiation of this Agreement and the other Credit Documents or delivered hereunder or thereunder (as modified or supplemented by other information so furnished) contains any material misstatement of fact or omits to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading as of the date made; provided that, with respect to projected or pro forma financial information, the Company represents only that such information was prepared in good faith based upon assumptions believed to be reasonable at the time furnished (it being understood that such projections and forecasts are subject to uncertainties and contingencies and no assurances can be given that such projections or forecasts will be realized).

SECTION 4.15 [Reserved].

SECTION 4.16 Hybrid Instruments. Set forth as Schedule IV hereto is a true, correct and complete list of each Hybrid Instrument of the Company and its Consolidated Subsidiaries outstanding as of the date hereof, specifying in each case the equity credit treatment given to each such Hybrid Instrument by S&P and/or Moody's as of the Effective Date.

SECTION 4.17 Sanctioned Persons; Anti-Corruption Laws; Patriot Act. None of the Company or any of its Subsidiaries or, to the knowledge of the Company, any of their respective directors, officers, employees, agents or Affiliates is subject to any sanctions or economic embargoes administered or enforced by the U.S. Department of State or the Office of Foreign Asset Control of the U.S. Department of Treasury (collectively, "Sanctions", and the associated laws, rules, regulations and orders, collectively, "Sanctions Laws"), except to the extent that being subject to such Sanctions would not reasonably be expected to have a Material Adverse Effect or reasonably be expected to result in any Bank violating any Sanctions Laws.

Each of the Company and its Subsidiaries and their respective directors, officers and, to the knowledge of the Company, employees, agents and Affiliates is in compliance, in all material respects, with (i) all Sanctions Laws, (ii) the United States Foreign Corrupt Practices Act of 1977, as amended, and any other applicable anti-bribery or anti-corruption laws, rules, regulations and orders (collectively, "Anti-Corruption Laws") and (iii) USA PATRIOT Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001) the "Patriot Act") and any other applicable terrorism and money laundering laws, rules, regulations and orders (collectively, "Anti-Money Laundering Laws"), except in each case to the extent that such non-compliance therewith would not reasonably be expected to have a Material Adverse Effect or reasonably be expected to result in any Bank violating any such Sanctions Laws, Anti-Corruption Laws or Anti-Money Laundering Laws. No part of the proceeds of the Loans or Letters of Credit will be used by the Company or any Applicant, directly or indirectly, (A) for the purpose of funding, financing or facilitating any activities or business of or with, or making any payments to, any Person or in any country or territory in violation of any Sanctions Law or (B) for any payments to any governmental official or employee, political party, official of a political party, candidate for political office, or anyone else acting in an official capacity, in order to obtain, retain or direct business or obtain any improper advantage, in violation of any Anti-Corruption Law, except in each case to the extent that such use would not reasonably be expected to have a Material Adverse Effect or reasonably be expected to result in any Bank violating any Sanctions Laws, Anti-Corruption Laws or Anti-Money Laundering Laws.

SECTION 4.18 EEA Financial Institutions. The Company is not an EEA Financial Institution.

ARTICLE V

COVENANTS

Until all Commitments have expired or been terminated, the principal of and interest on each Loan and all fees payable hereunder shall have been paid in full and all Letters of Credit shall have expired or terminated and all LC Disbursements shall have been reimbursed, the Company agrees that:

SECTION 5.01 Information.

The Company will deliver to each of the Banks:

(a) within 90 days after the end of each fiscal year of the Company, the consolidated balance sheet of the Company and its Consolidated Subsidiaries as of the end of such fiscal year and the related consolidated statements of income, cash flows and shareholders' equity for such fiscal year, setting forth in each case in comparative form the figures for the previous fiscal year, all reported on in a manner acceptable to the SEC by Deloitte & Touche LLP or other independent public accountants of nationally recognized standing;

(b) within 45 days after the end of each of the first three quarters of each fiscal year of the Company, the consolidated balance sheet of the Company and its Consolidated Subsidiaries as of the end of such quarter and the related consolidated statements of income, cash flows and shareholders' equity for such quarter and for the portion of the Company's fiscal year ended at the end of such quarter, setting forth in each case in comparative form the figures for the corresponding quarter and the corresponding portion of the Company's previous fiscal year, all certified (subject to normal year-end adjustments and, to the extent permitted by Regulation S-X, the absence of footnotes) as to fairness of presentation, generally accepted accounting principles and consistency with the most recent audited consolidated financial statements of the Company and its Consolidated Subsidiaries delivered to the Banks (except for changes concurred in by the Company's independent public accountants) by a Financial Officer;

(c) (I) substantially concurrently with the delivery of each set of financial statements referred to in clauses (a) and (b) above a certificate of a Financial Officer of the Company (i) setting forth in reasonable detail the calculations required to establish whether the Company was in compliance with the requirements of Sections 5.07 and 5.12 on the date of such financial statements, and, with respect to the first fiscal quarter ending after the Spin-Off Effective Date, including a detailed calculation and explanation of the Company's determination of actual Adjusted Consolidated Net Worth, in form and substance satisfactory to the Agent and Lenders, (ii) stating that such Financial Officer, as the case may be, has no knowledge of any Default existing on the date of such certificate or, if such Financial Officer has knowledge of the existence on such date of any Default, setting forth the details thereof and the action which the Company is taking or proposes to take with respect thereto, and (iii) a reconciliation to such financial statements of any inclusions to, or exclusions from, the calculations of Adjusted Consolidated Net Worth, Consolidated Total Indebtedness and Consolidated Total Capitalization, and (II) simultaneously with the delivery of each set of financial statements referred to in clause (a) and (b) above a certificate of a Financial Officer of the Company specifying any changes to the list of Material Subsidiaries as of the last day of the fiscal period to which such financial statements relate;

(d) within 120 days after the end of each fiscal year of each Insurance Subsidiary, a copy of a duly completed and signed annual Statutory Statement (or any successor form thereto) required to be filed by such Insurance Subsidiary that is a Material Subsidiary with the governmental body, agency or official which regulates insurance companies in the jurisdiction in which such Insurance Subsidiary is domiciled, in the form submitted to such governmental body, agency or official;

(e) within 60 days after the end of each of the first three fiscal quarters of each Insurance Subsidiary, a copy of a duly completed and signed quarterly Statutory Statement (or any successor form thereto) required to be filed by such Insurance Subsidiary that is a Material Subsidiary with the governmental body, agency or official which regulates insurance companies in the jurisdiction in which such Insurance Subsidiary is domiciled, in the form submitted to such governmental body, agency or official;

(f) forthwith upon learning of the occurrence of any Default, a certificate of a Financial Officer of the Company setting forth the details thereof and the action which the Company is taking or proposes to take with respect thereto;

(g) promptly upon the mailing thereof to the shareholders of the Company generally, if and only to the extent not duplicative of information otherwise provided pursuant to clause (h) below, copies of all financial statements, reports and proxy statements so mailed;

(h) promptly upon the filing thereof, copies of all registration statements (other than the exhibits thereto and any registration statements on Form S-8 or its equivalent) and reports on Forms 10-K, 10-Q and 8-K (or their equivalents) or amendments to Specified Form 10 which the Company shall have filed with the SEC;

(i) if and when, and only if the liability for the Company and its Subsidiaries from the applicable event would reasonably be expected to exceed $75,000,000, any member of the ERISA Group (i) gives or is required to give notice to the PBGC of any “reportable event” (as defined in Section 4043 of ERISA), with respect to any Plan which might constitute grounds for a termination of such Plan under Title IV of ERISA, or knows that the plan administrator of any Plan has given or is required to give notice of any such reportable event, a copy of the notice of such reportable event given or required to be given to the PBGC; (ii) receives notice of complete or partial withdrawal liability under Title IV of ERISA or notice that any Multiemployer Plan is in reorganization, is insolvent or has been terminated, a copy of such notice; (iii) receives notice from the PBGC under Title IV of ERISA of an intent to terminate, impose liability (other than for premiums under Section 4007 of ERISA) in respect of, or appoint a trustee to administer, any Plan, a copy of such notice; (iv) applies for a waiver of the minimum funding standard under Section 412 of the Code, a copy of such application; (v) gives notice of intent to terminate any Plan under Section 4041(c) of ERISA, a copy of such notice and other information filed with the PBGC; (vi) gives notice of withdrawal from any Plan pursuant to Section 4063 of ERISA, a copy of such notice; or (vii) fails to make any required payment or contribution to any Plan or Multiemployer Plan or in respect of any Benefit Arrangement or makes any amendment to any Plan or Benefit Arrangement which has resulted or could result in the imposition of a Lien or the posting of a bond or other security, a certificate of a Financial Officer of the Company setting forth details as to such occurrence and action, if any, which the Company or applicable member of the ERISA Group is required or proposes to take;

(j) promptly after Moody’s or S&P shall have announced a change in the rating established or deemed to have been established for the Index Debt, written notice of such rating change; and

(k) from time to time such additional information regarding the financial position or business of the Company as the Administrative Agent, at the request of any Bank, may reasonably request.

Documents required to be delivered pursuant to Section 5.01 (a), (b), (d), (e), (g) or (h) may be delivered electronically on the following Internet websites: (a) the Company’s website at an address to be designated in writing to the Administrative Agent, (b) with respect to Section 5.01(a), (b), (g) or (h) the SEC’s website www.sec.com (to the extent that any such documents are included in materials otherwise filed with the SEC) or (c) such other third party website that shall have been identified by the Company in a notice to the Administrative Agent and the Banks and that is accessible by the Banks without charge, and in each case if so delivered shall be deemed to have been delivered on the date such materials are publically available; provided that (i) the Company shall deliver paper copies of such information to any Bank promptly upon the request of such Bank through the Administrative Agent and (ii) the Company shall have notified the Administrative Agent of the posting of such documents delivered pursuant to Section 5.01(a), (b), (d), (e) and (g). The Administrative Agent shall have no obligation to request the delivery of or to maintain paper copies of the documents referred to above, and in any event shall have no responsibility to monitor compliance by the Company with any such request by a Bank for delivery, and each Bank shall be solely responsible for requesting delivery to it or maintaining its copies of such documents.

SECTION 5.02 Payment of Obligations. The Company will pay and discharge, and will cause each Material Subsidiary to pay and discharge, at or before maturity, all their respective material obligations and liabilities, including, without limitation, tax liabilities, that if not paid, would reasonably be expected to result in a Material Adverse Effect, except where (a) the same may be contested in good faith by appropriate proceedings, (b) the Company or such Material Subsidiary has set aside, in accordance with generally accepted accounting principles, appropriate reserves for the accrual of any of the same and (c) the failure to make payment pending such contest would not reasonably be expected to result in a Material Adverse Effect; provided that, for avoidance of doubt, solely with respect to tax liabilities an obligation shall be considered to be delinquent or in default for purposes of this Section only if there has first been notice and demand therefore (as defined in Section 6306 of the Code and similar provisions of applicable law) by a tax authority.

SECTION 5.03 Conduct of Business and Maintenance of Existence. The Company will continue, and will cause each Material Subsidiary to continue, to engage in business of the same general type as conducted by the Company and its Material Subsidiaries, taken as a whole, on the date hereof and will preserve, renew and keep in full force and effect, and will cause each Material Subsidiary to preserve, renew and keep in full force and effect (a) their respective corporate existence and (b) their respective rights, privileges, licenses and franchises, other than, in the case of the foregoing clause (b), the loss of which would not reasonably be expected to result in a Material Adverse Effect; except that if at the time thereof and immediately after giving effect thereto no Default has occurred and is continuing, (i) any Subsidiary may merge with or into the Company, provided that the Company shall be the surviving entity, (ii) any Material Subsidiary may merge with or into any other Subsidiary, provided that such Material Subsidiary shall be the surviving entity or, if such Material Subsidiary is not the surviving entity, the surviving entity shall be deemed to a Material Subsidiary and (iii) any Material Subsidiary may sell, transfer, lease or otherwise dispose of its assets to the Company or to another Material Subsidiary.

SECTION 5.04 Maintenance of Property; Insurance.

(a) The Company will keep, and will cause each Material Subsidiary to keep, all property useful and necessary in its business in good working order and condition, except, in each case, to the extent that failure to do so would not be reasonably expected to result in a Material Adverse Effect.

(b) The Company will maintain, and will cause each Material Subsidiary to maintain (either in the name of the Company or in such Subsidiary's own name) with financially sound and responsible insurance companies, insurance on all their respective properties and against at least such risks, in each case as is consistent with sound business practice for companies in substantially the same industry as the Company and its Material Subsidiaries; and the Company will furnish to the Banks, upon request from the Administrative Agent, information presented in reasonable detail as to the insurance so carried.

SECTION 5.05 Compliance with Laws. The Company will comply, and will cause each Subsidiary to comply, in all material respects with all applicable laws, ordinances, rules, regulations and requirements of governmental bodies, agencies and officials (including, without limitation, Sanctions Laws, Anti-Corruption Laws, Anti-Money-Laundering Laws, Environmental Laws and ERISA and the rules and regulations thereunder) except where the necessity of compliance therewith is contested in good faith by appropriate proceedings, except where such non-compliance therewith would not reasonably be expected to have a Material Adverse Effect (or, in the case of the laws, rules, regulations and orders referred to in Section 4.17, reasonably be expected to result in any Bank violating such laws, rules, regulations or orders).

SECTION 5.06 Inspection of Property, Books and Records. The Company will keep, and will cause each Material Subsidiary to keep, proper books of record and account in which entries that are full, true and correct in all material respects shall be made of all dealings and transactions in relation to its business and activities; and, subject in all cases to Section 10.11, will permit, and will cause each Material Subsidiary to permit, representatives of any Bank to visit and inspect any of their respective properties, to examine and make abstracts from any of their respective books and records and to discuss their respective affairs, finances and accounts with their respective officers, employees, actuaries and independent public accountants, all upon reasonable notice, at such reasonable times during ordinary business hours and as often as may reasonably be desired; provided that neither the Company nor any of its Subsidiaries shall be required to disclose any information subject to attorney-client privilege to the extent disclosure thereof would impair such privilege.

SECTION 5.07 Financial Covenants.

(a) Minimum Adjusted Consolidated Net Worth. From and after the Covenant Trigger Date, the Company will not at any time permit its Adjusted Consolidated Net Worth, calculated as of the end of each fiscal quarter, to be less than an amount equal to the sum of (i) the greater of (x) $8,100,000,000 and (y) 72% of the actual Adjusted Consolidated Net Worth of the Company (determined as of the end of the first fiscal quarter ending after the Spin-Off Effective Date) plus (ii) 50% of the aggregate amount of (x) Equity Issuances by the Company and its Subsidiaries issued after the end of the first fiscal quarter ending after the Spin-Off Effective Date and (y) the Hybrid Instrument Amount with respect to Hybrid Instruments issued after the end of the first fiscal quarter ending after the Spin-Off Effective Date.

(b) Total Indebtedness to Total Capitalization Ratio. From and after the Covenant Trigger Date, the Company will not at any time permit the ratio of (a) Consolidated Total Indebtedness to (b) Consolidated Total Capitalization to exceed 0.35 to 1.00, calculated as of the last day of each fiscal quarter.

With respect to all testing periods prior to the end of the first fiscal quarter after the Spin-Off Effective Date, Adjusted Consolidated Net Worth, Consolidated Total Indebtedness and Consolidated Total Capitalization shall be calculated as of the last day of the most recently ended fiscal quarter for which financial statements are available, giving pro forma effect to the Restructuring Transaction and the payment of the dividend and the incurrence of Debt contemplated in connection with the Spin-Off Transaction.

SECTION 5.08 Negative Pledge. The Company will not, and will not permit any Subsidiary to, create or suffer to exist any Lien upon any present or future capital stock or any other Ownership Interests (as defined below) of any of its Material Subsidiaries (other than any Subsidiary established primarily for the purpose of reinsuring redundant reserve insurance liabilities of the Company or any other Insurance Subsidiary). As used herein "Ownership Interests" means, with respect to any Person, all of the shares of Capital Stock of such Person and all debt securities of such Person that can be converted or exchanged for Capital Stock of such Person, whether voting or nonvoting, and whether or not such Capital Stock or debt securities are outstanding on any date of determination.

SECTION 5.09 Consolidations, Mergers and Sales of Assets. The Company will not (a) consolidate or merge with or into any other Person or (b) sell, lease or otherwise transfer, directly or indirectly, all or substantially all of the assets of the Company and its Subsidiaries, taken as a whole, to any other Person; provided that the Company may merge with another Person if (i) the Company is the corporation surviving such merger and (ii) immediately after giving effect to such merger, no Default shall have occurred and be continuing.

SECTION 5.10 Use of Credit. The Company shall use each Letter of Credit issued under this Agreement for its general corporate purposes, including, without limitation, to support variable annuity policy and reinsurance reserve requirements. The proceeds of each Loan made to the Company hereunder will be used for its general corporate purposes, including, without limitation, to finance the reimbursement of LC Disbursements as contemplated by Section 2.03(a)) and to pay a portion the dividends to be made by the Company in connection with the Spin-Off Transaction. No Letter of Credit or proceeds of Loans will be used, directly or indirectly, for the purpose, whether immediate, incidental or ultimate, of buying or carrying any "margin stock" within the meaning of Regulations T, U and X.

SECTION 5.11 Obligations to be Pari Passu. The Company's obligations under this Agreement and the other Credit Documents to which it is a party will rank at all times pari passu as to priority of payment and in all other respects with all other material unsecured and unsubordinated Debt of the Company, with the exception of those obligations that are mandatorily preferred by law and not by contract.

SECTION 5.12 Certain Debt. The Company will not at any time permit the sum of (i) Non-Operating Indebtedness of the Company that is secured by a Lien on any property or assets of the Company and its Subsidiaries and (ii) Non-Operating Indebtedness of the Subsidiaries of the Company to exceed $150,000,000, except:

(a) Debt of any Subsidiary of the Company owing to the Company or another Subsidiary of the Company (but including any Debt owing to any other Affiliate of the Company);

(b) Debt consisting of surplus notes issued by Subsidiaries of the Company that are operating Insurance Subsidiaries in an amount not to exceed $1,000,000,000; and

(c) Disqualified Capital Stock issued by (x) Intermediate Co. in connection with the Restructuring Transaction in an aggregate principal amount not to exceed $75,000,000 and (y) Brighthouse Reinsurance in connection with the Restructuring Transaction in an aggregate principal amount not to exceed $15,000,000.

ARTICLE VI

DEFAULTS

SECTION 6.01 Events of Default. If one or more of the following events ("Events of Default") shall have occurred and be continuing:

(a) (i) the Company shall fail to pay when due any principal of any Loan or any reimbursement obligation in respect of an LC Disbursement or (ii) the Company shall fail to pay when due any interest on any Loan or LC Disbursement or any fees or any other amounts payable hereunder and such failure under this clause (ii) shall continue for four Domestic Business Days;

(b) the Company shall fail to observe or perform any covenant contained in Sections 5.03(a), 5.07 through 5.12, inclusive, or its obligation to provide cash collateral pursuant to the last sentence of Section 2.01(d);

(c) the Company shall fail to observe or perform any covenant or agreement contained in this Agreement or the other Credit Documents (other than those covered by clause (a) or (b) above) for 30 days after written notice thereof has been given to the Company by the Administrative Agent at the request of any Bank;

(d) any representation, warranty, certification or statement made by the Company in this Agreement, any other Credit Document or in any certificate, financial statement or other document delivered pursuant to this Agreement shall prove to have been incorrect in any material respect when made (or deemed made);

(e) the Company or any Subsidiary shall fail to make any payment in respect of any Debt (other than Loans or other extensions of credit hereunder) having a principal amount then outstanding of not less than $150,000,000 when due and such failure shall continue beyond any applicable grace period or the Company or any Subsidiary shall fail to make any payment in an amount at least equal to $150,000,000 in respect of any Derivative Financial Product when due and such failure shall continue beyond any applicable grace period;

(f) any event or condition shall occur which results in the acceleration of the maturity of any Debt (other than Loans or other extensions of credit hereunder) having a principal or face amount then outstanding of not less than $150,000,000 of the Company or any Subsidiary, or an early termination event shall arise with respect to any Derivative Financial Product that creates, after taking into account the effect of any legally enforceable netting agreement relating to such Derivative Financial Product, a net obligation of not less than such amount, or enables (or, with the giving of notice or lapse of time or both, would enable) the holder (or counterparty) of such Debt (or Derivative Financial Product) or any Person acting on such holder's behalf to accelerate the maturity (or declare an early termination event) thereof;

(g) the Company or any Material Subsidiary shall commence a voluntary case or other proceeding seeking rehabilitation, dissolution, conservation, liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, rehabilitator, dissolver, conservator, custodian or other similar official of it or any substantial part of its property, or shall consent to any such relief or to the appointment of or taking possession by any such official in an involuntary case or other proceeding commenced against it, or shall make a general assignment for the benefit of creditors, or shall fail generally to pay its debts as they become due, or shall take any corporate action to authorize any of the foregoing;

(h) an involuntary case or other proceeding shall be commenced against the Company or any Material Subsidiary seeking rehabilitation, dissolution, conservation, liquidation, reorganization or other relief with respect to it or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, rehabilitator, dissolver, conservator, custodian or other similar official of it or any substantial part of its property, and such involuntary case or other proceeding shall remain undismissed and unstayed for a period of 60 days; or an order for relief shall be entered against the Company or any such Material Subsidiary under the federal bankruptcy laws as now or hereafter in effect; or any governmental body, agency or official shall apply for, or commence a case or other proceeding to seek, an order for the rehabilitation, conservation, dissolution or other liquidation of the Company or any Material Subsidiary or of the assets or any substantial part thereof of the Company and any Material Subsidiary or any other similar remedy;

(i) any of the following events or conditions shall occur, which, in the aggregate, would reasonably be expected to involve possible taxes, penalties and other liabilities in an aggregate amount in excess of $150,000,000: (i) any member of the ERISA Group shall fail to pay when due any amount or amounts which it shall have become liable to pay under Title IV of ERISA; (ii) notice of intent to terminate a Plan shall be filed under Title IV of ERISA by any member of the ERISA Group, any plan administrator or any combination of the foregoing; (iii) the PBGC shall institute proceedings under Title IV of ERISA to terminate, to impose liability (other than for premiums under Section 4007 of ERISA) in respect of, or to cause a trustee to be appointed to administer, any Plan; (iv) a condition shall exist by reason of which the PBGC would reasonably be expected to obtain a decree adjudicating that any Plan must be terminated; or (v) there shall occur a complete or partial withdrawal from, or a default, within the meaning of Section 4219(c)(5) of ERISA, with respect to, one or more Multiemployer Plans;

(j) a judgment or order for the payment of money in excess of $250,000,000 (after (without duplication) the actual amounts of insurance recoveries, offsets and contributions received and amounts thereof not yet received but which the insurer thereon has acknowledged in writing its obligation to pay) shall be rendered against the Company or a Material Subsidiary and such judgment or order shall continue unsatisfied and unstayed for a period of 60 days after entry of such judgment (and, for purposes of this clause, a judgment shall be stayed if, among other things, an appeal is timely filed and such judgment cannot be enforced); or

(k) a Change of Control shall have occurred;

then, and in every such event, and at any time thereafter during the continuance of such event, the Administrative Agent shall, if requested by the Required Banks, by notice to the Company take any or all of the following actions, at the same or different times: (i) terminate the Commitments and they shall thereupon terminate, (ii) declare the Loans then outstanding to be due and payable in whole (or in part, in which case any principal not so declared to be due and payable may thereafter be declared to be due and payable), and thereupon the principal of the Loans so declared to be due and payable, together with accrued interest thereon and all fees and other obligations of the Company accrued hereunder shall become due and payable immediately, without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Company, (iii) notify (or, in the case of any Fronted Letter of Credit, request the applicable Fronting Issuing Bank (and such Fronting Issuing Bank agrees upon such request) to notify) each beneficiary of an outstanding Letters of Credit of the existence of an Event of Default hereunder and cause a drawing of the aggregate undrawn amount thereunder (if such Letters of Credit so permit) and (iv) demand cash collateral from the Company in immediately available funds in an amount equal to the then aggregate undrawn amount of all Letters of Credit pursuant to Section 2.03(e); provided that, in the case of any of the Events of Default specified in clause (g) or (h) above with respect to the Company, without any notice to the Company or any other act by the Administrative Agent or the Banks, the Commitments shall thereupon terminate and the principal of the Loans then outstanding, together with accrued interest thereon and all fees and other obligations of the Company accrued hereunder, and the obligations to provide cash collateral under clause (iv) above, shall automatically become due and payable without presentment, demand, protest or notice of any kind, all of which are hereby waived by the Company.

SECTION 6.02 Notice of Default. The Administrative Agent shall give notice to the Company under Section 6.01(c) promptly upon being requested to do so by any Bank and shall thereupon notify all the Banks thereof.

ARTICLE VII

THE ADMINISTRATIVE AGENT

SECTION 7.01 Appointment and Authorization. Each Bank irrevocably appoints and authorizes the Administrative Agent to take such action as agent on its behalf and to exercise such powers under this Agreement and the other Credit Documents as are delegated to the Administrative Agent by the terms hereof or thereof, together with all such powers as are reasonably incidental thereto.

SECTION 7.02 Agent's Fee. The Company shall pay to the Administrative Agent for its own account fees in the amounts and at the times previously agreed upon between the Company and the Administrative Agent.

SECTION 7.03 Agent and Affiliates. JPMorgan shall have the same rights and powers under this Agreement as any other Bank and may exercise or refrain from exercising the same as though it were not the Administrative Agent, and JPMorgan and its Affiliates may accept deposits from, lend money to, and generally engage in any kind of business with the Company or any Subsidiary or Affiliate of any thereof as if it were not the Administrative Agent hereunder.

SECTION 7.04 Action by Agent. The obligations of the Administrative Agent hereunder are only those expressly set forth herein. The Administrative Agent shall not have any duty to take any discretionary action permitted to be taken by it pursuant to the provisions of this Agreement, unless it shall be requested in writing to do so by the Required Banks. Without limiting the generality of the foregoing, the Administrative Agent shall not be required to take any action with respect to any Default, except as expressly provided in Article VI. The Administrative Agent shall have no duty to disclose to the Banks information that is not required to be furnished by the Company to the Administrative Agent at such time, but is voluntarily furnished by the Company to the Administrative Agent (either in its capacity as Administrative Agent or in its individual capacity).

SECTION 7.05 Consultation with Experts. The Administrative Agent may consult with legal counsel (who may be counsel for the Company), independent public accountants and other experts selected by it and shall not be liable for any action taken or omitted to be taken by it in good faith in accordance with the advice of such counsel, accountants or experts.

SECTION 7.06 Liability of Agent. Neither the Administrative Agent nor any of its directors, officers, agents or employees shall be liable to any Bank for any action taken or not taken by it in connection herewith (i) with the consent or at the request of the Required Banks or (ii) in the absence of its own gross negligence or willful misconduct as determined by a court of competent jurisdiction. The Administrative Agent shall be deemed not to have knowledge of any Default unless and until written notice thereof is given to the Administrative Agent by the Company or a Bank. Neither the Administrative Agent nor any of its directors, officers, agents or employees shall be responsible to any Bank for or have any duty to any Bank to ascertain, inquire into or verify (i) any statement, warranty or representation made in connection with this Agreement or any borrowing hereunder or the issuance, amendment, renewal or extension of any Letter of Credit; (ii) the performance or observance of any of the covenants or agreements of the Company; (iii) the satisfaction of any condition specified in Article III, except receipt of items required to be delivered to the Administrative Agent; (iv) the validity, effectiveness or genuineness of this Agreement, any other Credit Document or any other instrument or writing furnished in connection herewith; (v) the existence or possible existence of any Default; (vi) the financial condition of the Company or any of its Subsidiaries; or (vii) the contents of any certificate, report or other document delivered hereunder or in connection herewith. The Administrative Agent shall not incur any liability by acting in reliance upon any notice, consent, certificate, statement, or other writing believed by it in good faith to be genuine or to be signed by the proper party or parties.

SECTION 7.07 Indemnification. Each Bank shall, ratably in accordance with its Commitment (determined as of the time that the applicable unreimbursed expense or indemnity payment is sought), indemnify the Administrative Agent (to the extent not reimbursed by the Company) against any cost, expense (including counsel fees and disbursements), claim, demand, action, loss or liability (except such as result from the Administrative Agent's gross negligence or willful misconduct as determined by a court of competent jurisdiction) that the Administrative

Agent may suffer or incur in connection with this Agreement or any action taken or omitted by the Administrative Agent hereunder. The Administrative Agent shall be fully justified in failing or refusing to take any action hereunder unless it shall first be indemnified to its satisfaction by the Banks pro rata against any and all liability, cost and expense that it may incur by reason of taking or continuing to take any such action.

SECTION 7.08 Credit Decision. Each Bank acknowledges that it has, independently and without reliance upon the Administrative Agent or any other Bank, and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Bank also acknowledges that it will, independently and without reliance upon the Administrative Agent or any other Bank, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking any action under this Agreement.

SECTION 7.09 Successor Agent. The Administrative Agent may resign at any time by giving written notice thereof to the Banks and the Company. Upon any such resignation, the Required Banks shall have the right to appoint from among the Banks a successor Administrative Agent, which successor Administrative Agent shall be satisfactory to the Company, provided that no Default is continuing. If no successor Administrative Agent shall have been so appointed by the Required Banks, and shall have accepted such appointment, within 30 days after the retiring Administrative Agent gives notice of resignation, then the retiring Administrative Agent may, on behalf of the Banks, appoint a successor Administrative Agent, which shall be a commercial bank organized or licensed under the laws of the United States of America or of any State thereof and having a combined capital and surplus of at least $100,000,000 and (unless a Default has occurred and is continuing) shall otherwise be subject to the consent of the Company, which consent shall not be unreasonably withheld. Upon the acceptance of its appointment as Administrative Agent hereunder by a successor Administrative Agent, such successor Administrative Agent shall thereupon succeed to and become vested with all the rights and duties of the retiring Administrative Agent, and the retiring Administrative Agent shall be discharged from its duties and obligations hereunder. After any retiring Administrative Agent's resignation hereunder as Administrative Agent, the provisions of this Article shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Administrative Agent.

SECTION 7.10 Delegation to Affiliates. The Company and the Banks agree that the Administrative Agent may delegate any of its duties under this Agreement to any of its Affiliates. Any such Affiliate (and such Affiliate's directors, officers, agents and employees) which performs duties in connection with this Agreement shall be entitled to the same benefits of the indemnification, waiver and other protective provisions to which the Administrative Agent is entitled under Articles VII and X.

SECTION 7.11 Joint Lead Arrangers and Other Agents. Notwithstanding anything herein to the contrary, none of the Joint Lead Arrangers and Joint Bookrunners, Syndication Agents or the Documentation Agents listed on the cover page of this Agreement shall have any right, power, obligation, liability, responsibility or duty under this Agreement in its capacity as such, except in its respective capacity, if any, as a Bank.

ARTICLE VIII

CHANGE IN CIRCUMSTANCES

SECTION 8.01 Basis for Determining Interest Rate Inadequate or Unfair. If on or prior to the first day of any Interest Period for any Euro-Dollar Borrowing:

(a) the Administrative Agent determines (which determination shall be conclusive absent manifest error) that adequate and reasonable means do not exist for ascertaining the LIBO Rate for such Interest Period, or

(b) the Required Banks advise the Administrative Agent that the LIBO Rate as determined by the Administrative Agent will not adequately and fairly reflect the cost to such Banks of funding their Euro-Dollar Loans for such Interest Period,

the Administrative Agent shall forthwith give notice thereof to the Company and the Banks, whereupon until the Administrative Agent notifies the Company that the circumstances giving rise to such suspension no longer exist, the obligations of the Banks to make Euro-Dollar Loans shall be suspended. Unless the Company notifies the Administrative Agent at least two Domestic Business Days before the date of any Euro-Dollar Borrowing for which a Notice of Borrowing has previously been given that it elects not to borrow on such date, such Borrowing shall instead be made as a Base Rate Borrowing.

SECTION 8.02 Illegality. If, after the date of this Agreement, the adoption of any applicable law, rule or regulation, or any change in any applicable law, rule or regulation, or any change in the interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by any Bank (or its Applicable Lending Office) with any request or directive (whether or not having the force of law) of any such authority, central bank or comparable agency shall make it unlawful or impossible for any Bank (or its Applicable Lending Office) to make, continue, maintain or fund its Euro-Dollar Loans and such Bank shall so notify the Administrative Agent, the Administrative Agent shall forthwith give notice thereof to the other Banks and the Company, whereupon until such Bank notifies the Company and the Administrative Agent that the circumstances giving rise to such suspension no longer exist, the obligation of such Bank to make Euro-Dollar Loans shall be suspended. Before giving any notice to the Administrative Agent pursuant to this Section, such Bank shall designate a different Applicable Lending Office if such designation will avoid the need for giving such notice and will not, in the judgment of such Bank, be otherwise disadvantageous to such Bank. If such Bank shall determine that it may not lawfully continue to maintain and fund any of its outstanding Euro-Dollar Loans to maturity and shall so specify in such notice, the Company shall immediately prepay in full the then outstanding principal amount of each such Euro-Dollar Loan, together with accrued interest thereon. Concurrently with prepaying each such Euro-Dollar Loan, the Company shall borrow Base Rate Loans in an equal principal amount from such Bank (on which interest and principal shall be payable contemporaneously with the related Euro-Dollar Loans of the other Banks), and such Bank shall make such Base Rate Loans.

SECTION 8.03 Increased Cost and Reduced Return.

(a) If on or after the date hereof, in the case of any Loan or any obligation to make Loans or in the case of any Letter of Credit or any obligation to issue, participate in, renew or extend any Letter of Credit, the adoption of any applicable law, rule or regulation, or any change in any applicable law, rule or regulation, or any change in the interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by any Bank (or its Applicable Lending Office) with any request or directive (whether or not having the force of law) of any such authority, central bank or comparable agency shall impose, modify or deem applicable any reserve (including, without limitation, any such requirement imposed by the Board of Governors of the Federal Reserve System, but excluding with respect to any Euro-Dollar Loan any such requirement included in an applicable Euro-Dollar Reserve Percentage), special deposit, compulsory loan, insurance assessment or similar requirement against assets of, deposits with or for the account of, or credit extended by, any Bank (or its Applicable Lending Office) or shall impose on any Bank (or its Applicable Lending Office) or the London interbank market any other condition affecting its Euro-Dollar Loans, its Notes or its obligation to make Euro-Dollar Loans or its obligation to issue or participate in Letters of Credit, any outstanding Letters of Credit or reimbursement claims in respect of LC Disbursements and the result of any of the foregoing is to increase the cost or expense to such Bank (or its Applicable Lending Office) of making, continuing, converting to or maintaining any Euro-Dollar Loan or of issuing, participating in or maintaining any Letter of Credit, or to reduce the amount of any sum received or receivable by such Bank (or its Applicable Lending Office) under this Agreement or under other Credit Document with respect thereto, by an amount deemed by such Bank to be material, then, within 15 days after demand by such Bank (with a copy to the Administrative Agent), the Company shall pay to such Bank such additional amount or amounts as will compensate such Bank for such increased cost or reduction.

(b) If any Bank shall have determined that, after the Effective Date (subject to clause (d) below), the adoption of any applicable law, rule or regulation regarding capital adequacy, or any change in any applicable law, rule or regulation regarding capital adequacy or liquidity requirements, or any change in the interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or any request or directive regarding capital adequacy or liquidity requirements (whether or not having the force of law) of any such authority, central bank or comparable agency, has or would have the effect of reducing the rate of return on capital of such Bank (or its Parent) as a consequence of such Bank's obligations hereunder to a level below that which such Bank (or its Parent) could have achieved but for such adoption, change, request or directive (taking into consideration its policies with respect to capital adequacy) by an amount deemed by such Bank to be material, then from time to time, within 15 days after demand by such Bank (with a copy to the Administrative Agent), the Company shall pay to such Bank such additional amount or amounts as will compensate such Bank (or its Parent) for such reduction.

(c) Each Bank will promptly notify the Company and the Administrative Agent of any event of which it has knowledge, occurring after the date hereof, which will entitle such Bank to compensation pursuant to this Section. A certificate of any Bank claiming compensation under this Section and setting forth the additional amount or amounts to be paid to it hereunder and, in reasonable detail, such Bank's computation of such amount or amounts, shall be conclusive in the absence of manifest error. In determining such amount, such Bank may use any reasonable averaging and attribution methods.

(d) Notwithstanding anything herein to the contrary, for purposes of this Section, (x) the Dodd-Frank Wall Street Reform and Consumer Protection Act and all requests, rules, guidelines or directives thereunder or issued in connection therewith and (y) all requests, rules, guidelines or directives promulgated by the Bank for International Settlements, the Basel Committee on Banking Supervision (or any successor or similar authority) or the United States or foreign regulatory authorities, in each case pursuant to Basel III, shall in each case be deemed to have gone into effect after the Effective Date, regardless of the date enacted, adopted or issued.

SECTION 8.04 Base Rate Loans Substituted for Affected Euro-Dollar Loans. If (i) the obligation of any Bank to make or continue Euro-Dollar Loans has been suspended pursuant to Section 8.02 or (ii) any Bank has demanded compensation under Section 8.03(a) or 8.05 and the Company shall, by at least five Euro-Dollar Business Days' prior notice to such Bank through the Administrative Agent, have elected that the provisions of this Section shall apply to such Bank, then, unless and until such Bank notifies the Company that the circumstances giving rise to such suspension or demand for compensation no longer apply:

(a) all Loans which would otherwise be made, or continued, by such Bank as Euro-Dollar Loans shall be made instead as, or converted into, Base Rate Loans (on which interest and principal shall be payable contemporaneously with the related Euro-Dollar Loans of the other Banks), and

(b) after each of its Euro-Dollar Loans has been repaid, all payments of principal which would otherwise be applied to repay such Euro-Dollar Loans shall be applied to repay its Base Rate Loans instead.

SECTION 8.05 Taxes.

(a) For purposes of this Section, the following terms have the following meanings:

"FATCA" means Sections 1471 through 1474 of the Code, as of the date of this Agreement (or any amended or successor version that is substantively comparable and not materially more onerous to comply with), any current or future regulations or official interpretations thereof and any agreement entered into pursuant to Section 1471(b)(1) of the Code.

"Taxes" means any and all present or future taxes, duties, levies, imposts, deductions, charges or withholdings of any nature with respect to any payment by the Company pursuant to this Agreement or any other Credit Document, and all liabilities with respect thereto, but excluding, in the case of each Bank and the Administrative Agent, (i) taxes imposed on its net income, and franchise, branch profits or similar taxes imposed on it, by a jurisdiction under the laws of which such Bank or the Administrative Agent (as the case may be) is organized or in which its principal executive office is located or, in the case of each Bank, in which its

Applicable Lending Office is located, (ii) taxes imposed by reason of any present or former connection between such recipient and the jurisdiction (or any political subdivision thereof) imposing such taxes, other than solely as a result of the execution and delivery of this Agreement, the making of any Credit Extensions hereunder or the performance of any action provided for hereunder, (iii) in the case of each Bank, U.S. federal withholding taxes imposed on amounts payable to or for the account of such Bank with respect to an applicable interest in the Loan or Credit Agreement pursuant to a law in effect on the date on which such Bank acquires such interest in the Loan or Credit Agreement or such Bank changes its lending office, except in each case to the extent that, pursuant to this Section 8.05, amounts with respect to such taxes were payable either to such Bank's assignor immediately before such Bank became a party hereto or to such Bank immediately before it changed its lending office, (iv) taxes attributable to such recipient's failure to comply with Section 8.05(d) or Section 8.05(e), and (v) any U.S. Federal withholding Taxes imposed by FATCA (all such excluded taxes, "Excluded Taxes"). If the form provided by a Bank pursuant to Section 8.05(d) at the time such Bank first becomes a party to this Agreement indicates a United States interest withholding tax rate in excess of zero, any United States interest withholding tax at such rate imposed on payments by the Company under this Agreement or any other Credit Document shall be excluded from the definition of "Taxes".

"Other Taxes" means any present or future stamp or documentary taxes and any other excise or property taxes, or similar charges or levies, which arise from any payment made pursuant to this Agreement or any other Credit Document or from the execution, delivery, registration or enforcement of, or otherwise with respect to, this Agreement or any other Credit Document, but excluding any such taxes described in clause (ii) of the definition of Excluded Taxes imposed with respect to an assignment.

"Withholding Agent" means the Company or the Administrative Agent.

(b) Any and all payments by any Withholding Agent to or for the account of any Bank or the Administrative Agent hereunder or under any other Credit Document shall be made free and clear and without deduction or withholding for any Taxes or Other Taxes; provided that, if any Withholding Agent shall be required by law to deduct any Taxes or Other Taxes from any such payments, (i) the sum payable by the Company shall be increased as necessary so that after making all required deductions and withholdings (including deductions and withholdings applicable to additional sums payable under this Section) such Bank or the Administrative Agent (as the case may be) receives an amount equal to the sum it would have received had no such deductions or withholdings been made, (ii) such Withholding Agent (as the case may be) shall make such deductions or withholdings, (iii) such Withholding Agent (as the case may be) shall pay the full amount deducted or withheld to the relevant taxation authority or other authority in accordance with applicable law and (iv) the Company shall promptly furnish to the Administrative Agent, at its address referred to in Section 10.01, the original or a certified copy of a receipt evidencing payment thereof, and, if such receipt relates to Taxes or Other Taxes in respect of a sum payable to any Bank, the Administrative Agent shall promptly deliver such original or certified copy to such Bank.

(c) The Company agrees to indemnify each Bank and the Administrative Agent for the full amount of Taxes or Other Taxes (including, without limitation, any Taxes or

Other Taxes imposed or asserted on amounts payable under this Section), whether or not correctly or legally imposed, paid by such Bank or the Administrative Agent (as the case may be) and reasonable expenses arising therefrom or with respect thereto. This indemnification shall be paid within 30 days after such Bank or Agent, as the case may be, makes demand therefor.

(d) On or prior to the date on which a Bank becomes a Bank under this Agreement, (i) each Bank that is not incorporated under the laws of the United States of America or a state thereof agrees that it will deliver to each of the Company and the Administrative Agent two duly completed copies of United States Internal Revenue Service Form W-8BEN, W-8BEN-E, W-8IMY or W-8ECI (as applicable), certifying in either case that such Bank is entitled to receive payments under this Agreement and the Notes without deduction or withholding of any United States federal income taxes, and (ii) each Bank that is incorporated under the laws of the United States of America or a state thereof agrees that it will deliver to each of the Company and the Administrative Agent two duly completed copies of United States Internal Revenue Service Form W-9. Each Bank which so delivers a Form W-9, W-8BEN, W-8BEN-E, W-8IMY or W-8ECI (as applicable) further undertakes to deliver to each of the Company and the Administrative Agent two additional copies of such form (or successor form) on or before the date that such form expires or becomes obsolete or after the occurrence of any event requiring a change in the most recent form so delivered by it, and such amendments thereto or extensions or renewals thereof as may be reasonably requested by the Company or the Administrative Agent, in each case certifying that such Bank is entitled to receive payments under this Agreement and the Notes without deduction or withholding of any United States federal income taxes, unless such Bank promptly notifies the Company and Administrative Agent in writing of its legal inability to do so.

(e) If a payment made to a Bank under any Credit Document would be subject to U.S. federal withholding tax imposed by FATCA if such Bank fails to comply with the applicable reporting requirements of FATCA (including those contained in Section 1471(b) or 1472(b) of the Code, as applicable), such Bank shall deliver to the Company and the Withholding Agent at the time prescribed by law and at such times reasonably requested by the Withholding Agent or the Company such documentation prescribed by applicable law (including as prescribed by Section 1471(b)(3)(C)(i) of the Code) and such additional documentation reasonably requested by the Withholding Agent or the Company sufficient for the Withholding Agent to comply with its obligations under FATCA and to determine that such Bank has complied with such applicable reporting requirements or to determine the amount to deduct and withhold from such payment. Solely for purposes of this clause (e), “FATCA” shall include any amendments made to FATCA after the date of this Agreement. Each Bank agrees that if any form or certification it previously delivered expires or becomes obsolete or inaccurate in any respect, it shall update such form or certification or promptly notify the Company and the Withholding Agent in writing of its legal inability to do so.

(f) For any period with respect to which a Bank has failed to provide the Company or the Administrative Agent with the appropriate form as required by Section 8.05(d) (whether or not such Bank is lawfully able to do so, unless such failure is due to a change in treaty, law or regulation occurring subsequent to the date on which such form originally was required to be provided), such Bank shall not be entitled to indemnification under Section 8.05(b) or (c) with respect to any withholding of the United States federal income tax resulting from such failure; provided that if a Bank, which is otherwise exempt from or subject to a reduced rate of withholding tax, becomes subject to Taxes because of its failure to deliver a form required hereunder, the Company shall take such steps as such Bank shall reasonably request to assist such Bank to recover such Taxes.

(g) Each Bank and the Administrative Agent shall, at the request of the Company, use reasonable efforts (consistent with applicable legal and regulatory restrictions) to file any certificate or document requested by the Company if the making of such a filing would avoid the need for or reduce the amount of any such additional amounts payable to or for the account of such Bank or the Administrative Agent (as the case may be) pursuant to this Section which may thereafter accrue and would not, in the sole judgment of such Bank or the Administrative Agent, require such Bank or the Administrative Agent to disclose any confidential or proprietary information or be otherwise disadvantageous to such Bank or the Administrative Agent. Furthermore, if the Bank or Administrative Agent determines, it its sole discretion exercised in good faith, that it has received a refund of any Taxes or Other Taxes as to which it has been indemnified pursuant to this Section (including the payment of additional amounts pursuant to this Section), it shall pay to the indemnifying party an amount equal to such refund, net of all out-of-pocket expenses of such Indemnitee and without interest (other than interest paid by the relevant governmental authority). Such indemnifying party, upon the request of such Indemnitee, shall repay to such Indemnitee the amount paid over pursuant to this paragraph (g) (plus any penalties, interest or other charges imposed by the relevant governmental authority) in the event that such Indemnitee is required to repay such refund to such governmental authority.

(h) Each Bank shall severally indemnify the Administrative Agent, within 10 days after demand therefor, for (i) any Indemnified Taxes attributable to such Bank (but only to the extent that the Company has not already indemnified the Administrative Agent for such Taxes or Other Taxes and without limiting the obligation of the Company to do so), (ii) any Taxes attributable to such Bank's failure to comply with the provisions of Section 10.06 relating to the maintenance of a Participant Register and (iii) any Excluded Taxes attributable to such Bank, in each case, that are payable or paid by the Administrative Agent in connection with any Loan Document, and any reasonable expenses arising therefrom or with respect thereto, whether or not such Taxes were correctly or legally imposed or asserted by the relevant governmental authority. A certificate as to the amount of such payment or liability delivered to any Bank by the Administrative Agent shall be conclusive absent manifest error. Each Bank hereby authorizes the Administrative Agent to set off and apply any and all amounts at any time owing to such Bank under any Loan Document or otherwise payable by the Administrative Agent to the Bank from any other source against any amount due to the Administrative Agent under this paragraph (h).

(i) Notwithstanding the foregoing, nothing in this Section shall interfere with the rights of any Bank to conduct its fiscal or tax affairs in such manner as it deems fit.

SECTION 8.06 Regulation D Compensation. For so long as any Bank maintains reserves against "Eurocurrency liabilities" (or any other category of liabilities which includes deposits by reference to which the interest rate on Euro-Dollar Loans is determined or any category of extensions of credit or other assets which includes loans by a non-United States office of such Bank to United States residents), and as a result the cost to such Bank (or its Applicable Lending Office) of making or maintaining its Euro-Dollar Loans is increased, then such Bank may require the Company to pay, contemporaneously with each payment of interest on the Euro-Dollar Loans, additional interest on the related Euro-Dollar Loans of such Bank at a rate per annum up to but not exceeding the excess of (i) (A) the applicable LIBO Rate divided by (B) one minus the Euro-Dollar Reserve Percentage over (ii) the applicable LIBO Rate. Any Bank wishing to require payment of such additional interest (x) shall so notify the Company and the Administrative Agent, in which case such additional interest on the Euro-Dollar Loans of such Bank shall be payable to such Bank at the place indicated in such notice with respect to each Interest Period commencing at least three Euro-Dollar Business Days after the giving of such notice and (y) shall furnish to the Company at least five Euro-Dollar Business Days prior to each date on which interest is payable on the Euro-Dollar Loans an officer's certificate setting forth the amount to which such Bank is then entitled under this Section (which shall be consistent with such Bank's good faith estimate of the level at which the related reserves are maintained by it). Each such certificate shall be accompanied by such information as the Company may reasonably request as to the computation set forth therein.

SECTION 8.07 Mitigation Obligations; Replacement of Banks.

(a) If any Bank requests compensation under Section 8.03, or if the Company is required to pay any additional amount to any Bank or any governmental body, agency or official for the account of any Bank pursuant to Section 8.05, then such Bank shall use reasonable efforts to designate a different Applicable Lending Office for funding or booking its Loans and/or other Credit Exposure hereunder or to assign its rights and obligations hereunder to another of its offices, branches or affiliates, if, in the judgment of such Bank (with the concurrence of the Company), such designation or assignment (i) would eliminate or reduce amounts payable pursuant to Section 8.03 or 8.05, as the case may be, in the future and (ii) would not subject such Bank to any unreimbursed cost or expense and would not otherwise be disadvantageous to such Bank. The Company hereby agrees to pay all reasonable costs and expenses incurred by any Bank in connection with any such designation or assignment.

(b) If (i) any Bank requests compensation under Section 8.03, (ii) the Company is required to pay any additional amount to any Bank or any governmental body, agency or official for the account of any Bank pursuant to Section 8.05, (iii) a Bank is a Non-Consenting Bank or (iv) a Bank is a Non-NAIC Approved Bank, then the Company may, at its sole expense and effort, upon notice to such Bank and the Administrative Agent, require such Bank to assign and delegate, without recourse (in accordance with and subject to the restrictions contained in Section 10.06(c)), all its interests, rights and obligations under this Agreement to an Assignee (which shall be a NAIC Approved Bank) that shall assume such obligations (which Assignee may be another Bank, if a Bank accepts such assignment); provided that (i) the Company shall have received the prior written consent of the Administrative Agent (and, if a Commitment is being assigned, each Fronting Issuing Banks), which consent shall not unreasonably be withheld, (ii) such Bank shall have received payment of an amount equal to the outstanding principal of its Loans and participations in LC Disbursements, accrued interest thereon, accrued fees and all other amounts payable to it hereunder, from the Assignee (to the extent of such outstanding principal and accrued interest and fees) or the Company (in the case of all other amounts), (iii) in the case of any such assignment resulting from a claim for compensation under Section 8.03 or payments required to be made pursuant to Section 8.05, such assignment will result in a reduction in such compensation or payments, (iv) in the case of any such assignment in respect of a Non-Consenting Bank, the applicable Assignee shall have consented to the applicable amendment, waiver or consent, and (v) such assignment does not conflict with applicable law. A Bank shall not be required to make any such assignment and delegation if, prior thereto, as a result of a waiver by such Bank or otherwise, the circumstances entitling the Company to require such assignment and delegation cease to apply.

ARTICLE IX

[RESERVED]

ARTICLE X

MISCELLANEOUS

SECTION 10.01 Notices. All notices, requests and other communications to any party hereunder shall be in writing (including facsimile transmission, or by electronic communication, if arrangements for doing so have been approved by such party) and shall be given to such party: (a) in the case of the Company, at the Company's address or telecopier number set forth on the Company's signature page hereof, (b) in the case of the Administrative Agent, at its address or telecopier number set forth on its respective signature page hereof, (c) in the case of any Bank, at its address or telecopier number set forth in its Administrative Questionnaire or (d) in the case of any party, such other address or telecopier number as such party may hereafter specify for the purpose by notice to the Administrative Agent and the Company. Each such notice, request or other communication shall be effective (i) if given by mail, 72 hours after such communication is deposited in the mails with first class postage prepaid, addressed as aforesaid and return receipt requested, (ii) if given by telecopier, when transmitted to the telecopier number specified in this Section or (iii) if given by any other means, when delivered at the relevant address specified by such party pursuant to this Section; provided that notices to the Administrative Agent under Article II or Article VIII shall not be effective until received.

Notices and other communications to the Banks hereunder may be delivered or furnished by electronic communications pursuant to procedures approved by the Administrative Agent; provided that the foregoing shall not apply to notices pursuant to Article II unless otherwise agreed by the Administrative Agent and the applicable Bank. The Administrative Agent or the Company may, in its discretion, agree to accept notices and other communications to it hereunder by electronic communications pursuant to procedures approved by it; provided that approval of such procedures may be limited to particular notices or communications.

SECTION 10.02 No Waivers. No failure or delay by the Administrative Agent or any Bank in exercising any right, power or privilege hereunder or under any other Credit Document shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein provided shall be cumulative and not exclusive of any rights or remedies provided by law.

SECTION 10.03 Expenses; Indemnification; Non-Liability of Banks.

(a) The Company shall pay (i) all reasonable out-of-pocket costs and expenses of the Administrative Agent and the Active Joint Lead Arrangers and their Affiliates, including reasonable fees and disbursements of one counsel for the Administrative Agent, in connection with the preparation, due diligence, administration, syndication and closing of this Agreement, any waiver or consent hereunder or any amendment hereof or any Default or alleged Default hereunder and (ii) if an Event of Default occurs, all out-of-pocket expenses incurred by the Administrative Agent and each Bank, including fees and disbursements of counsel including costs allocated to in-house counsel, in connection with such Event of Default and collection, bankruptcy, insolvency and other enforcement proceedings resulting therefrom.

(b) The Company agrees to indemnify the Administrative Agent, each Bank and each Confirming Bank, their Affiliates and the respective directors, officers, agents, partners, advisors and employees of the foregoing (each an "Indemnitee") and hold each Indemnitee harmless from and against any and all liabilities, losses, damages, costs and expenses of any kind, including, without limitation, costs of settlement and the reasonable and documented fees and disbursements of one counsel for the Indemnitees (unless the Indemnitees have conflicting interests and cannot reasonably be represented by one counsel, in which case such expenses shall include the reasonable and documented fees and disbursements of no more than such number of counsels as are necessary to represent such conflicting interests), which may be incurred by such Indemnitee in connection with, or as a result of, any actual or prospective claim, litigation, investigation or any investigative, administrative or judicial proceeding (whether or not such Indemnitee shall be designated a party thereto or whether such proceeding is brought by the Company, its equity holders or its creditors) relating to or arising out of (i) the execution or delivery of this Agreement or any agreement or instrument contemplated hereby, the performance by the parties hereto of their respective obligations hereunder or any other transactions contemplated hereby; (ii) any Loan or Letter of Credit (or any drawing honored thereunder) or the use of proceeds therefrom (including any refusal by any Bank to honor a demand for payment under a Letter of Credit if the documents presented in connection with such demand do not comply with the terms of such Letter of Credit); or (iii) any actual or prospective claim, litigation, investigation or proceeding relating to any of the foregoing clauses (i) and (ii), whether based on contract, tort, or any other theory and regardless of whether any Indemnitee is a party thereto; provided that no Indemnitee shall have the right to be indemnified hereunder to the extent that such losses, claims, damages, liabilities or related expenses have resulted from (x) its own gross negligence or willful misconduct, (y) the material breach in bad faith by such Indemnitee of its material obligations hereunder or, in the case of a Confirming Bank, under its Confirming Bank Agreement or (z) any claim, litigation, or proceeding solely among Indemnitees brought by any Indemnitee against another Indemnitee (other than any claim, litigation, or proceeding against an Indemnitee acting in its capacity as an Active Joint Lead Arranger, Administrative Agent or other capacity as an agent) that does not involve an act or omission (or alleged act or omission) by the Company or any of the Company's affiliates, in the case of each of the foregoing clauses (x), (y) and (z), as determined in a final and non-appealable judgment by a court of competent jurisdiction.

(c) To the extent permitted by applicable law, the Company shall not assert, and hereby waives, any claim against any Indemnitee, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, this Agreement or any agreement or instrument contemplated hereby, the transactions contemplated hereby, any Loan, any Letter of Credit or the use of the proceeds thereof.

(d) No Indemnitee shall be liable for any damages arising from the use by others of any information or other materials obtained through IntraLinks, Syndtrak, ClearPar or other similar information transmission systems in connection with this Agreement or any other Credit Document.

(e) The agreements in this Section shall survive the resignation of the Administrative Agent, the replacement of any Bank, the termination of the Commitments and the repayment, satisfaction or discharge of all the other Obligations.

SECTION 10.04 Sharing of Payments. Each Bank agrees that if it shall, by exercising any right of set-off or counterclaim or otherwise, receive payment of a proportion of the aggregate amount of principal and interest due with respect to any Loan made by it or reimbursement obligation or interest due with respect to any LC Disbursement made by it under a Letter of Credit which is greater than the proportion received by any other Bank in respect of the aggregate amount of principal and interest due with respect to any Loan made by such other Bank or reimbursement obligation or interest due, as the case may be, with respect to any LC Disbursement made by such other Bank under such Letter of Credit, the Bank receiving such proportionately greater payment shall purchase such participations in the Loans held by or the LC Exposure by the other Banks under such Letter of Credit, as applicable, and such other adjustments shall be made, as may be required so that all such payments of principal and interest with respect to the Loans and reimbursement obligations and interest with respect to LC Disbursements made by the Banks under such Letter of Credit shall be shared by the Banks pro rata; provided that (i) nothing in this Section shall impair the right of any Bank to exercise any right of set-off or counterclaim it may have and to apply the amount subject to such exercise to the payment of indebtedness of the Company other than its indebtedness under this Agreement and (ii) the provisions of this Section shall not be construed to apply to any payment made by the Company pursuant to and in accordance with the express terms of this Agreement. The Company agrees, to the fullest extent it may effectively do so under applicable law, that any holder of a participation in any Loan or LC Exposure, whether or not acquired pursuant to the foregoing arrangements, may exercise rights of set-off or counterclaim and other rights with respect to such participation as fully as if such holder of a participation were a direct creditor of the Company in the amount of such participation.

SECTION 10.05 Amendments and Waivers. Any provision of this Agreement may be amended or waived if, but only if, such amendment or waiver is in writing and is signed by the Company and the Required Banks or by the Administrative Agent (with the consent of the Required Banks) (and, if the rights or duties of the Administrative Agent or any Fronting Issuing Bank, in such capacity, are affected thereby, by the Administrative Agent or such Fronting Issuing Bank, as the case may be); provided that the Administrative Agent may, with the consent of the Company (which shall not be unreasonably withheld), specify by notice to the Banks modifications in the procedures set forth in Section 2.01(b); provided, further, that no such amendment or waiver shall (i) increase the amount or extend the expiry date of the Commitment of any Bank or increase the LC Exposure of any Bank, without the written consent of such Bank, (ii) reduce the principal amount of any Loan or the amount of any reimbursement obligation of the Company in respect of any LC Disbursement, the rate or amount of interest thereon or any fees payable to any Bank hereunder, without the written consent of each Bank affected thereby, (iii) postpone the scheduled date of payment of the principal amount of any Loan or for reimbursement of any LC Disbursement, or any interest thereon, or any fees payable hereunder, or waive or excuse any such payment, or postpone the scheduled date of expiration of any Commitment, without the written consent of each Bank affected thereby, (iv) change Section 2.13(b) or (c) or Section 10.04 in a manner that would alter the pro rata sharing of payments required thereby, without the written consent of each Bank affected thereby, (v) change any of the provisions of this Section or the definition of "Required Banks" or any other provision hereof specifying the number or percentage of Banks required to waive, amend or modify any rights hereunder or make any determination or grant any consent hereunder, without the written consent of each Bank, or (vi) the release of any of the collateral provided for the LC Exposure pursuant to Sections 2.03(e) and 6.01 (other than as expressly provided in Section 2.03(e)), without the written consent of each Bank.

SECTION 10.06 Successors and Assigns.

(a) The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns; provided, however, that the Company may not assign or otherwise transfer any of its rights or obligations under this Agreement, without the prior written consent of each Bank.

(b) Any Bank may at any time grant to one or more banks or other institutions (each a "Participant") participating interests in its Commitment or the Loans or any or all of its Letters of Credit. In the event of any such grant by a Bank of a participating interest to a Participant, whether or not upon notice to the Company and the Administrative Agent, such Bank shall remain solely responsible for the performance of its obligations hereunder, and the Company and the Administrative Agent shall continue to deal solely and directly with such Bank in connection with such Bank's rights and obligations under this Agreement. Any agreement pursuant to which any Bank may grant such a participating interest shall provide that such Bank shall retain the sole right and responsibility to enforce the obligations of the Company hereunder including, without limitation, the right to approve any amendment, modification or waiver of any provision of this Agreement; provided that such participation agreement may provide that such Bank will not agree to any modification, amendment or waiver of this Agreement described in the proviso of Section 10.05 without the consent of the Participant. The Company agrees that each Participant shall, to the extent provided in its participation agreement, be entitled to the benefits of Article VIII with respect to its participating interest. An assignment or other transfer which is not permitted by subsection (c) or (d) of this Section shall be given effect for purposes of this Agreement only to the extent of a participating interest granted in accordance with this subsection (b). Each Bank that grants a participation shall, acting solely for this purpose as a non-fiduciary agent of the Company, maintain a register on which it enters the name and address of each Participant and the principal amounts (and stated interest) of each Participant's interest in the Loans, Letters of Credit or other obligations under this Agreement (the "Participant Register"); provided that no Bank shall have any obligation to disclose all or any portion of the Participant Register to any Person (including the identity of any Participant or any information relating to a Participant's interest in any Commitment, Loan, Letter of Credit or other obligations under any Loan Document) except to the extent that such disclosure is necessary to establish that such Commitment, Loan, Letter of Credit or other obligation is in registered form under Section 5f.103-1(c) of the United States Treasury Regulations. The entries in the Participant Register shall be conclusive absent manifest error, and such Bank shall treat each Person whose name is recorded in the Participant Register as the owner of such participation for all purposes of this Agreement notwithstanding any notice to the contrary. For the avoidance of doubt, the Administrative Agent (in its capacity as Administrative Agent) shall have no responsibility for maintaining a Participant Register.

(c) Any Bank may at any time assign to one or more NAIC Approved Banks (other than the Company, Affiliates of the Company or a Defaulting Bank, each an "Assignee") all, or a proportionate part of all, of its rights and obligations under this Agreement, and such Assignee shall assume such rights and obligations, pursuant to an Assignment and Assumption executed by such Assignee and such transferor Bank, with (and subject to) the consent (which in each case shall not be unreasonably withheld, conditioned or delayed) of each of the Company, the Administrative Agent and each Fronting Issuing Bank; provided that (i) if an Assignee is an Affiliate of any Bank or was a Bank immediately prior to such assignment, no such consent of the Company shall be required and (ii) if an Assignee was a Bank immediately prior to such assignment, no such consent of the Administrative Agent or any Fronting Issuing Bank shall be required; provided, further, that (x) the Company shall be deemed to have consented to any such assignment unless it shall object thereto by written notice to the Administrative Agent within ten Business Days after having received notice thereof and (y) if an Event of Default occurs and is continuing, no such consent of the Company shall be required; and provided, further, that any such assignment (other than an assignment to another Bank or an Affiliate of any Bank or an assignment of the entire remaining amount of the transferor Bank's Commitment and interests in outstanding Loans and Letters of Credit) shall be in an amount that is at least $5,000,000 unless otherwise agreed by the Company and the Administrative Agent. Upon execution and delivery of such Assignment and Assumption and payment by such Assignee to such transferor Bank of an amount equal to the purchase price agreed between such transferor Bank and such Assignee, such Assignee shall be a Bank party to this Agreement and shall have all the rights and obligations of a Bank with a Commitment as set forth in such instrument of assumption, and the transferor Bank shall be released from its obligations hereunder to a corresponding extent, and no further consent or action by any party shall be required. In connection with any such assignment, the transferor Bank or Assignee shall pay to the Administrative Agent an administrative fee for processing such assignment in the amount of $3,500. If the Assignee is not incorporated under the laws of the United States of America or a state thereof, it shall, prior to the first date on which interest or fees are payable hereunder for its account, deliver to the Company and the Administrative Agent certification as to exemption from deduction or withholding of any United States federal income taxes in accordance with Section 8.05(d).

(d) Any Bank may at any time assign all or any portion of its rights under this Agreement to any Person to secure obligations of such Bank, including, without limitation, to one or more of the Federal Reserve Banks which comprise the Federal Reserve System or other central banks. No such assignment shall release the transferor Bank from its obligations hereunder.

(e) No Participant shall be entitled to receive any greater payment under Section 8.03, 8.05 or 8.06 than such Bank would have been entitled to receive with respect to the rights transferred, unless such transfer is made (i) with the Company's prior written consent, (ii) by reason of the provisions of Section 8.02 or 8.07 requiring such Participant to designate a different Applicable Lending Office under certain circumstances or (iii) at a time when the circumstances giving rise to such greater payment did not exist.

SECTION 10.07 Collateral. Each of the Banks represents to the Administrative Agent and each of the other Banks that it in good faith is not relying upon any "margin stock" (as defined in Regulation U) as collateral in the extension or maintenance of the credit provided for in this Agreement.

SECTION 10.08 New York Law. This Agreement shall be governed by and construed in accordance with the laws of the State of New York.

SECTION 10.09 Judicial Proceedings.

(a) Submission to Jurisdiction. The Company hereby submits to the exclusive jurisdiction of the United States District Court for the Southern District of New York and of any New York State court sitting in New York City, borough of Manhattan, for purposes of all legal proceedings arising out of or relating to this Agreement or any other Credit Document or the transactions contemplated hereby. The Company irrevocably waives, to the fullest extent permitted by law, any objection which it may now or hereafter have to the laying of the venue of any such proceeding brought in such a court and any claim that any such proceeding brought in such a court has been brought in an inconvenient forum.

(b) [Reserved].

(c) Service of Process. The Company hereby consents to process being served in any suit, action or proceeding of the nature referred to in subsection (a) of this Section in any federal or New York State court sitting in New York City by service of process upon its agent appointed as provided in subsection (b) of this Section; provided that, to the extent lawful and possible, notice of said service upon such agent shall be mailed by registered or certified air mail, postage prepaid, return receipt requested, to the Company at its address specified on the signature page hereof or to any other address of which the Company shall have given written notice to the applicable Bank. The Company irrevocably waives, to the fullest extent permitted by law, all claim of error by reason of any such service in such manner and agrees that such service shall be deemed in every respect effective service of process upon the Company in any such suit, action or proceeding and shall, to the fullest extent permitted by law, be taken and held to be valid and personal service upon and personal delivery to the Company.

(d) No Limitation on Service or Suit. Nothing in this Section shall affect the right of the Administrative Agent or any Bank to serve process in any other manner permitted by law or limit the right of the Administrative Agent or any Bank to bring proceedings against the Company in the courts of any jurisdiction or jurisdictions.

SECTION 10.10 Counterparts; Integration; Headings. This Agreement may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument. This Agreement constitutes the entire agreement and understanding among the parties hereto and supersedes any and all prior agreements and understandings, oral or written, relating to the subject matter hereof. Article and Section headings and the Table of Contents used herein are for convenience of reference only, are not part of this Agreement and shall not affect the construction of, or be taken into consideration in interpreting, this Agreement.

SECTION 10.11 Confidentiality. The Administrative Agent and each Bank agree that they will maintain the confidentiality of, and will not use for any purpose (other than exercising its rights and enforcing its remedies hereunder and under the other Credit Documents), any written or oral information provided under this Agreement by or on behalf of the Company (hereinafter collectively called "Confidential Information"), subject to the Administrative Agent's and each Bank's (a) obligation to disclose any such Confidential Information pursuant to a request or order under applicable laws and regulations or by a self-regulatory body or pursuant to a subpoena or other legal process, (b) right to disclose any such Confidential Information to its bank examiners, auditors, counsel and other professional advisors and to other Banks and to its subsidiaries and Affiliates and the subsidiaries and Affiliates of its holding company, provided that the Administrative Agent or such Bank, as the case may be, shall cause each such subsidiary or Affiliate to maintain the Confidential Information on the same terms as the terms provided herein, (c) right to disclose any such Confidential Information in connection with any litigation or dispute involving the Banks and the Company or any of its Subsidiaries and Affiliates, (d) right to provide such information to (i) participants, prospective participants, prospective assignees or assignees pursuant to Section 10.06, to its prospective Confirming Bank or Confirming Bank or (with the consent of the Company (such consent not to be unreasonably withheld)) to its agents if prior thereto such participant, prospective participant, prospective assignee, prospective Confirming Bank, Confirming Bank or agent agrees in writing to maintain the confidentiality of such information on terms substantially similar to those of this Section as if it were a "Bank" party hereto or (ii) any actual or prospective counterparty (or its advisors) to any swap, derivative or securitization transaction relating to the Company and its obligations or to any actual or prospective credit insurance provider relating to the Company and its obligations if prior thereto such counterparty or credit insurance provider agrees in writing to maintain the confidentiality of such information on terms substantially similar to those of this Section as if it were a "Bank" party hereto, and (e) right to provide such information with the Company's consent. Notwithstanding the foregoing, any such information supplied to a Bank, participant, prospective participant, prospective assignee, prospective Confirming Bank or Confirming Bank under this Agreement shall cease to be Confidential Information if it is or becomes known to such Person by other than unauthorized disclosure, or if it is, at the time of disclosure, or becomes a matter of public knowledge. In addition, the Administrative Agent and the Banks may disclose the existence of this Agreement and information about this Agreement to market data collectors and other service providers to the lending industry and service providers to the Administrative Agent and the Banks in connection with the administration of this Agreement, the other Credit Documents and the Commitments.

SECTION 10.12 WAIVER OF JURY TRIAL. EACH OF THE COMPANY, THE ADMINISTRATIVE AGENT AND THE BANKS HEREBY IRREVOCABLY WAIVES ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT, THE NOTES OR THE TRANSACTIONS CONTEMPLATED HEREBY.

SECTION 10.13 [Reserved].

SECTION 10.14 USA PATRIOT Act. Each Bank hereby notifies the Company and each Applicant that pursuant to the requirements of the Patriot Act, such Bank may be required to obtain, verify and record information that identifies the Company and each Applicant, which information includes the name and address of the Company and each Applicant and other information that will allow such Bank to identify the Company and each Applicant in accordance with said Act.

SECTION 10.15 No Fiduciary Duty. The Administrative Agent, each Bank and their Affiliates (collectively, solely for purposes of this Section, the "Banks"), may have economic interests that conflict with those of the Company and each Applicant, their respective stockholders and/or their affiliates. The Company agrees that nothing in the Credit Documents or otherwise will be deemed to create an advisory, fiduciary or agency relationship or fiduciary or other implied duty between any Bank, on the one hand, and the Company, its stockholders or its affiliates, on the other. The Company acknowledges and agrees that (i) the transactions contemplated by the Credit Documents (including the exercise of rights and remedies hereunder and thereunder) are arm's-length commercial transactions between the Banks, on the one hand, and the Company, on the other, and (ii) in connection therewith and with the process leading thereto, (x) no Bank has assumed an advisory or fiduciary responsibility in favor of the Company, its stockholders or its affiliates with respect to the transactions contemplated hereby (or the exercise of rights or remedies with respect thereto) or the process leading thereto (irrespective of whether any Bank has advised, is currently advising or will advise the Company, its stockholders or its Affiliates on other matters) or any other obligation to the Company except the obligations expressly set forth in the Credit Documents and (y) each Bank is acting solely as principal and not as the agent or fiduciary of the Company, its management, stockholders or creditors or any other Person. The Company acknowledges and agrees that the Company has consulted its own legal and financial advisors to the extent it deemed appropriate and that it is responsible for making its own independent judgment with respect to such transactions and the process leading thereto. The Company agrees that it will not claim that any Bank has rendered advisory services of any nature or respect, or owes a fiduciary or similar duty to the Company, in connection with such transaction or the process leading thereto.

SECTION 10.16 Acknowledgement and Consent to Bail-In of EEA Financial Institutions. Notwithstanding anything to the contrary in any Credit Document or in any other agreement, arrangement or understanding among any such parties, each party hereto acknowledges that any liability of any EEA Financial Institution arising under any Credit Document may be subject to the write-down and conversion powers of an EEA Resolution Authority and agrees and consents to, and acknowledges and agrees to be bound by:

(a) the application of any Write-Down and Conversion Powers by an EEA Resolution Authority to any such liabilities arising hereunder which may be payable to it by any party hereto that is an EEA Financial Institution; and

(b) the effects of any Bail-In Action on any such liability, including, if applicable:

(i) a reduction in full or in part or cancellation of any such liability;

(ii) a conversion of all, or a portion of, such liability into shares or other instruments of ownership in such EEA Financial Institution, its parent entity, or a bridge institution that may be issued to it or otherwise conferred on it, and that such shares or other instruments of ownership will be accepted by it in lieu of any rights with respect to any such liability under this Agreement or any other Credit Document; or

(iii) the variation of the terms of such liability in connection with the exercise of the write-down and conversion powers of any EEA Resolution Authority.

[*Signature Pages Follow*]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

COMPANY:

BRIGHTHOUSE FINANCIAL, INC.

By: /s/ Jin Chang
Name: Jin Chang
Title: Treasurer

U.S. Federal Tax Identification No.: 81-3846992

Gragg Building
11225 North Community House Road
Charlotte, NC 28277
Attention: Jin Chang, Treasurer
Tel: (980) 949-4289
Fax: (980) 949-3934

[Brighthouse – Signature Page to Revolving Credit Agreement]

BANKS:

JPMORGAN CHASE BANK, N.A., as Administrative Agent and as a Bank

By: /s/ James S. Mintzer
Name: James S. Mintzer
Title: Vice President

Address for Notices (for the Administrative Agent):

JPMorgan Chase Bank, N.A.
500 Stanton Christiana Road, NCC5, 1st Floor
Newark, DE, 19713
Attention: JPM Loan and Agency Services
Tel: (302) 634-1964
Fax: (302) 634-4733

BANK OF AMERICA, N.A.

By: /s/ Chris Choi
Name: Chris Choi
Title: Director

WELLS FARGO BANK, NATIONAL ASSOCIATION

By: /s/ Karen Hanke
Name: Karen Hanke
Title: Managing Director

U.S. BANK NATIONAL ASSOCIATION

By: /s/ Bonnie S. Wiskowski
Name: Bonnie S. Wiskowski
Title: Vice President

GOLDMAN SACHS BANK USA

By: /s/ Ryan Durkin
Name: Ryan Durkin
Title: Authorized Signatory

SUMITOMO MITSUI BANKING CORPORATION

By: /s/ Alan Krouk
Name: Alan Krouk
Title: Managing Director

HSBC BANK, NATIONAL ASSOCIATION

By: /s/ Jody T. Feldman
Name: Jody T. Feldman
Title: Director, Financial Institutions Group

BARCLAYS BANK PLC

By: /s/ Christopher Aitkin
Name: Christopher Aitkin
Title: Assistant Vice President

BNP PARIBAS

By: /s/ Michael Albanese
Name: Michael Albanese
Title: Managing Director

By: /s/ Nair P Raghu
Name: Nair P Raghu
Title: Vice President

CITIBANK, N.A.

By: /s/ Robert Chesley
Name: Robert Chesley
Title: Vice President and Managing Director

DEUTSCHE BANK AG NEW YORK BRANCH

By: /s/ Virginia Cosenza
Name: Virginia Cosenza
Title: Vice President

By: /s/ Ming K. Chu
Name: Ming K. Chu
Title: Director

THE BANK OF TOKYO-MITSUBISHI UFJ, LTD.

By: /s/ Rick Adler
Name: Rick Adler
Title: Managing Director

MORGAN STANLEY BANK, N.A.

By: /s/ Michael King
Name: Michael King
Title: Vice President

EXHIBIT A

[Form of Note]

NOTE

New York, New York

, 20

For value received, Brighthouse Financial, Inc., a Delaware corporation (the "Company"), promises to pay to (the "Bank"), for the account of its Applicable Lending Office, the unpaid principal amount of each Loan made by the Bank to the Company pursuant to the Credit Agreement referred to below on the date provided for in the Credit Agreement. The Company promises to pay interest on the unpaid principal amount of each such Loan on the dates and at the rate or rates provided for in the Credit Agreement. All such payments of principal and interest shall be made in lawful money of the United States in Federal or other immediately available funds at the office of the Administrative Agent.

All Loans made by the Bank, the respective dates, amounts, types and maturity thereof and all repayments of the principal thereof shall be recorded on its books by the Bank and, prior to any transfer hereof, appropriate notations to evidence the foregoing information with respect to each such Loan then outstanding shall be endorsed by the Bank on the schedule attached hereto, or on a continuation of such schedule attached to and made a part hereof; provided that the failure of the Bank to make any such recordation or endorsement shall not affect the obligations of the Company hereunder or under the Credit Agreement.

This note is one of the Notes referred to in the Revolving Credit Agreement dated as of December 2, 2016 among the Company, the Banks party thereto, and JPMorgan Chase Bank, N.A., as Administrative Agent (as the same may be amended, amended and restated or otherwise modified from time to time, the "Credit Agreement"). Terms defined in the Credit Agreement are used herein with the same meanings. Reference is made to the Credit Agreement for provisions for the prepayment hereof and the acceleration of the maturity hereof.

THIS NOTE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

[Signature Page Follows]

BRIGHTHOUSE FINANCIAL, INC.

By: ______________________________
Name:
Title:

Note (cont'd)

LOANS AND PAYMENTS OF PRINCIPAL

Date	Amount of Loan	Type of Loan	Amount of Principal Repaid	Maturity Date	Notation Made By

EXHIBIT B

[Form of Syndicated Letter of Credit]

Please see attached.

EXHIBIT B

FORM OF SYNDICATED LETTER OF CREDIT

DRAFT

[THIS DRAFT LC IS PROVIDED TO YOU AT YOUR REQUEST AND THERE IS NO OBLIGATION ON OUR PART DESPITE OUR ASSISTANCE IN THE PREPARATION OF THIS DRAFT LC. THE DRAFT LC IS NOT TO BE CONSTRUED AS EVIDENCE OF COMMITMENT ON OUR PART TO ISSUE SUCH LC'S IN THE FUTURE.]

BENEFICIARY:
[INSERT FULL BENEFICIARY NAME AND ADDRESS]

APPLICANT:
[INSERT FULL APPLICANT NAME AND ADDRESS]

WE HEREBY ESTABLISH THIS CLEAN, IRREVOCABLE, AND UNCONDITIONAL LETTER OF CREDIT IN YOUR FAVOR AS BENEFICIARY FOR DRAWINGS UP TO USD [(THOUSAND AND 00/100 UNITED STATES DOLLARS)]. THIS LETTER OF CREDIT IS ISSUED AND EFFECTIVE ON THE DATE HEREOF FOR OBLIGATIONS OF THE APPLICANT, [INCLUDING BUT NOT LIMITED TO THOSE IN EFFECT AS OF [,] (MONTH, DAY, YEAR) TO NOT EXCEED 60 DAYS PRIOR DATE] OR [EFFECTIVE IMMEDIATELY]. THIS LETTER OF CREDIT IS ISSUED, PRESENTABLE AND PAYABLE AT THE ADMINISTRATIVE AGENT'S OFFICE AT JPMORGAN CHASE BANK, N.A., 131 SOUTH DEARBORN, MAIL CODE IL1-0236, CHICAGO, IL 60603-5506, TO THE ATTENTION OF THE STANDBY LETTER OF CREDIT UNIT, OR SUCH OTHER OFFICE AS WE MAY ADVISE FROM TIME TO TIME, AND EXPIRES WITH THE ADMINISTRATIVE AGENT'S CLOSE OF BUSINESS ON [,] (MONTH, DAY, YEAR). EXCEPT WHEN THE AMOUNT OF THIS LETTER OF CREDIT IS INCREASED, THIS CREDIT CANNOT BE MODIFIED OR REVOKED WITHOUT YOUR CONSENT.

[THE TERM "BENEFICIARY" INCLUDES ANY SUCCESSOR BY OPERATION OF LAW OF THE NAMED BENEFICIARY, INCLUDING, WITHOUT LIMITATION, ANY LIQUIDATOR, REHABILITATOR, RECEIVER, OR CONSERVATOR.]

OR

[THE TERM "BENEFICIARY" INCLUDES ANY SUCCESSOR BY OPERATION OF LAW OF THE NAMED BENEFICIARY, INCLUDING, WITHOUT LIMITATION, ANY LIQUIDATOR, REHABILITATOR, RECEIVER, OR CONSERVATOR. DRAWINGS BY ANY LIQUIDATOR, REHABILITATOR, RECEIVER OR CONSERVATOR SHALL BE FOR THE BENEFIT OF ALL THE BENEFICIARY'S POLICYHOLDERS.][1]

WE HEREBY UNDERTAKE TO PROMPTLY HONOR YOUR SIGHT DRAFT(S) DRAWN ON US, INDICATING CREDIT NUMBER [-] FOR ALL OR ANY PART OF THIS CREDIT UPON PRESENTATION OF YOUR DRAFT DRAWN ON US AT THE OFFICE SPECIFIED IN PARAGRAPH ONE OR SUCH OTHER OFFICE IN THE UNITED STATES OF AMERICA AS WE MAY ADVISE FROM TIME TO TIME, ON OR BEFORE THE EXPIRATION DATE HEREOF, OR ANY AUTOMATICALLY EXTENDED EXPIRY DATE.

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1 BENEFICIARY TERM DEFINITION – USE ONE OPTION DEPENDING ON BENEFICIARY PHRASE REQUIREMENT.

[EXCEPT AS EXPRESSLY STATED HEREIN, THIS UNDERTAKING IS NOT SUBJECT TO ANY AGREEMENT, CONDITION OR QUALIFICATION. THE OBLIGATION OF THE BANKS UNDER THIS LETTER OF CREDIT IS THE INDIVIDUAL OBLIGATION OF EACH BANK AND IS IN NO WAY CONTINGENT UPON REIMBURSEMENT WITH RESPECT THERETO].

OR

[EXCEPT AS EXPRESSLY STATED HEREIN, THIS UNDERTAKING IS NOT SUBJECT TO ANY AGREEMENT, CONDITION OR QUALIFICATION. THE OBLIGATION OF THE BANKS UNDER THIS LETTER OF CREDIT IS THE INDIVIDUAL OBLIGATION OF EACH BANK AND IS IN NO WAY CONTINGENT UPON REIMBURSEMENT WITH RESPECT THERETO, AND IS IN NO WAY CONTINGENT UPON REIMBURSEMENT WITH RESPECT THERETO, OR UPON OUR ABILITY TO PERFECT ANY LIEN, SECURITY INTEREST OR ANY OTHER REIMBURSEMENT].[2]

THIS LETTER OF CREDIT SHALL BE DEEMED AUTOMATICALLY EXTENDED WITHOUT AMENDMENT FOR ONE YEAR FROM THE EXPIRATION DATE HEREOF, OR ANY FUTURE EXPIRATION DATE, UNLESS (1) AT LEAST [   ] DAYS PRIOR TO ANY EXPIRATION DATE WE SEND NOTICE TO YOU BY REGISTERED MAIL OR OVERNIGHT COURIER THAT WE ELECT NOT TO CONSIDER THIS LETTER OF CREDIT EXTENDED FOR ANY SUCH ADDITIONAL PERIOD.

THIS LETTER OF CREDIT IS SUBJECT TO AND GOVERNED BY THE LAWS OF THE STATE OF [   ] AND THE 2007 REVISION OF THE UNIFORM CUSTOMS AND PRACTICE FOR DOCUMENTARY CREDITS OF THE INTERNATIONAL CHAMBER OF COMMERCE (PUBLICATION 600) AND, IN THE EVENT OF ANY CONFLICT, THE LAWS OF THE STATE OF [   ] WILL CONTROL. IF THIS CREDIT EXPIRES DURING AN INTERRUPTION OF THE ADMINISTRATIVE AGENT'S BUSINESS AS DESCRIBED IN ARTICLE 36 OF SAID PUBLICATION 600, THE BANK HEREBY SPECIFICALLY AGREES TO EFFECT PAYMENT IF THIS CREDIT IS DRAWN AGAINST WITHIN THIRTY (30) DAYS AFTER THE RESUMPTION OF THE ADMINISTRATIVE AGENT'S BUSINESS.

ALL CORRESPONDENCE AND ANY DRAWINGS IN CONNECTION WITH THIS LETTER OF CREDIT MUST ONLY BE PRESENTED AT 131 SOUTH DEARBORN, MAIL CODE IL1-0236, CHICAGO, IL 60603-5506, TO THE ATTENTION OF THE STANDBY LETTER OF CREDIT UNIT, INCLUDING THE LETTER OF CREDIT NUMBER MENTIONED ABOVE. FOR TELEPHONE ASSISTANCE, PLEASE CONTACT THE STANDBY CLIENT SERVICE UNIT AT 1-800-634-1969, SELECT OPTION 1, OR 312-954-1508 AND HAVE THIS LETTER OF CREDIT NUMBER AVAILABLE.

EACH OF THE BANKS AGREES, FOR ITSELF ALONE AND NOT JOINTLY WITH ANY OTHER BANK, TO HONOR A SIGHT DRAFT DRAWN BY YOU AND PRESENTED TO THE ADMINISTRATIVE AGENT IN AN AMOUNT NOT TO EXCEED THE AGGREGATE AMOUNT AVAILABLE MULTIPLIED BY SUCH BANK'S PERCENTAGE OBLIGATION AS SET FORTH HEREIN (THE "PERCENTAGE OBLIGATIONS") AND IN ACCORDANCE WITH THE TERMS AND CONDITIONS HEREINAFTER SET FORTH.

THE OBLIGATIONS OF THE BANKS HEREUNDER SHALL BE SEVERAL AND NOT JOINT, UPON THE TRANSFER BY A BANK TO THE ADMINISTRATIVE AGENT FOR YOUR ACCOUNT OF THE AMOUNT SPECIFIED IN A SIGHT DRAFT DRAWN ON SUCH BANK

2 BANK OBLIGATION PHRASE - USE ONE OPTION DEPENDING ON BENEFICIARY PHRASE REQUIREMENT.

HEREUNDER, SUCH BANK SHALL BE FULLY DISCHARGED OF ITS OBLIGATIONS UNDER THIS LETTER OF CREDIT WITH RESPECT TO SUCH SIGHT DRAFT. THE FAILURE OF ANY BANK TO MAKE FUNDS AVAILABLE TO THE ADMINISTRATIVE AGENT FOR PAYMENT UNDER THIS LETTER OF CREDIT SHALL NOT RELIEVE ANY OTHER BANK OF ITS OBLIGATION HEREUNDER TO MAKE FUNDS AVAILABLE TO THE ADMINISTRATIVE AGENT; NEITHER THE ADMINISTRATIVE AGENT NOR ANY BANK SHALL BE RESPONSIBLE FOR THE FAILURE OF ANY OTHER BANK TO MAKE FUNDS AVAILABLE TO THE ADMINISTRATIVE AGENT.

BY YOUR ACCEPTANCE HEREOF, YOU AGREE THAT (I) THE ADMINISTRATIVE AGENT, IN SUCH CAPACITY, SHALL HAVE NO OBLIGATION OR LIABILITY TO HONOR ANY DRAWING UNDER THIS LETTER OF CREDIT, PROVIDED, HOWEVER, THAT NOTHING IN THIS CLAUSE (I) SHALL RELIEVE THE ADMINISTRATIVE AGENT OF ITS OBLIGATIONS, IF ANY, (A) AS AN ISSUING BANK, (B) AS A CONFIRMING BANK, OR (C) TO MAKE PAYMENT HEREUNDER FOR YOUR ACCOUNT WITH FUNDS TRANSFERRED TO THE ADMINISTRATIVE AGENT BY OTHER BANKS WITH RESPECT TO SIGHT DRAFTS PRESENTED BY YOU; (II) NEITHER ANY ISSUING BANK NOR THE ADMINISTRATIVE AGENT SHALL BE RESPONSIBLE FOR THE OBLIGATIONS OF ANY OTHER ISSUING BANK, INCLUDING ANY OBLIGATION TO MAKE PAYMENT HEREUNDER; AND (III) AN ISSUING BANK MAY ASSIGN IN FULL OR IN PART ANY OR ALL OF ITS OBLIGATIONS TO ANOTHER BANK(S) AND IN SUCH EVENT THE ASSIGNEE BANK(s) WOULD BECOME ISSUING BANK(S) (AS THE CASE MAY BE) IN THE APPLICABLE PERCENTAGE(s) OF THE ASSIGNOR BANK WHO WOULD CEASE TO BE OBLIGATED UNDER THIS LETTER OF CREDIT [TO THE EXTENT OF SUCH ASSIGNED OBLIGATIONS]; PROVIDED THAT NO SUCH EVENT WILL REDUCE THE THEN AVAILABLE AMOUNT UNDER THIS LETTER OF CREDIT.

UPON THE OCCURRENCE OF ANY SUCH EVENT CONTEMPLATED IN (III) ABOVE, THE ADMINISTRATIVE AGENT WILL PROVIDE PROMPT NOTICE TO YOU OF SUCH EVENT, INCLUDING ANY CHANGE IN THE IDENTITIES OF THE ISSUING BANKS SEVERALLY BUT NOT JOINTLY LIABLE IN RESPECT OF THE AGGREGATE UNDRAWN AMOUNT OF THIS LETTER OF CREDIT (BASED UPON THEIR RESPECTIVE APPLICABLE PERCENTAGES THEREOF) AND ANY CHANGE IN SUCH APPLICABLE PERCENTAGES (AND IN THE IDENTITIES OF ANY RELATED CONFIRMING BANKS). THE ISSUING BANKS HAVE REPRESENTED THAT IN THE EVENT OF AN ASSIGNMENT ANY ASSIGNEE BANK WILL BE (A) A BANK LISTED ON THE THEN CURRENT BANK LIST OF BANKS APPROVED BY THE NAIC (THE “NAIC BANK LIST”) AS OF THE TIME OF ASSIGNMENT OR (B) A BANK WHOSE CONFIRMING BANK IS A BANK LISTED ON SUCH NAIC BANK LIST.

(THE BANK GROUP WILL BE LISTED BELOW WITH A NAIC BANK LIST APPROVED BANK NAME/ENTITY, ABA ROUTING NUMBER PROVIDED FOR EACH NAMED BANK BY YOUR BANKER (NOT THEIR WIRE BANK ABA IF THAT IS ANOTHER NAMED BANK AS THERE CAN BE NO DUPLICATIONS), AND PERCENTAGE IN A WHOLE NUMBER FORMAT FOLLOWED BY DECIMAL AND SIX PLACES AFTER THE DECIMAL. THE BELOW IS AN EXAMPLE ONLY.)

ISSUING BANKS	ABA ROUTING NO.	PERCENTAGE OBLIGATIONS
[ ]	[ ]	%
[ ]	[ ]	%
[ ]	[ ]	%

[ ]	[ ]	%
[ ]	[ ]	%
[ ]	[ ]	%

JPMORGAN CHASE BANK, N.A., AS ADMINISTRATIVE AGENT, AS BANK, AND AS ATTORNEY-IN-FACT, HAS THE AUTHORITY TO ACT AS AGENT FOR THE ISSUING AND CONFIRMING BANKS OBLIGATED UNDER THIS LETTER OF CREDIT AND HAS FULL POWER OF ATTORNEY FROM SUCH BANKS TO ACT ON THEIR BEHALF.

EXHIBIT C

[RESERVED]

EXHIBIT D

[Form of Assignment and Assumption]

ASSIGNMENT AND ASSUMPTION

This Assignment and Assumption (the "Assignment and Assumption") is dated as of the Effective Date set forth below and is entered into by and between [*Insert name of Assignor*] (the "Assignor") and [*Insert name of Assignee*] (the "Assignee"). Capitalized terms used but not defined herein shall have the meanings given to them in the Credit Agreement identified below (as amended, the "Credit Agreement"), receipt of a copy of which is hereby acknowledged by the Assignee. The Standard Terms and Conditions set forth in Annex 1 attached hereto are hereby agreed to and incorporated herein by reference and made a part of this Assignment and Assumption as if set forth herein in full.

For an agreed consideration, the Assignor hereby irrevocably sells and assigns to the Assignee, and the Assignee hereby irrevocably purchases and assumes from the Assignor, subject to and in accordance with the Standard Terms and Conditions and the Credit Agreement, as of the Effective Date inserted by the Administrative Agent as contemplated below (i) all of the Assignor's rights and obligations in its capacity as a Bank under the Credit Agreement and any other documents or instruments delivered pursuant thereto to the extent related to the amount and percentage interest identified below of all of such outstanding rights and obligations of the Assignor under the facility identified below and (ii) to the extent permitted to be assigned under applicable law, all claims, suits, causes of action and any other right of the Assignor (in its capacity as a Bank) against any Person, whether known or unknown, arising under or in connection with the Credit Agreement, any other documents or instruments delivered pursuant thereto or the credit transactions governed thereby or in any way based on or related to any of the foregoing, including contract claims, tort claims, malpractice claims, statutory claims and all other claims at law or in equity related to the rights and obligations sold and assigned pursuant to clause (i) above (the rights and obligations sold and assigned pursuant to clauses (i) and (ii) above being referred to herein collectively as the "Assigned Interest"). Such sale and assignment is without recourse to the Assignor and, except as expressly provided in this Assignment and Assumption, without representation or warranty by the Assignor.

1. Assignor:	______________________________
2. Assignee:	[and is an Affiliate of [*identify Bank*]] ______________________________
4. Administrative Agent:	JP Morgan Chase Bank, N.A., as the administrative agent under the Credit Agreement
5. Credit Agreement:	Revolving Credit Agreement dated as of December 2, 2016 between Brighthouse Financial, Inc., the Banks party thereto and JPMorgan Chase Bank, N.A., as Administrative Agent
6. Assigned Interest:	

Facility Assigned	Aggregate Amount of Commitment/LC Exposure for all Banks	Amount of Commitment/LC Exposure Assigned	Percentage Assigned of Commitment/LC Exposure[3]
	$	$	%
	$	$	%
	$	$	%

Effective Date: , 20 [TO BE INSERTED BY ADMINISTRATIVE AGENT AND WHICH SHALL BE THE EFFECTIVE DATE OF RECORDATION OF TRANSFER IN THE REGISTER THEREFOR.]

3 Set forth, to at least 9 decimals, as a percentage of the Commitment/LC Exposure of all Banks thereunder.

The terms set forth in this Assignment and Assumption are hereby agreed to:

ASSIGNOR

[NAME OF ASSIGNOR]

By: ______________________________
Name:
Title:

ASSIGNEE

[NAME OF ASSIGNEE]

By: ______________________________
Name:
Title:

[Consented to] and Accepted:

JPMORGAN CHASE BANK, N.A., as Administrative Agent

By ______________________________
Name:
Title:

[Consented to:

NAME OF FRONTING ISSUING BANK

By ______________________________
Name:
Title:

Consented to:

BRIGHTHOUSE FINANCIAL, INC.

By ______________________________
Name:
Title:]

ANNEX 1

STANDARD TERMS AND CONDITIONS FOR

ASSIGNMENT AND ASSUMPTION

1. Representations and Warranties.

1.1 Assignor. The Assignor (a) represents and warrants that (i) it is the legal and beneficial owner of the Assigned Interest, (ii) the Assigned Interest is free and clear of any lien, encumbrance or other adverse claim and (iii) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and Assumption and to consummate the transactions contemplated hereby; and (b) assumes no responsibility with respect to (i) any statements, warranties or representations made in or in connection with the Credit Agreement, (ii) the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Credit Agreement or any collateral thereunder, (iii) the financial condition of the Company, any of its Subsidiaries or Affiliates or any other Person obligated in respect of the Credit Agreement or (iv) the performance or observance by the Company, any of its Subsidiaries or Affiliates or any other Person of any of their respective obligations under the Credit Agreement.

1.2 Assignee. The Assignee (a) represents and warrants that (i) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and Assumption and to consummate the transactions contemplated hereby and to become a Bank under the Credit Agreement, (ii) it satisfies the requirements, if any, specified in the Credit Agreement that are required to be satisfied by it in order to acquire the Assigned Interest and become a Bank, (iii) from and after the Effective Date, it shall be bound by the provisions of the Credit Agreement as a Bank thereunder and, to the extent of the Assigned Interest, shall have the obligations of a Bank thereunder, (iv) it has received a copy of the Credit Agreement, together with copies of the most recent financial statements delivered pursuant to Section 5.01 thereof, as applicable, and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Assignment and Assumption and to purchase the Assigned Interest on the basis of which it has made such analysis and decision independently and without reliance on the Administrative Agent or any other Bank, and (v) if it is a Bank that is not incorporated under the laws of the United States of America or any state thereof, attached to this Assignment and Assumption is any documentation required to be delivered by it pursuant to the terms of the Credit Agreement, duly completed and executed by the Assignee; and (b) agrees that (i) it will, independently and without reliance on the Administrative Agent, the Assignor or any other Bank, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Credit Agreement, and (ii) it will perform in accordance with their terms all of the obligations which by the terms of the Credit Agreement are required to be performed by it as a Bank.

2. Payments. From and after the Effective Date, the Administrative Agent shall make all payments in respect of the Assigned Interest (including payments of reimbursement obligations, interest, fees and other amounts) to the Assignor for amounts which have accrued to but excluding the Effective Date and to the Assignee for amounts which have accrued from and after the Effective Date.

3. General Provisions. This Assignment and Assumption shall be binding upon, and inure to the benefit of, the parties hereto and their respective successors and assigns. This Assignment and Assumption may be executed in any number of counterparts, which together shall constitute one instrument. Delivery of an executed counterpart of a signature page of this Assignment and Assumption by telecopy shall be effective as delivery of a manually executed counterpart of this Assignment and Assumption. This Assignment and Assumption shall be governed by, and construed in accordance with, the law of the State of New York.

EXHIBIT E

[Form of Confirming Bank Agreement]

[Letterhead of Issuing Bank]

, 20

[Name of Confirming Bank]
[Address]

Ladies and Gentlemen:

Reference is made to the Revolving Credit Agreement dated as of December 2, 2016 (as amended, restated, supplemented and otherwise modified and in effect on the date hereof, the "Credit Agreement"), among Brighthouse Financial, Inc., the Banks party thereto, and JPMorgan Chase Bank, N.A., as Administrative Agent for the Banks. Terms defined in the Credit Agreement are used herein with the same meanings.

The undersigned is an issuing Bank (the "Issuing Bank") under the Credit Agreement but is not on the date hereof a bank listed on the most current Bank List of banks approved by the NAIC. Accordingly, in order to be an "NAIC Approved Bank" for the purposes of the Credit Agreement, the undersigned hereby requests that you be a Confirming Bank with respect to the undersigned for the purposes of the Credit Agreement and each Letter of Credit issued by the Issuing Bank thereunder.

By your signature below, you undertake that any draft drawn under and in strict compliance with the terms of any Letter of Credit issued by the Issuing Bank under the Credit Agreement will be duly honored by you as if, and to the extent, you were the Issuing Bank under such Letter of Credit. Notwithstanding the foregoing, your liability under all Letters of Credit at any one time issued under the Credit Agreement shall be limited to an amount (the "Liability Limit") equal to the Commitment of the undersigned under the Credit Agreement in effect on the date hereof (an amount equal to $), as such Liability Limit may be increased after the date hereof with your prior written consent by reason of an increase in the Commitment of the undersigned under the Credit Agreement. In addition, you hereby irrevocably appoint and designate the Administrative Agent as your attorney-in-fact, acting through any duly authorized officer of JPMorgan, to execute and deliver, at any time prior to the Commitment Termination Date in effect on the date of this letter agreement, in your name and on your behalf each Letter of Credit to be confirmed by you in accordance herewith and with the Credit Agreement. You agree that, promptly upon the request of the Administrative Agent, you will furnish to the Administrative Agent such powers of attorney or other evidence as any beneficiary of any Letter of Credit may reasonably request in order to demonstrate that the Administrative Agent has the power to act as attorney-in-fact for you in connection with the execution and delivery of such Letter of Credit.

In consideration of the foregoing, the undersigned agrees that if you shall make any LC Disbursement in respect of any Letter of Credit, regardless of the identity of the account party of such Letter of Credit, the undersigned shall reimburse you by paying to you an amount equal to the amount of the LC Disbursement made by you, such payment to be made not later than noon, New York City time, on (i) the Business Day that the undersigned receives notice of such LC Disbursement, if such notice is received prior to 10:00 a.m., New York City time, or (ii) the Business Day immediately following the day that the undersigned receives such notice, if such notice is received on a day which is not a Business Day or is not received prior to 10:00 a.m., New York City time, on a Business Day. The undersigned's obligations to reimburse you as provided in the foregoing sentence shall be absolute, unconditional and irrevocable, and shall be performed strictly in accordance with the terms of this letter agreement under any and all circumstances whatsoever, and irrespective of any event or circumstance of the type described in Section 2.11(b) of the Credit Agreement (or of any analogous event or circumstance relating to the undersigned).

If any LC Disbursement is made by you, then, unless the undersigned shall reimburse the amount of such LC Disbursement to you in full on the date such LC Disbursement is made by you, the unpaid amount thereof shall bear interest, for each day from and including the date such LC Disbursement is made to but excluding the date of reimbursement, at the rate per annum equal to (i) the Federal Funds Rate to but excluding the date three Business Days after such LC Disbursement and (ii) from and including the date three Business Days after such LC Disbursement, 2% plus the Federal Funds Rate.

This letter agreement shall be governed by and construed in accordance with the law of the State of New York.

Please indicate your acceptance of the foregoing terms and conditions by signing the three enclosed copies of this letter agreement and returning (a) one such signed copy to the undersigned at the address indicated above, (b) one such signed copy to the Administrative Agent at JPMorgan Chase Bank, N.A., 500 Stanton Christiana Road, NCC5, 1st FloorNewark, Delaware, 19713, Attention: Loan and Agency Services (Tel. No. (302) 634-1964; Fax No. (302) 634-4733) and (c) one such signed copy to the Company at its address specified in Section 10.01 of the Credit Agreement.

[NAME OF ISSUING BANK]

By ______________________________
Name:
Title:

AGREED AS AFORESAID:

[NAME OF CONFIRMING BANK]

By ______________________________
Name:
Title:

Schedule I - Commitments

Banks	Commitment ($)
JPMorgan Chase Bank, N.A.	$ 190,000,000
Bank of America, N.A.	$ 190,000,000
Wells Fargo Bank, National Association	$ 190,000,000
U.S. Bank National Association	$ 190,000,000
Goldman Sachs Bank USA	$ 150,000,000
Sumitomo Mitsui Banking Corporation	$ 150,000,000
HSBC Bank USA, National Association	$ 150,000,000
Barclays Bank PLC	$ 150,000,000
BNP Paribas	$ 150,000,000
Citibank, N.A.	$ 150,000,000
Deutsche Bank AG New York Branch	$ 150,000,000
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	$ 123,500,000
Morgan Stanley Bank, N.A.	$ 66,500,000
TOTAL COMMITMENTS	$2,000,000,000

Schedule II

[Reserved]

Schedule III – Material Subsidiaries

Name	Jurisdiction	Type
Brighthouse Holdings, LLC	Delaware	Limited Liability Company
MetLife Insurance Company USA	Delaware	Corporation
Brighthouse Reinsurance Company of Delaware	Delaware	Corporation

Schedule IV – Hybrid Instruments

None.

<u>Schedule V – Escrow Conditions</u>

The obligation of each Bank to make the Specified Loan is subject to the satisfaction of the following terms and conditions (the "<u>Escrow Conditions</u>") on or prior to the date of the making of such Specified Loan, in addition to each of the conditions to each extension of credit set forth in Section 3.01 of the Credit Agreement (except for the condition set forth in Section 3.01(d)(x)):

receipt by the Administrative Agent of a notice that the Administrative Agent will be requesting that the Banks make the Specified Loan and the proposed date the Specified Loan is to be made, in form and substance reasonably satisfactory to the Administrative Agent, such notice to be received not less than 10 Business Days (or such shorter period as may be agreed by the Administrative Agent) in advance of such proposed date;

receipt by the Administrative Agent of a fully-executed Escrow Agreement, in substantially similar form as <u>Annex A</u> attached hereto (with such changes as may be agreed by the parties thereto, the "<u>Escrow Agreement</u>"), or other form approved by the Administrative Agent and the Escrow Agent (as such term in defined in the Escrow Agreement), which shall be effective in accordance with its terms prior to or concurrently with the making of the Specified Loan;

receipt by the Administrative Agent of a Notice of Borrowing with respect to the Specified Loan as required by Section 2.05(a), requesting that the proceeds of the Specified Loan be funded into the escrow account set forth in the Escrow Agreement; and

the Company shall have paid, or caused to be paid, to the Escrow Agent the fees any other amounts required to be paid under the Escrow Agreement or the Credit Agreement and shall have delivered such other assurances, certificates, or documents, as the Escrow Agent reasonably may require.

ANNEX A

Form of Escrow Agreement

Please see attached.

FORM OF ESCROW AGREEMENT

This **ESCROW AGREEMENT** is entered into as of [ ] [ ], 201[ ], by and among Brighthouse Financial, Inc., a Delaware corporation (the "Company"), JPMorgan Chase Bank, N.A., in its capacity as administrative agent under the Credit Agreement (as defined herein) (in such capacity, the "Administrative Agent", and together with the Company, sometimes referred to individually as "Party" and collectively as the "Parties"), and JPMorgan Chase Bank, N.A. (the "Escrow Agent").

WHEREAS, this Agreement is being entered into in connection with that certain Revolving Credit Agreement (the "Credit Agreement") dated as of December 2, 2016, by and among the Company, the Banks from time to time party thereto (the "Banks"), the Administrative Agent, and the other parties thereto, pursuant to which the Banks will issue letters of credit and make revolving loans to the Company in an aggregate principal amount of up to $2,000,000,000.

WHEREAS, the Company currently does not expect to satisfy the conditions set forth in Section 3.01(d)(x) of the Credit Agreement prior to the making of the Specified Loan (as such term is defined in the Credit Agreement, the "Specified Loan"), and has agreed with the Administrative Agent and the Banks in the Credit Agreement to enter into this Agreement and to deposit into escrow the net proceeds from the Specified Loan as provided herein.

WHEREAS, concurrently with the borrowing of the Specified Loan on the date hereof, the Company will deposit or cause to be deposited the Company's Deposit (as defined below) with the Escrow Agent, as hereinafter provided.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. **Appointment**. The Parties hereby appoint Escrow Agent as their escrow agent for the purposes set forth herein, and Escrow Agent hereby accepts such appointment under the terms and conditions set forth herein.

2. **Funds; Investment.** (a) Concurrently with the execution and delivery hereof and the making of the Specified Loan, amounts will be deposited into the Escrow Agent as follows:

(i) as provided in the Credit Agreement, and subject to the Escrow Conditions (as defined therein) set forth therein, the Administrative Agent will deposit with the Escrow Agent $[ ] (*[amount in words]*) in cash or by wire transfer in immediately available funds (the "Specified Loan Proceeds Deposit"), which amount represents the gross proceeds from the Specified Loan.

(ii) the Company will deposit or cause to be deposited with the Escrow Agent $[ ] ([*amount in words*]) in cash or by wire transfer in immediately available funds (the "Company's Deposit"), which amount represents the interest that will accrue on the Specified Loan for the next four Domestic Business Days (as such term is defined in the Credit Agreement) at the Base Rate (as such term is defined in the Credit Agreement). The Specified Loan Proceeds Deposit and the Company's Deposit, collectively, are referred to herein as the "Escrow Deposit".

Escrow Agent shall hold the Escrow Deposit in one or more non-interest bearing demand deposit accounts.

Instructions to make any other investment ("Alternative Investment"), and any instruction to change investments must be in a joint writing and executed by an Authorized Representative (as defined in Section 3 below), of each of the Parties and shall specify the type and identity of the investments to be purchased and/or sold.

(b) The Escrow Agent is hereby authorized to execute purchases and sales of investments through the facilities of its own trading or capital markets operations or those of any affiliated entity and the Escrow Agent or any affiliated entity may act as counterparty with respect to such investments. Escrow Agent will not provide supervision, recommendations or advice relating to either the investment of moneys held in the Funds or the purchase, sale, retention or other disposition of any investment described herein, and each Party acknowledges that it was not offered any investment, tax or accounting advice or recommendation by Escrow Agent with regard to any investment and has made an independent assessment of the suitability and appropriateness of any investment hereunder for purposes of this Agreement. Market values, exchange rates and other valuation information (including without limitation, market value, current value or notional value) of any Alternative Investment furnished in any report or statement may be obtained from third party sources and is furnished for the exclusive use of the Parties. Escrow Agent has no responsibility whatsoever to determine the market or other value of any Alternative Investment and makes no representation or warranty, express or implied, as to the accuracy of any such valuations or that any values necessarily reflect the proceeds that may be received on the sale of an Alternative Investment. Escrow Agent shall not have any liability for any loss sustained as a result of any investment made pursuant to the terms of this Agreement or as a result of any liquidation of any investment prior to its maturity or for the failure of an Authorized Representative of the Parties to give Escrow Agent instructions to invest or reinvest the Funds. Escrow Agent shall have the right to liquidate any investments held in order to provide funds necessary to make required payments under this Agreement.

(c) All interest or other income earned under this Agreement shall be allocated to the Company or the Administrative Agent, as applicable, and reported, by Escrow Agent to the IRS, or any other taxing authority, on IRS Form 1099 or 1042S (or other appropriate form) as income earned from the Escrow Deposit by the Company or the Administrative Agent, as applicable, whether or not said income has been distributed during such year. The Parties hereby represent to Escrow Agent that no other tax reporting of any kind is required given the underlying transaction giving rise to this Agreement.

3. **Disposition and Termination.** (a) The Escrow Agent shall release the Funds in accordance with written instructions received from the relevant Party or Parties as follows:

(i) Upon the satisfaction of the conditions set forth in Section 3.01 of the Credit Agreement (without giving effect to the proviso to Section 3.01(d)) the Company will deliver the Company Release Request in the form of Exhibit A to the Administrative Agent and the Escrow Agent, and following the Administrative Agent's execution acknowledging and agreeing thereto, the Escrow Agent, upon receipt of the Company Release Request executed by the Parties will, as soon as possible, but not later than the Business Day immediately following receipt of an acknowledged Company Release Request, release the Funds to the Company by wire transfer of immediately available funds in accordance with the wire instructions provided to the Escrow Agent as set forth in Section 3(b) hereof; or

(ii) If the conditions contained in clause (a)(i) of this Section 3 have not been satisfied by the earliest to occur of (x) the date that is three Business Days after the making of the Specified Loan, (y) August 15, 2017 or (z) the date the Escrow Agent receives a written notice from the Administrative Agent that the principal amount of and accrued and unpaid interest on the Specified Loan has become immediately due and payable pursuant to Article VI of the Credit Agreement (the earliest to occur of (x), (y) or (z), the "Outside Date"), upon the receipt of an Administrative Agent Notice substantially in the form of Exhibit B annexed hereto, the Escrow Agent will immediately, but not later than the Business Day immediately following the Outside Date, release the Funds to the Administrative Agent by wire transfer of immediately available funds in accordance with the wire instructions provided to the Escrow Agent as set forth in Section 3(b) hereof.

Notwithstanding anything to the contrary set forth in Section 8, any instructions setting forth, claiming, containing, objecting to, or in any way related to the transfer or distribution of the Fund, must be in writing executed by the appropriate Party or Parties as evidenced by the signatures of the person or persons signing this Agreement or one of their designated persons as set forth on the Designation of Authorized Representatives attached hereto as Schedules 1-A and 1-B (each an "Authorized Representative"), and delivered to Escrow Agent only by confirmed facsimile or as a Portable Document Format ("PDF") attached to an email on a Business Day only at the fax number or email address set forth in Section 8 below. Each Designation of Authorized Representatives shall be signed by the Secretary, any Assistant Secretary or other duly authorized officer of the named Party. No instruction for or related to the transfer or distribution of the Funds shall be deemed delivered and effective unless Escrow Agent actually shall have received it on a Business Day by facsimile or as a PDF attached to an email only at the fax number or email address set forth in Section 8 and as evidenced by a confirmed transmittal to the Party's or Parties' transmitting fax number or email address and Escrow Agent has been able to satisfy any applicable security procedures as may be required hereunder. Escrow Agent shall not be liable to any Party or other person for refraining from acting upon any instruction for or related to the transfer or distribution of the Funds if delivered to any other fax number or email address, including but not limited to a valid email address of any employee of Escrow Agent.

(b) The Parties each acknowledge that Escrow Agent is authorized to use the following funds transfer instructions to disburse any funds due to the Company and/or the Administrative Agent, respectively, without a verifying call-back as set forth in Section 3(c) below:

Company:	**Administrative Agent:**
Bank name:	Bank name:
Bank Address:	Bank Address:
ABA Number:	ABA Number:
Credit A/C Name:	Credit A/C Name:
Credit A/C #:	Credit A/C #:
Credit A/C Address:	Credit A/C Address:
If Applicable:	If Applicable:
FFC A/C Name:	FFC A/C Name:
FFC A/C #:	FFC A/C #:
FFC A/C Address:	FFC A/C Address:

It is understood and agreed that if multiple disbursements are provided for under this Agreement pursuant to the above funds transfer instructions, the date, amount and/or description of payments may change without requiring a verifying callback.

The Parties agree that any other repetitive funds transfer instructions may be given to Escrow Agent by the Parties jointly for one or more beneficiaries where only the date, amount of funds to be transferred, and/or the description of the payment may change ("Standing Instructions"). Any such Standing Instructions shall be set up in writing in advance of any actual transfer request and shall contain complete funds transfer information (as set forth above) for the beneficiary. Any such set-up of Standing Instructions, and any changes in existing set-up, shall be confirmed by means of a verifying callback to an Authorized Representative. Standing Instructions will continue to be followed until cancelled by the

Parties jointly in a writing signed by an Authorized Representative and delivered to Escrow Agent in accordance with this Section. Once set up as provided herein, Escrow Agent may rely solely upon such Standing Instructions and all identifying information set forth therein for each beneficiary. Each Party agrees that any Standing Instructions shall be effective as the funds transfer instructions of such Party or the Parties, as applicable, without requiring a verifying callback, as set forth in Section 3(c) below.

(c) In the event any other funds transfer instructions other than those described in Section 3(b) above are set forth in a permitted instruction from a Party or the Parties in accordance with Section 3(a), Escrow Agent is authorized to confirm such instructions by a telephone call-back to one of the Authorized Representatives, and Escrow Agent may rely upon the confirmation of anyone purporting to be that Authorized Representative. The persons designated as Authorized Representatives and telephone numbers for same may be changed only in a writing executed by an Authorized Representative or other duly authorized officer of the applicable Party setting forth such changes and actually received by Escrow Agent via facsimile or as a PDF attached to an email. Except as set forth in Section 3(b) above, no funds will be disbursed until an Authorized Representative is able to confirm such instructions by telephone callback.

(d) Escrow Agent, any intermediary bank and the beneficiary's bank in any funds transfer may rely upon the identifying number of the beneficiary's bank or any intermediary bank included in a funds transfer instruction provided by a Party or the Parties and confirmed by an Authorized Representative. Further the beneficiary's bank in the funds transfer instruction may make payment on the basis of the account number provided in such Party's or the Parties' instruction and confirmed by an Authorized Representative even though it identifies a person different from the named beneficiary.

(e) As used in this Section 3, "Business Day" shall mean any day other than a Saturday, Sunday or any other day on which Escrow Agent located at the notice address set forth below is authorized or required by law or executive order to remain closed. The Parties acknowledge that the security procedures set forth in this Section 3 are commercially reasonable. Upon delivery of the Funds in full by Escrow Agent pursuant to this Section 3, this Agreement shall terminate and the related account(s) shall be closed, subject to the provisions of Section 6.

4. **Escrow Agent**. Escrow Agent shall have only those duties as are specifically and expressly provided herein, and no other duties, including but not limited to any fiduciary duty, shall be implied. Escrow Agent has no knowledge of, nor any obligation to comply with, the terms and conditions of any other agreement between the Parties, nor shall Escrow Agent be required to determine if any Party has complied with any other agreement. Notwithstanding the terms of any other agreement between the Parties, the terms and conditions of this Agreement shall control the actions of Escrow Agent. Escrow Agent may conclusively rely upon any written notice, document, instruction or request delivered by the Parties believed by it to be genuine and to have been signed by an Authorized Representative(s), as applicable, without inquiry and without requiring substantiating evidence of any kind and Escrow Agent shall be under no duty to inquire into or investigate the validity, accuracy or content of any such document, notice, instruction or request. Escrow Agent shall not be liable for any action taken, suffered or omitted to be taken by it in good faith except to the extent that Escrow Agent's gross negligence or willful misconduct was the cause of any direct loss to either Party. Escrow Agent may execute any of its powers and perform any of its duties hereunder directly or through affiliates or agents. In the event Escrow Agent shall be uncertain, or believes there is some ambiguity, as to its duties or rights hereunder, or receives instructions, claims or demands from any Party hereto which in Escrow Agent's judgment conflict with the provisions of this Agreement, or if Escrow Agent receives conflicting instructions from the Parties, Escrow Agent shall be entitled either to: (a) refrain from taking any action until it shall be given (i) a joint written direction executed by Authorized Representatives of the Parties which eliminates such conflict or (ii) a court order issued by a court of competent jurisdiction (it being understood that

Escrow Agent shall be entitled conclusively to rely and act upon any such court order and shall have no obligation to determine whether any such court order is final); or (b) file an action in interpleader. Escrow Agent shall have no duty to solicit any payments which may be due it or the Funds, including, without limitation, the Escrow Deposit nor shall the Escrow Agent have any duty or obligation to confirm or verify the accuracy or correctness of any amounts deposited with it hereunder. The Parties grant to the Escrow Agent a lien and security interest in the Funds in order to secure any indemnification obligations of the Parties or obligation for fees or expenses owed to the Escrow Agent hereunder. Anything in this Agreement to the contrary notwithstanding, in no event shall Escrow Agent be liable for special, incidental, punitive, indirect or consequential loss or damage of any kind whatsoever (including but not limited to lost profits), even if Escrow Agent has been advised of the likelihood of such loss or damage and regardless of the form of action; provided, however, that the foregoing shall not apply to the extent such losses or damage is caused by fraud on the part of Escrow Agent.

5. **Succession.** Escrow Agent may resign and be discharged from its duties or obligations hereunder by giving not less than thirty (30) days advance notice in writing of such resignation to the Parties, or may be removed, with or without cause, by the Parties at any time after giving not less than thirty (30) days prior joint written notice to the Escrow Agent. Escrow Agent's sole responsibility after such applicable thirty (30) day notice period expires shall be to hold the Funds (without any obligation to reinvest the same) and to deliver the same to a designated substitute escrow agent, if any, appointed by the Parties, or such other person designated by the Parties, or in accordance with the directions of a final court order, at which time of delivery, Escrow Agent's obligations hereunder shall cease and terminate. If prior to the effective resignation or removal date, the Parties have failed to appoint a successor escrow agent, or to instruct the Escrow Agent to deliver the Funds to another person as provided above, or if such delivery is contrary to applicable law, at any time on or after the effective resignation date, Escrow Agent either (a) may interplead the Funds with a court located in the State of New York and the costs, expenses and reasonable attorney's fees which are incurred in connection with such proceeding may be charged against and withdrawn from the Funds; or (b) appoint a successor escrow agent of its own choice. Any appointment of a successor escrow agent shall be binding upon the Parties and no appointed successor escrow agent shall be deemed to be an agent of Escrow Agent. Escrow Agent shall deliver the Funds to any appointed successor escrow agent, at which time Escrow Agent's obligations under this Agreement shall cease and terminate. Any entity into which Escrow Agent may be merged or converted or with which it may be consolidated, or any entity to which all or substantially all of the escrow business may be transferred, shall be the Escrow Agent under this Agreement without further act.

6. **Compensation; Acknowledgment.** (a) The Company hereby agrees to pay Escrow Agent upon execution of this Agreement and from time to time thereafter reasonable compensation for the services to be rendered hereunder, which unless otherwise agreed in writing, shall be as described in Schedule 2.

(b) Each of the Parties further agrees to the disclosures and agreements set forth in Schedule 2.

7. **Indemnification and Reimbursement.** The Company hereby agrees to indemnify, defend, hold harmless, pay or reimburse Escrow Agent and its affiliates and their respective successors, assigns, directors, agents and employees (the "Indemnitees") from and against any and all losses, damages, claims, liabilities, costs or expenses (including, attorney's fees) (collectively "Losses"), resulting directly or indirectly from (a) Escrow Agent's performance of this Agreement, except to the extent that such Losses are determined by a court of competent jurisdiction to have been caused by the gross negligence, willful misconduct, or bad faith of such Indemnitee; and (b) Escrow Agent's following, accepting or acting upon any instructions or directions, whether joint or singular, from the Parties received in accordance with this Agreement. The obligations set forth in this Section 7 shall survive the resignation, replacement or removal of Escrow Agent or the termination of this Agreement.

8. **Notices.** Except as otherwise expressly required in Section 3, all communications hereunder shall be in writing or set forth in a PDF attached to an email, and shall be delivered by facsimile, email or overnight courier only to the appropriate fax number, email address, or notice address set forth for each party as follows:

If to Company:	Brighthouse Financial, Inc. Gragg Building 112255 North Community House Road Charlotte, NC 28277 Attn.: Jin Chang, Treasurer Tel No.: (980) 949-4289 Fax No.: (980) 949-3934
If to the Administrative Agent:	JPMorgan Chase Bank, N.A. 500 Stanton Christiana Road, NCC5, 1st Floor Newark, DE, 19713 Attention: JPM Loan and Agency Services Tel No.: (302) 634-1964 Fax No.: (302) 634-4733
With copies to:	Morgan, Lewis & Bockius LLP One Federal Street Boston, MA 02110 Attn.: Matthew Furlong Tel No.: (617) 341-7740 Email Address: Matthew.Furlong@morganlewis.com
If to Escrow Agent:	JPMorgan Chase Bank, N.A. Escrow Services 4 New York Plaza, 11th Floor New York, N.Y. 10004 Attention: Rola Tseng-Pappalardo /Joan King-Francois Fax No.: 212.552.2812 Email Address: ec.escrow@jpmorgan.com

9. **Compliance with Court Orders.** In the event that a legal garnishment, attachment, levy restraining notice or court order is served with respect to any of the Funds, or the delivery thereof shall be stayed or enjoined by an order of a court, Escrow Agent is hereby expressly authorized, in its sole discretion, to obey and comply with all such orders so entered or issued, and in the event that Escrow Agent obeys or complies with any such order it shall not be liable to any of the Parties hereto or to any other person by reason of such compliance notwithstanding such order be subsequently reversed, modified, annulled, set aside or vacated.

10. **Miscellaneous.** (a) The provisions of this Agreement may be waived, altered, amended or supplemented only by a writing signed by the Escrow Agent and the Parties. Neither this Agreement nor any right or interest hereunder may be assigned by any Party without the prior consent of Escrow Agent and the other Party. This Agreement shall be governed by and construed under the laws of the State of New York. Each Party and Escrow Agent irrevocably waives any objection on the grounds of venue,

forum non-conveniens or any similar grounds and irrevocably consents to service of process by mail or in any other manner permitted by applicable law and consents to the jurisdiction of the courts located in the State of New York. To the extent that in any jurisdiction either Party may now or hereafter be entitled to claim for itself or its assets, immunity from suit, execution, attachment (before or after judgment) or other legal process, such Party shall not claim, and hereby irrevocably waives, such immunity. Escrow Agent and the Parties further hereby waive any right to a trial by jury with respect to any lawsuit or judicial proceeding arising or relating to this Agreement.

(b) No party to this Agreement is liable to any other party for losses due to, or if it is unable to perform its obligations under the terms of this Agreement because of, acts of God, fire, war, terrorism, floods, strikes, electrical outages, equipment or transmission failure, or other causes reasonably beyond its control. This Agreement and any joint instructions from the Parties may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument or instruction, as applicable. This Agreement may be executed and transmitted by facsimile or as a PDF attached to an email or may be electronically signed and each such execution shall be of the same legal effect, validity and enforceability as a manually executed, original, wet-inked signature. All signatures of the parties to this Agreement may be transmitted by facsimile or as a PDF attached to an email, and such facsimile or PDF will, for all purposes, be deemed to be the original signature of such party whose signature it reproduces, and will be binding upon such party. If any provision of this Agreement is determined to be prohibited or unenforceable by reason of any applicable law of a jurisdiction, then such provision shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions thereof, and any such prohibition or unenforceability in such jurisdiction shall not invalidate or render unenforceable such provisions in any other jurisdiction. The Parties each represent, warrant and covenant that (i) each document, notice, instruction or request provided by such Party to Escrow Agent shall comply with applicable laws and regulations; (ii) such Party has full power and authority to enter into, execute and deliver this Agreement and to perform all of the duties and obligations to be performed by it hereunder; and (iii) the person(s) executing this Agreement on such Party's behalf and certifying Authorized Representatives in the applicable Schedule 1 have been duly and properly authorized to do so, and each Authorized Representative of such Party has been duly and properly authorized to take the actions specified for such person in the applicable Schedule 1. Except as expressly provided in Section 7 above, nothing in this Agreement, whether express or implied, shall be construed to give to any person or entity other than Escrow Agent and the Parties any legal or equitable right, remedy, interest or claim under or in respect of the Funds or this Agreement.

[*Signature Page Follows*]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date set forth above.

BRIGHTHOUSE FINANCIAL, INC.,
as Company

By: ______________________________
Name: ______________________________
Title: ______________________________

JPMORGAN CHASE BANK, N.A.,
as Administrative Agent

By: ______________________________
Name: ______________________________
Title: ______________________________

JPMORGAN CHASE BANK, N.A.,
As Escrow Agent

By: ______________________________
Name: ______________________________
Title: ______________________________

EXHIBIT A

Form of Company Release Request

JPMorgan Chase Bank, N.A., Escrow Services
4 New York Plaza, 11th Floor
New York, N.Y. 10004
Attention: Rola Tseng-Pappalardo /Joan King-Francois
Fax No.: 212.552.2812
Email Address:
ec.escrow@jpmorgan.com

Date:

Re: [Name of Parties] – Escrow Agreement dated [ ]
Escrow Account no. [ ]

Dear Sir/Madam:

We refer to an escrow agreement dated [ ] by and among Brighthouse Financial, Inc., as Company, JPMorgan Chase Bank, N.A., as Administrative Agent and JPMorgan Chase Bank, N.A., as Escrow Agent (the "**Escrow Agreement**").

Capitalized terms in this letter that are not otherwise defined shall have the same meaning given to them in the Escrow Agreement.

Pursuant to Section 3(a)(i) of the Escrow Agreement the Company hereby certifies to the Administrative Agent through the undersigned officer that:

(a) (i) the Company owns all of the voting Capital Stock of Intermediate Co., (ii) Intermediate Co. owns, directly or indirectly, all of the Capital Stock of MetLife Insurance Company USA, Brighthouse Securities, LLC, Brighthouse Services, LLC, MetLife Advisors, LLC, First MetLife Investors Insurance Company, New England Life Insurance Company and each other Insurance Subsidiary to be acquired by the Company and Intermediate Co. pursuant to the Restructuring Transaction, and (iii) the Company has delivered to the Administrative Agent evidence that clauses (i) and (ii) of this clause (a) are satisfied in form and substance satisfactory to the Administrative Agent; and

(b) (i) the other elements of the Restructuring Transaction have been consummated on terms and conditions reasonably satisfactory to the Administrative Agent and the Active Joint Lead Arrangers, and (ii) the Administrative Agent shall have received evidence that clause (i) of this clause (b) are satisfied in form and substance satisfactory to the Administrative Agent.

By their signatures below, the Parties hereby instruct the Escrow Agent to release the Funds to the Company using the wire transfer instructions set forth in Section 3(b) of the Escrow Agreement.

[*Signature Page Follows*]

BRIGHTHOUSE FINANCIAL, INC.,
as Company

By: ____________________________
Name: ____________________________
Title: ____________________________

Acknowledged and Agreed:

JPMORGAN CHASE BANK, N.A.,
as Administrative Agent

By: ____________________________
Name: ____________________________
Title: ____________________________

EXHIBIT B

Form of Administrative Agent Notice

JPMorgan Chase Bank, N.A., Escrow Services
4 New York Plaza, 11th Floor
New York, N.Y. 10004
Attention: Rola Tseng-Pappalardo /Joan King-Francois
Fax No.: 212.552.2812
Email Address:
ec.escrow@jpmorgan.com
Date:

Re: [Name of Parties] – Escrow Agreement dated [ ]
Escrow Account no. [ ]

Dear Sir/Madam:

We refer to an escrow agreement dated [ ] by and among Brighthouse Financial, Inc., as Company, JPMorgan Chase Bank, N.A., as Administrative Agent, and JPMorgan Chase Bank, N.A., as Escrow Agent (the "**Escrow Agreement**").

Capitalized terms in this letter that are not otherwise defined shall have the same meaning given to them in the Escrow Agreement.

Pursuant to Section 3(a)(ii) of the Escrow Agreement, the Administrative Agent hereby confirms through the undersigned officer that, as of the Outside Date, the conditions to release of the Funds set forth in Section 3(a)(i) of the Escrow Agreement have not been satisfied. Therefore, the Administrative Agent hereby provides this written notice and instruction to the Escrow Agent to release all of the Funds as set forth in Section 3(a)(ii) of the Escrow Agreement.

By its signatures below, the Administrative Agent hereby instructs the Escrow Agent to release the Funds to the Administrative Agent using the wire transfer instructions set forth in Section 3(b) of the Escrow Agreement.

[*Signature Page Follows*]

JPMORGAN CHASE BANK, N.A.,
as Administrative Agent

By: ________________________________
Name: ________________________________
Title: ________________________________

Schedule 1-A

DESIGNATION OF AUTHORIZED REPRESENTATIVES OF THE COMPANY

The undersigned, , being the duly elected, qualified and acting of Brighthouse Financial, Inc. ("Company"), does hereby certify:

1. That each of the following persons is at the date hereof an Authorized Representative, as such term is defined in the Escrow Agreement, dated , 20 , by and among Company, Administrative Agent and Escrow Agent (the "Escrow Agreement"), that the signature appearing opposite each person's name is the true and genuine signature of such person, and that each person's contact information is current and up-to-date at the date hereof. Each of the Authorized Representatives is authorized to issue instructions, confirm funds transfer instructions by callback and effect changes in Authorized Representatives, all in accordance with the terms of the Escrow Agreement.

NAME	SIGNATURE	TELEPHONE & CELL NUMBERS
______________________	______________________	______________________
		(cell) ______________
______________________	______________________	______________________
		(cell) ______________
______________________	______________________	______________________
		(cell) ______________

2. That pursuant to the Company's governing documents, as amended, the undersigned has the power and authority to execute this Designation on behalf of the Company, and that the undersigned has so executed this Designation this day of , 20 .

Signature: ______________________

Name: ______________________

Title: ______________________

FOR YOUR SECURITY, PLEASE CROSS OUT ALL UNUSED SIGNATURE LINES ON THIS SCHEDULE 1-A

All instructions, including but not limited to funds transfer instructions, whether transmitted by facsimile or set forth in a PDF attached to an email, must include the signature of the Authorized Representative authorizing said funds transfer on behalf of such Party.

Schedule 1-B

DESIGNATION OF AUTHORIZED REPRESENTATIVES OF THE ADMINISTRATIVE AGENT

The undersigned, , being the duly elected, qualified and acting of JP Morgan Chase Bank, N.A., (the "Administrative Agent"), does hereby certify:

1. That each of the following persons is at the date hereof an Authorized Representative, as such term is defined in the Escrow Agreement, dated , 20 , by and among Company, Administrative Agent and Escrow Agent (the "Escrow Agreement"), that the signature appearing opposite each person's name is the true and genuine signature of such person, and that each person's contact information is current and up-to-date at the date hereof. Each of the Authorized Representatives is authorized to issue instructions, confirm funds transfer instructions by callback and effect changes in Authorized Representatives, all in accordance with the terms of the Escrow Agreement.

NAME	SIGNATURE	TELEPHONE & CELL NUMBERS
______	______	______
		(cell) ______
______	______	______
		(cell) ______
______	______	______
		(cell) ______

2. That pursuant to Administrative Agent's governing documents, as amended, the undersigned has the power and authority to execute this Designation on behalf of Administrative Agent, and that the undersigned has so executed this Designation this day of , 20 .

Signature: ______

Name: ______

Title: ______

FOR YOUR SECURITY, PLEASE CROSS OUT ALL UNUSED SIGNATURE LINES ON THIS SCHEDULE 1-B

All instructions, including but not limited to funds transfer instructions, whether transmitted by facsimile or set forth in a PDF attached to an email, must include the signature of the Authorized Representative authorizing said funds transfer on behalf of such Party.

SCHEDULE 2

J.P.Morgan

Schedule of Fees and Disclosures for Escrow Agent Services

Account Acceptance Fee	**$Waived**

Encompassing review, negotiation and execution of governing documentation, opening of the account, and completion of all due diligence documentation. Payable upon closing.

Annual Administration Fee	**$7,500**

The Administration Fee covers our usual and customary ministerial duties, including record keeping, distributions, document compliance and such other duties and responsibilities expressly set forth in the governing documents for each transaction. Payable upon closing and annually in advance thereafter, without pro-ration for partial years.

Extraordinary Services and Out-of Pocket Expenses

The Escrow Agent or any of its affiliates may receive compensation with respect to any Alternative Investment directed hereunder including without limitation charging any applicable agency fee or trade execution fee in connection with each transaction. Any additional services beyond our standard services as specified above, and all reasonable out-of-pocket expenses including attorney's or accountant's fees and expenses will be considered extraordinary services for which related costs, transaction charges, and additional fees will be billed at the Escrow Agent's then standard rate. The Escrow Agent may impose, charge, pass-through and modify fees and/or charges for any account established and services provided by the Escrow Agent, including but not limited to, transaction, maintenance, balance-deficiency, and service fees, agency or trade execution fees, and other charges, including those levied by any governmental authority. Payment of the invoice is due upon receipt.

Investment

The escrow deposit shall be held in one or more non-interest bearing demand deposit accounts.

Disclosures and Agreements

Taxes. The Parties shall duly complete such tax documentation or other procedural formalities necessary for Escrow Agent to complete required tax reporting and for the relevant Party to receive interest or other income without withholding or deduction of tax in any jurisdiction. Should any information supplied in such tax documentation change, the Parties shall promptly notify Escrow Agent. Escrow Agent shall withhold any taxes it deems appropriate in the absence of proper tax documentation or as required by law, and shall remit such taxes to the appropriate authorities.

Representations Relating to Section 15B of the Securities Exchange Act of 1934 (Rule 15Ba1-1 et seq.) (the "Municipal Advisor Rule). Each Party represents and warrants to the Escrow Agent that for purposes of the Municipal Advisor Rules, none of the funds (if any) currently invested, or that will be invested in the future, in money market funds, commercial paper or treasury bills under this Agreement constitute or contain (i) proceeds of municipal securities (including investment income therefrom and monies pledged or otherwise legally dedicated to serve as collateral or a source or repayment for such securities) or (ii) municipal escrow investments (as each such term is defined in the Municipal Advisor Rule). Each Party also represents and warrants to the Escrow Agent that the person providing this certification has access to the appropriate information or has direct knowledge of the source of the funds to be invested to enable the forgoing representation to be made. Further, each Party acknowledges that the Escrow Agent will rely on this representation until notified in writing otherwise.

Patriot Act Disclosure. Section 326 of the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 ("USA PATRIOT Act") requires Escrow Agent to implement reasonable procedures to verify the identity of any person that opens a new account with it. Accordingly, you acknowledge that Section 326 of the USA PATRIOT Act and Escrow Agent's identity verification procedures require Escrow Agent to obtain information which may be used to confirm your identity including without limitation name, address and organizational documents ("identifying information"). You agree to provide Escrow Agent with and consent to Escrow Agent obtaining from third parties any such identifying information required as a condition of opening an account with or using any service provided by the Escrow Agent.

OFAC Disclosure. Escrow Agent is required to act in accordance with the laws and regulations of various jurisdictions relating to the prevention of money laundering and the implementation of sanctions, including but not limited to regulations issued by the U.S. Office of Foreign Assets Control. Escrow Agent is not obligated to execute payment orders or effect any other transaction where the beneficiary or other payee is a person or entity with whom the Escrow Agent is prohibited from doing business by any law or regulation applicable to Escrow Agent, or in any case where compliance would, in Escrow Agent's opinion, conflict with applicable law or banking practice or its own policies and procedures. Where Escrow Agent does not execute a payment order or effect a transaction for such reasons, Escrow Agent may take any action required by any law or regulation applicable to Escrow Agent including, without limitation, freezing or blocking funds. Transaction screening may result in delays in delays in the posting of transactions.

Abandoned Property. Escrow Agent is required to act in accordance with the laws and regulations of various states relating to abandoned property, escheatment or similar law and, accordingly, shall be entitled to remit dormant funds to any state as abandoned property in accordance with such laws and regulations. Without limitation of the foregoing, notwithstanding any instruction to the contrary, Escrow Agent shall not be liable to any Party for any amount disbursed from an account maintained under this Agreement to a governmental entity or public official in compliance with any applicable abandoned property, escheatment or similar law.

Information. The Parties authorize the Escrow Agent to disclose information with respect to this Agreement and the account(s) established hereunder, the Parties, or any transaction hereunder if such disclosure is: (i) necessary in the Escrow Agent's opinion, for the purpose of allowing the Escrow Agent to perform its duties and to exercise its powers and rights hereunder; (ii) to a proposed assignee of the rights of Escrow Agent; (iii) to a branch, affiliate, subsidiary, employee or agent of the Escrow Agent or to their auditors, regulators or legal advisers or to any competent court; (iv) to the auditors of any of the Parties; or (v) required by applicable law, regardless of whether the disclosure is made in the country in which each Party resides, in which the Escrow Account is maintained, or in which the transaction is conducted. The Parties agree that such disclosures by the Escrow Agent and its affiliates may be transmitted across national boundaries and through networks, including those owned by third parties.

THE FOLLOWING DISCLOSURES ARE REQUIRED TO BE PROVIDED UNDER APPLICABLE U.S. REGULATIONS, INCLUDING, BUT NOT LIMITED TO, FEDERAL RESERVE REGULATION D. WHERE SPECIFIC INVESTMENTS ARE NOTED BELOW, THE DISCLOSURES APPLY ONLY TO THOSE INVESTMENTS AND NOT TO ANY OTHER INVESTMENT.

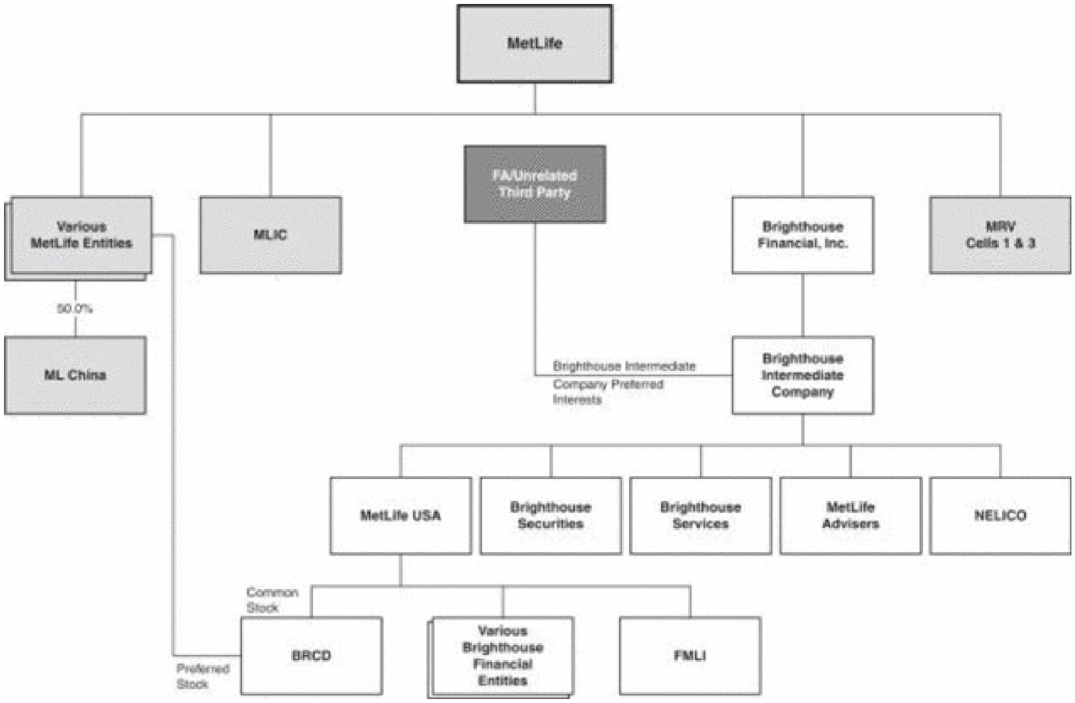
Demand Deposit Account Disclosure. Escrow Agent is authorized, for regulatory reporting and internal accounting purposes, to divide an escrow demand deposit account maintained in the U.S. in which the Funds is held into a non-interest bearing demand deposit internal account and a non-interest bearing savings internal account, and to transfer funds on a daily basis between these internal accounts on Escrow Agent's general ledger in accordance with U.S. law at no cost to the Parties. Escrow Agent will record the internal accounts and any transfers between them on Escrow Agent's books and records only. The internal accounts and any transfers between them will not affect the Funds, any investment or disposition of the Funds, use of the escrow demand deposit account or any other activities under this Agreement, except as described herein. Escrow Agent will establish a target balance for the demand deposit internal account, which may change at any time. To the extent funds in the demand deposit internal account exceed the target balance, the excess will be transferred to the savings internal account, unless the maximum number of transfers from the savings internal account for that calendar month or statement cycle has already occurred. If withdrawals from the demand deposit internal account exceeds the available balance in the demand deposit internal account, funds from the savings internal account will be transferred to the demand deposit internal account up to the entire balance of available funds in the savings internal account to cover the shortfall and to replenish any target balance that Escrow Agent has established for the demand deposit internal account. If a sixth transfer is needed during a calendar month or statement cycle, it will be for the entire balance in the savings internal account, and such funds will remain in the demand deposit internal account for the remainder of the calendar month or statement cycle.

MMDA Disclosure and Agreement. If MMDA is the investment for the escrow deposit as set forth above or anytime in the future, you acknowledge and agree that U.S. law limits the number of pre-authorized or automatic transfers or withdrawals or telephonic/electronic instructions that can be made from an MMDA to a total of six (6) per calendar month or statement cycle or similar period. Escrow Agent is required by U.S. law to reserve the right to require at least seven (7) days notice prior to a withdrawal from a money market deposit account.

Unlawful Internet Gambling. The use of any account to conduct transactions (including, without limitation, the acceptance or receipt of funds through an electronic funds transfer, or by check, draft or similar instrument, or the proceeds of any of the foregoing) that are related, directly or indirectly, to unlawful Internet gambling is strictly prohibited.

Schedule VI – Restructuring Transaction

Structure after giving effect to the Restructuring Transaction and prior to consummation of the Spin-Off Transaction:



Schedule VII – Spin-Off Transaction

Structure after giving effect to the Spin-Off Transaction:

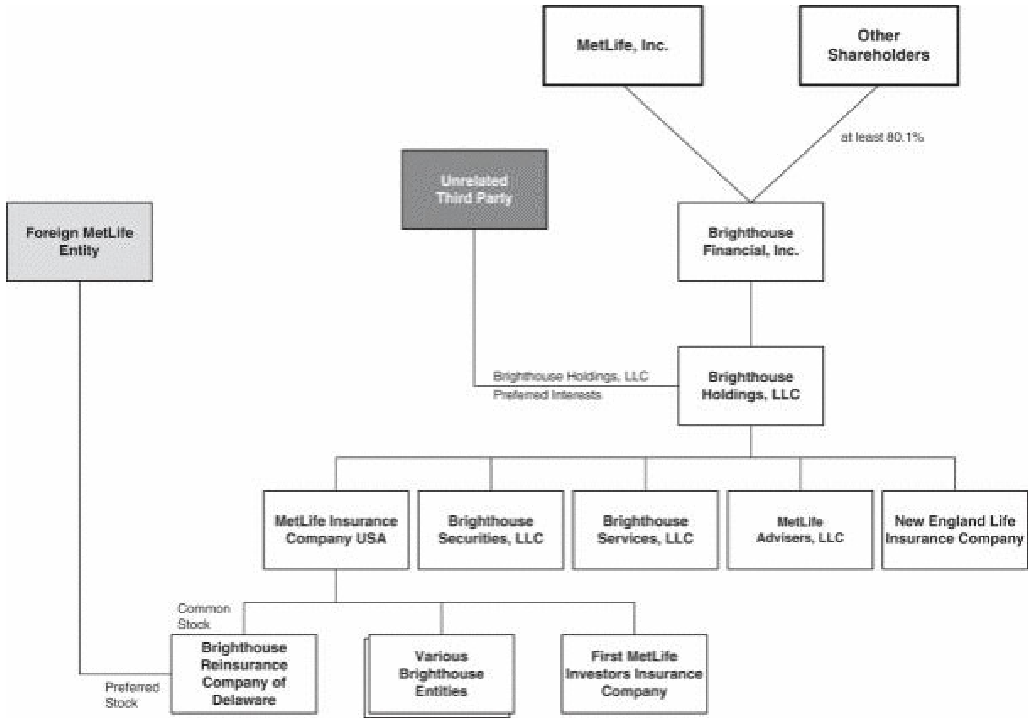


Exhibit 10.9

[EXECUTION COPY]

TERM LOAN AGREEMENT

dated as of

December 2, 2016

Among

BRIGHTHOUSE FINANCIAL, INC.
as the Company

The BANKS Party Hereto

and

JPMORGAN CHASE BANK, N.A.
as Administrative Agent

$3,000,000,000

J.P. MORGAN CHASE BANK, N.A.,
MERRILL LYNCH, PIERCE, FENNER & SMITH INCORPORATED,
and
WELLS FARGO SECURITIES, LLC
as Joint Lead Arrangers and Joint Bookrunners

BANK OF AMERICA, N.A.,
WELLS FARGO BANK, NATIONAL ASSOCIATION,
U.S. BANK NATIONAL ASSOCIATION,
MORGAN STANLEY SENIOR FUNDING, INC., and MUFG UNION BANK N.A.,
GOLDMAN SACHS BANK USA,
HSBC BANK USA, NATIONAL ASSOCIATION,
and
SUMITOMO MITSUI BANKING CORPORATION
as Syndication Agents

BARCLAYS BANK PLC,
BNP PARIBAS,
CITIBANK, N.A.,
and
DEUTSCHE BANK SECURITIES INC.,
as Documentation Agents

EXHIBITS

Exhibit A	Form of Note
Exhibit B	Form of Assignment and Assumption
Exhibit C	Form of Intermediate Co. Guaranty

SCHEDULES

Schedule I	Commitments
Schedule II	[Reserved]
Schedule III	Material Subsidiaries
Schedule IV	Hybrid Instruments
Schedule V	[Reserved]
Schedule VI	Restructuring Transaction
Schedule VII	Spin-Off Transaction

TERM LOAN AGREEMENT dated as of December 2, 2016 among: BRIGHTHOUSE FINANCIAL, INC., a Delaware corporation, the BANKS party hereto and JPMORGAN CHASE BANK, N.A., as Administrative Agent.

The Company has requested that the Banks make, in one or more installments, a term loan to it, in an aggregate face or principal amount not exceeding $3,000,000,000, and the Banks are prepared to make such term loans upon the terms and conditions hereof. Accordingly, the parties hereto agree as follows:

ARTICLE I

DEFINITIONS

SECTION 1.01 Definitions. The following terms, as used herein, have the following meanings:

"Active Joint Lead Arrangers" means JPMorgan, MLPFS and Wells Fargo Securities, LLC.

"Adjusted Consolidated Net Worth" means, at any date, without duplication, the sum of (a) the consolidated shareholders' equity, determined in accordance with GAAP, of the Company and its Consolidated Subsidiaries, plus (b) the aggregate Hybrid Instrument Amount; provided that, in determining such Adjusted Consolidated Net Worth, there shall be excluded (i) any "Accumulated Other Comprehensive Income (Loss)" shown on the consolidated balance sheet of the Company and its Consolidated Subsidiaries prepared in accordance with GAAP, (ii) the effects of the application of FASB ASC 815 to derivative or hedge transactions entered into with respect to statutory reserves related to universal life insurance policies with secondary guarantees that are designated as runoff in the Company's financial statements prepared in accordance with GAAP, or that the Company expects, in good faith, to be designated in runoff within 120 days of the Effective Date and are identified by the Company to be designated for runoff in the Company's financial statements prepared in accordance with GAAP, and the related tax impact, (iii) the effect of any election under the fair value option in FASB ASC 825 permitting a Person to measure its financial assets or liabilities at the fair value thereof, and the related tax impact, and (iv) all noncontrolling equity interests in subsidiaries (as determined in accordance with Statement of Financial Accounting Standards No. 160, entitled "Noncontrolling Interests in Consolidated Financial Statements") shown on the consolidated balance sheet of the Company and its Consolidated Subsidiaries.

"Administrative Agent" means JPMorgan, in its capacity as agent for the Banks hereunder, and its successors in such capacity.

"Administrative Questionnaire" means, with respect to each Bank, an administrative questionnaire in the form prepared by the Administrative Agent and submitted to the Administrative Agent (with a copy to the Company) duly completed by such Bank.

"Affiliate" of any Person means any other Person directly or indirectly controlling, controlled by or under common control with such Person.

"Agreement" means this Term Loan Agreement, as it may be amended or modified and in effect from time to time.

"Anti-Corruption Laws" has the meaning set forth in Section 4.17.

"Anti-Money Laundering Laws" has the meaning set forth in Section 4.17.

"Applicable Lending Office" means, as to each Bank, its office, branch or Affiliate located at its address set forth in its Administrative Questionnaire or such other office, branch or Affiliate of such Bank as it may hereafter designate as its Applicable Lending Office for purposes hereof by notice to the Company and the Administrative Agent.

"Applicable Commitment Fee Rate" and "Applicable Margin" means, for any day, with respect to the Commitment Fees payable hereunder or with respect to the interest margin on any Base Rate Term Loan or Euro-Dollar Term Loan, as the case may be, the applicable rate per annum set forth below under the caption "Applicable Commitment Fee Rate", "Applicable Margin (Base Rate Term Loans)" or "Applicable Margin (Euro-Dollar Term Loans)", respectively, based upon the ratings by Moody's and S&P, respectively, applicable on such date to the Index Debt:

	Index Debt Ratings (S&P/ Moody's)	Applicable Commitment Fee Rate	Applicable Margin (Euro-Dollar Term Loans)	Applicable Margin (Base Rate Term Loans)
Category 1	□ A- / A3	0.150%	1.250%	0.250%
Category 2	BBB+ / Baa1	0.175%	1.375%	0.375%
Category 3	BBB / Baa2	0.225%	1.625%	0.625%
Category 4	BBB- / Baa3	0.300%	1.875%	0.875%
Category 5	< BBB- / Baa3	0.375%	2.250%	1.250%

For purposes of the foregoing, (a) if the ratings established or deemed to have been established by Moody's and S&P for the Index Debt shall fall within different Categories that are one Category apart, the Applicable Commitment Fee Rate and the Applicable Margin shall be determined by reference to the Category of the higher of the two ratings; (b) if the ratings established or deemed to have been established by Moody's and S&P for the Index Debt shall fall within different Categories that are more than one Category apart, the Applicable Commitment Fee Rate and the Applicable Margin shall be determined by reference to the Category next below that of the higher of the two ratings; (c) if only one of Moody's and S&P shall have in effect a rating for the Index Debt, the Applicable Commitment Fee Rate and the Applicable Margin shall be determined by reference to the Category of such rating; (d) if neither Moody's nor S&P shall have in effect a rating for the Index Debt (other than by reason of the circumstances referred to in the second to last sentence of this definition), then the applicable rating shall be determined by reference to Category 5, provided that, if neither Moody's nor S&P shall have in effect a rating for the Index Debt on the Effective Date, from such date until the earlier of (x) the date Moody's or S&P shall have a rating in effect for such Index Debt or (y) March 31, 2017, the ratings of the Index Debt shall be deemed to be the financial strength ratings of MetLife Insurance Company USA established by Moody's and S&P reduced, in each case, by three rating levels (i.e. if the S&P rating for MetLife Insurance Company USA is A+, the rating three notches below, BBB+, would be applicable); and (e) if the ratings established or deemed to have been established by Moody's and S&P for the Index Debt shall be changed (other than as a result of a change in the rating system of Moody's or S&P), such change shall be effective as of the date on which it is first announced by the applicable rating agency, irrespective of when notice of such change shall have been furnished by the Company to the Administrative Agent and the Banks pursuant to Section 5.01 or otherwise. Each change in the Applicable Commitment Fee Rate and the Applicable Margin shall apply during the period commencing on the effective date of such change and ending on the date immediately preceding the effective date of the next such change. If the rating system of Moody's or S&P shall change, or if either such rating agency shall cease to be in the business of rating corporate debt obligations, the Company and the Banks shall negotiate in good faith to amend this definition to reflect such changed rating system or the unavailability of ratings from such rating agency and, pending the effectiveness of any such amendment, the Applicable Commitment Fee Rate and the Applicable Margin shall be determined by reference to the rating of Moody's and/or S&P, as the case may be, most recently in effect prior to such change or cessation. References herein to "Applicable Margin" shall refer to the Applicable Margin for the relevant Type of Term Loan, as applicable.

"Applicable Percentage" means, with respect to any Bank at any time, the percentage of the Term Loan Facility represented by (a) at any time during the Availability Period, the sum of such Bank's (i) undrawn Commitment at such time plus (ii) the principal amount of such Bank's Term Loan, (b) thereafter, the principal amount of such Bank's Term Loan at such time, provided that in the case of Section 2.17 when a Defaulting Bank shall exist, "Applicable Percentage" shall mean the percentage of the total principal amount of the Term Loan (and undrawn Commitments, if any) (disregarding the principal amount of any Defaulting Bank's portion of the Term Loan and undrawn Commitment) represented by such Bank's portion of the principal amount of the Term Loans (and undrawn Commitments, if any).

"Assignee" has the meaning set forth in Section 10.06(c).

"Assignment and Assumption" means an assignment and assumption entered into by a Bank and an Assignee (with the consent of any party whose consent is required by Section 10.06), and accepted by the Administrative Agent, in the form of Exhibit B or any other form approved by the Administrative Agent.

"Availability Effective Date" means the initial date the conditions set forth in Section 3.01 are satisfied.

"Availability Period" means the period from and including the Availability Effective Date to earlier of (x) the Availability Termination Date (including such date) and (y) termination of the Commitments pursuant to Section 2.11, Section 6.01 or otherwise (excluding such date (unless such termination is as of a result of the Availability Termination Date)).

"Availability Termination Date" means the earlier to occur of (i) August 15, 2017 and (ii) the Spin-Off Effective Date.

"Bail-In Action" means the exercise of any Write-Down and Conversion Powers by the applicable EEA Resolution Authority in respect of any liability of an EEA Financial Institution.

"Bail-In Legislation" means, with respect to any EEA Member Country implementing Article 55 of Directive 2014/59/EU of the European Parliament and of the Council of the European Union, the implementing law for such EEA Member Country from time to time which is described in the EU Bail-In Legislation Schedule.

"Bank" means each Person listed under the caption "BANKS" on the signature pages hereof, and each other Person that shall become a party hereto as a Bank pursuant to this Agreement (other than any such Person that ceases to be a Bank by means of assignment pursuant to this Agreement), together with its successors.

"Bankruptcy Event" means, with respect to any Person, such Person becomes the subject of a bankruptcy or insolvency proceeding, or has had a receiver, conservator, trustee, administrator, custodian, assignee for the benefit of creditors or similar Person charged with the reorganization or liquidation of its business appointed for it, or, in the good faith determination of the Administrative Agent, has taken any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any such proceeding or appointment, provided that a Bankruptcy Event shall not result solely by virtue of any ownership interest, or the acquisition of any ownership interest, in such Person by a governmental body, agency or official or instrumentality thereof, provided, further, that such ownership interest does not result in or provide such Person with immunity from the jurisdiction of courts within the United States or from the enforcement of judgments or writs of attachment on its assets or permit such Person (or such governmental body, agency or official or instrumentality) to reject, repudiate, disavow or disaffirm any contracts or agreements made by such Person.

"Base Rate" means, for any day, a rate per annum equal to the greatest of (a) the Prime Rate in effect on such day, (b) the NYFRB Rate in effect on such day plus 1/2 of 1% and (c) the LIBO Rate for a one month Interest Period (the "Relevant LIBO Rate") on such day (or if such day is not a Euro-Dollar Business Day, the immediately preceding Euro-Dollar Business Day) plus 1%, provided that for the purpose of this definition, the LIBO Rate for any day shall be based on the LIBO Screen Rate (or if the LIBO Screen Rate is not available for such one month Interest Period, the Interpolated Rate) at approximately 11:00 a.m. London time on such day, provided further that if the Base Rate shall be less than zero, such rate shall be deemed to zero for the purposes of this Agreement. Any change in the Base Rate due to a change in the Prime Rate, the NYFRB Rate or the Relevant LIBO Rate shall be effective from and including the effective date of such change in the Prime Rate, the NYFRB Rate or the Relevant LIBO Rate, respectively.

"Base Rate Term Loan" means the portion of the Term Loan that bears interest by reference to the Base Rate in accordance with the applicable Notice of Borrowing, Article VIII or as otherwise set forth herein.

"Benefit Arrangement" means at any time an employee benefit plan within the meaning of Section 3(3) of ERISA which is not a Plan or a Multiemployer Plan and which is maintained or otherwise contributed to by any member of the ERISA Group.

"Brighthouse Reinsurance" means Brighthouse Reinsurance Company of Delaware, a Delaware corporation.

"Borrowing" has the meaning set forth in Section 1.03.

"Capital Stock" means any and all shares, interests, participations or other equivalents (however designated) of capital stock of a corporation, any and all equivalent ownership interests in a Person (other than a corporation), including partnership interests and membership interests, and any and all warrants, rights or options to purchase or other arrangements or rights to acquire any of the foregoing.

"Change of Control" means any event or series of events by which:

(i) prior to the Spin-Off Effective Date, any person or group of persons (within the meaning of Section 13 or 14 of the Securities Exchange Act of 1934, as amended) shall have acquired beneficial ownership (within the meaning of Rule 13d-3 promulgated by the SEC under said Act) of 35% or more of the outstanding shares of common stock of MetLife, or

(ii) from and after the Spin-Off Effective Date, any person or group of persons (within the meaning of Section 13 or 14 of the Securities Exchange Act of 1934, as amended) shall have acquired beneficial ownership (within the meaning of Rule 13d-3 promulgated by the SEC under said Act) of 25% or more of the outstanding shares of common stock of the Company;

provided that, for the avoidance of doubt, the consummation of the Spin-Off Transaction and the "distribution" of common stock of the Company to the shareholders of MetLife on the "distribution date" (as such terms are defined in the Specified Form 10) shall not be deemed to be a Change of Control.

"Code" means the Internal Revenue Code of 1986, as amended, or any successor statute.

"Commitment" means, with respect to any Bank, its obligation to make the Term Loan to the Company pursuant to Section 2.04 in an aggregate principal amount over all installments thereof not to the exceed the amount set forth opposite such Bank's name on Schedule I hereto (reflecting the Commitments on the date hereof) or in the Assignment and Assumption or other instrument executed and delivered hereunder pursuant to which such Bank becomes a party hereto, as applicable, as such amount may be reduced from time to time pursuant to this Agreement, including, without limitation, reductions pursuant to Section 2.04 and 2.11(c). The aggregate amount of the Banks' Commitments is $3,000,000,000 as of the date hereof. The Commitments of the Banks are several and not joint and no Bank shall be responsible for any other Bank's failure to make the Term Loan hereunder.

“Company” means Brighthouse Financial, Inc., a Delaware corporation, and its successors.

“Consolidated Subsidiary” means, at any date, any Subsidiary or other entity the accounts of which would be consolidated with those of the Company in its consolidated financial statements if such statements were prepared as of such date, and for the avoidance of doubt, prior to the Spin-Off Effective Date, including any corporation or other entity that the Company is anticipated to own on the Spin-Off Effective Date and the accounts of which are anticipated to be consolidated with the Company from and after the Spin-Off Effective Date and that is included in the combined financial statements of the Company and its related companies in the Specified Form 10.

“Consolidated Total Capitalization” means, at any date, for the Company and its Consolidated Subsidiaries, the sum of, without duplication, (i) Consolidated Total Indebtedness plus (ii) Adjusted Consolidated Net Worth.

“Consolidated Total Indebtedness” means, at any date, for the Company and its Consolidated Subsidiaries, the sum of, without duplication, (i) the aggregate amount of all Non-Operating Indebtedness plus (ii) the aggregate amount of all Hybrid Instruments of such Person to the extent such amount would not be included in the determination of Adjusted Consolidated Net Worth.

“Credit Documents” means (a) this Agreement, (b) the Notes, (c) the Intermediate Co. Guaranty, and (d) the Fee Letters.

“Credit Party” means the Administrative Agent or any Bank.

“Debt” of any Person means, at any date, without duplication, (a) all obligations of such Person for borrowed money, (b) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments, (c) all obligations of such Person to pay the deferred purchase price of property or services, except trade accounts payable arising in the ordinary course of business, (d) all obligations of such Person as lessee under capital leases, (e) all non-contingent obligations of such Person to reimburse any bank or other Person in respect of amounts paid under a letter of credit, banker’s acceptance or similar instrument, (f) all Debt of others secured by a Lien on any asset of such Person, whether or not such Debt is assumed by such Person, (g) all Debt of others Guaranteed by such Person, and (h) all obligations of such Person in respect of Disqualified Capital Stock (and, for the avoidance of doubt, Debt shall include Hybrid Instruments); provided that the definition of “Debt” does not include any obligations of such Person (x) under repurchase or reverse repurchase agreements to repurchase or resell (as applicable) securities (or other property) which arise out of or in connection with the sale of the same or substantially similar securities (or other property) or (y) to return collateral pledged in respect of or in connection with the loan of such securities.

“Default” means any condition or event which constitutes an Event of Default or which with the giving of notice or lapse of time or both would, unless cured or waived, become an Event of Default.

"Defaulting Bank" means any Bank that (a) has failed, within two Business Days of the date required to be funded or paid, to (i) fund any portion of its Term Loans or (ii) pay over to any Credit Party any other amount required to be paid by it hereunder, unless, in the case of clause (i) above, such Bank notifies the Administrative Agent in writing that such failure is the result of such Bank's good faith determination that a condition precedent to funding (specifically identified and including the particular default, if any) has not been satisfied, (b) has notified the Company or any Credit Party in writing, or has made a public statement to the effect, that it does not intend or expect to comply with any of its funding obligations under this Agreement (unless such writing or public statement indicates that such position is based on such Bank's good faith determination that a condition precedent (specifically identified and including the particular default, if any) to funding a loan under this Agreement cannot be satisfied) or generally under other agreements in which it commits to extend credit, (c) has failed, within three Business Days after request by the Administrative Agent, acting in good faith, to provide a certification in writing from an authorized officer of such Bank that it will comply with its obligations (and is financially able to meet such obligations) to fund prospective Term Loans under this Agreement, provided that such Bank shall cease to be a Defaulting Bank pursuant to this clause (c) upon receipt by the Administrative Agent of such certification in form and substance satisfactory to the Administrative Agent, or (d) has become the subject of (A) a Bankruptcy Event or (B) a Bail-In Action.

"Derivative Financial Products" of any Person means all obligations (including whether pursuant to any master agreement or any particular agreement or transaction) of such Person in respect of any rate swap transaction, basis swap, forward rate transaction, interest rate future, commodity swap, commodity option, equity or equity index swap, equity or equity index option, bond option, interest rate option, foreign exchange transaction, cap transaction, floor transaction, collar transaction, currency swap transaction, cross-currency rate swap transaction, currency future, currency option or any other similar transaction (including any option with respect to any of the foregoing) or any combination thereof.

"Disqualified Capital Stock" means that portion of any Capital Stock (other than Capital Stock that is solely redeemable, or at the election of the issuer thereof (not subject to any condition), may be redeemed, with Capital Stock that is not Disqualified Capital Stock) which, by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable at the option of the holder thereof), or upon the happening of any event, matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or is redeemable at the sole option of the holder thereof, on or prior to 180 days after the first anniversary of the Termination Date.

"Dollars" and the sign "$" means lawful money in the United States of America.

"Domestic Business Day" means any day except a Saturday, Sunday or other day on which commercial banks in New York City are authorized by law to close.

"EEA Financial Institution" means (a) any institution established in any EEA Member Country which is subject to the supervision of an EEA Resolution Authority, (b) any entity established in an EEA Member Country which is a parent of an institution described in clause (a) of this definition, or (c) any institution established in an EEA Member Country which is a subsidiary of an institution described in clauses (a) or (b) of this definition and is subject to consolidated supervision with its parent;

"EEA Member Country" means any of the member states of the European Union, Iceland, Liechtenstein, and Norway.

"EEA Resolution Authority" means any public administrative authority or any Person entrusted with public administrative authority of any EEA Member Country (including any delegee) having responsibility for the resolution of any EEA Financial Institution.

"Effective Date" means the date this Agreement becomes effective in accordance with Section 3.02.

"Environmental Laws" means any and all federal, state, local and foreign statutes, laws, regulations, ordinances, rules, judgments, orders, decrees, permits, concessions, grants, franchises, licenses, agreements or other governmental restrictions relating to the environment or to emissions, discharges or releases of pollutants, contaminants, petroleum or petroleum products, chemicals or industrial, toxic or hazardous substances or wastes into the environment including, without limitation, ambient air, surface water, ground water or land, or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of pollutants, contaminants, petroleum or petroleum products, chemicals or industrial, toxic or hazardous substances or wastes or the clean-up or other remediation thereof.

"Equity Issuance" means, with respect to any Person, (a) any issuance or sale by such Person of (i) any Capital Stock, (ii) any warrants or options exercisable in respect of Capital Stock (other than any warrants or options issued to directors, officers or employees of such Person in their capacity as such and any Capital Stock issued upon the exercise thereof) or (iii) any other security or instrument representing Capital Stock (or the right to obtain any Capital Stock) in such Person or (b) the receipt by such Person of any contribution to its capital (whether or not evidenced by any equity security) by any other Person; provided that Equity Issuance shall not include, with respect to any Subsidiary of the Company, any such issuance or sale by such Subsidiary to the Company or another Subsidiary or any capital contribution by the Company or another Subsidiary to such Subsidiary.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended, or any successor statute.

"ERISA Group" means the Company and all members of a controlled group of corporations and all trades or businesses (whether or not incorporated) under common control which, together with the Company, are treated as a single employer under Section 414(b) or 414(c) of the Code.

"EU Bail-In Legislation Schedule" means the EU Bail-In Legislation Schedule published by the Loan Market Association (or any successor Person), as in effect from time to time.

"Euro-Dollar Business Day" means any Domestic Business Day on which commercial banks are open for international business (including dealings in Dollar deposits) in London.

“Euro-Dollar Term Loan” means the portion of the Term Loan that bears interest by reference to the LIBO Rate (other than the LIBO Rate component of the Base Rate) in accordance with the applicable Notice of Borrowing or as otherwise set forth herein.

“Euro-Dollar Reserve Percentage” means, for any day, that percentage (expressed as a decimal) which is in effect on such day, as prescribed by the Board of Governors of the Federal Reserve System (or any successor) for determining the maximum reserve requirement for a member bank of the Federal Reserve System in New York City with deposits exceeding five billion dollars in respect of “Eurocurrency liabilities” (or in respect of any other category of liabilities which includes deposits by reference to which the interest rate on Euro-Dollar Term Loans is determined or any category of extensions of credit or other assets which includes loans by a non-United States office of any Bank to United States residents).

“Event of Default” has the meaning set forth in Section 6.01.

“Federal Funds Rate” means, for any day, the rate calculated by the NYFRB based on such day’s federal funds transactions by depositary institutions (or on any such day that is not a Domestic Business Day, on the immediately preceding Domestic Business Day), as determined in such manner as the NYFRB shall set forth on its public website from time to time, and published on the next succeeding Domestic Business Day by the NYFRB as the federal funds effective rate.

“Fee Letters” means, collectively, (i) those certain letter agreements, dated November 9, 2016, between the Company and each of the Active Joint Lead Arrangers and/or their affiliates and (ii) that certain letter agreement, dated November 9, 2016, among the Company and the Active Joint Lead Arrangers and/or their affiliates, in each case, as amended and in effect from time to time.

“Financial Officer” means the chief financial officer, principal accounting officer, treasurer, assistant treasurer, or other senior financial officer of the Company, in each case, to the extent duly authorized to deliver certifications hereunder.

“Guarantee” by any Person means any obligation, contingent or otherwise, of such Person directly or indirectly guaranteeing any Debt of any other Person and, without limiting the generality of the foregoing, any obligation, direct or indirect, contingent or otherwise, of such Person (i) to purchase or pay (or advance or supply funds for the purchase or payment of) such Debt (whether arising by virtue of partnership arrangements, by agreement to keep-well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement conditions or otherwise) or (ii) entered into for the purpose of assuring in any other manner the obligee of such Debt of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part), provided that the term “Guarantee” shall not include endorsements for collection or deposit in the ordinary course of business. The term “Guarantee” used as a verb has a corresponding meaning.

“Guarantor” means the Intermediate Co. during the Guaranty Period.

“Guaranty Period” means the period from and including the date on which the Guarantor shall have executed and delivered the Intermediate Co. Guaranty (which shall, for the avoidance of doubt, be prior to the borrowing of the initial installment of the Term Loan, unless the condition set forth in Section 3.01(e)(i) shall have been satisfied) through and including the date such Intermediate Co. Guaranty is released (a) by the Administrative Agent pursuant to Section 7.12 hereof or (b) with the consent of the Banks pursuant to Section 10.05(vi).

"Hybrid Instruments" means Securities (as defined below) that are given at least some equity credit by S&P or Moody's (and as to which, in the case of any Hybrid Instrument issued after the Effective Date, the Company shall have provided evidence of such equity credit to the Administrative Agent), provided that the term "Hybrid Instruments" shall exclude any Securities to the extent recorded in the shareholder's equity section of the combined or consolidated balance sheet of the Company and its Consolidated Subsidiaries most recently filed with the SEC. As used herein "Securities" means any stock, share, partnership interest, membership interest in a limited liability company, voting trust certificate, certificate of interest or participation in any profit-sharing agreement or arrangement, option, warrant, bond, debenture, note, or other evidence of indebtedness, secured or unsecured, convertible, subordinated or otherwise, or in general any instruments commonly known as "securities" or any certificates of interest, shares or participations in temporary or interim certificates for the purchase or acquisition of, or any right to subscribe to, purchase or acquire, any of the foregoing.

"Hybrid Instrument Amount" means, with respect to any Hybrid Instruments, the principal amount (which principal amount may be a portion of the aggregate principal amount) of such Hybrid Instrument that is accorded equity credit treatment by S&P and/or Moody's at the time of issuance thereof; provided that, (i) in the case such Hybrid Instruments are given equity credit by both S&P and Moody's, the higher of the two amounts shall apply, (ii) the equity credit treatment given by S&P and Moody's to any Hybrid Instrument at the time of issuance shall be deemed to apply to such Hybrid Instrument to the extent such Hybrid Instrument remains outstanding, irrespective of any change in the equity credit treatment given by either such rating agency to such Hybrid Instrument at any time after the date of issuance (it being agreed, for avoidance of doubt, that any change in the amount or percentage of the equity credit given to such Hybrid Instrument that is contemplated in the equity credit treatment given to such Hybrid Instrument as of the date of issuance (including, without limitation, any such change resulting from the life to maturity of such Hybrid Instrument or the amount of all such Hybrid Instruments as a percentage of total adjusted capital (as determined by S&P or Moody's)) shall continue to be given effect after the date of issuance in determining the Hybrid Instrument Amount) and (iii) the Hybrid Instrument Amount that is included in the determination of Adjusted Consolidated Net Worth shall not, at any time, exceed 15% of Consolidated Total Capitalization.

"Impacted Interest Period" has the meaning set forth in Section 2.09(b).

"Index Debt" means senior, unsecured, long-term indebtedness for borrowed money of the Company that is not guaranteed by any other Person or subject to any other credit enhancement.

"Insurance Subsidiary" means any Subsidiary which is subject to the regulation of, and is required to file statements with, any governmental body, agency or official in any State or territory of the United States or the District of Columbia which regulates insurance companies or the doing of an insurance business therein, including, without limitation, Brighthouse Reinsurance.

"Interest Election Request" means a request by the Company to convert or continue a Borrowing in accordance with Section 2.05(b).

"Interest Period" means, with respect to each Euro-Dollar Borrowing, the period commencing on the date of such Borrowing and ending one, two, three or six months (or, if available, nine or twelve months with the consent of all of the Banks) thereafter, as the Company may elect in the applicable Notice of Borrowing or Interest Election Request; provided that:

(a) any Interest Period which would otherwise end on a day which is not a Euro-Dollar Business Day shall be extended to the next succeeding Euro-Dollar Business Day unless such Euro-Dollar Business Day falls in another calendar month, in which case such Interest Period shall end on the next preceding Euro-Dollar Business Day;

(b) any Interest Period which begins on the last Euro-Dollar Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall end on the last Euro-Dollar Business Day of a calendar month; and

(c) any Interest Period which begins before the Termination Date and would otherwise end after the Termination Date shall end on the Termination Date.

For purposes hereof, the date of a Borrowing initially shall be the date on which such Borrowing is made and thereafter shall be the effective date of the most recent conversion or continuation of such Borrowing.

"Intermediate Co." means Brighthouse Holdings, LLC, a Delaware limited liability company.

"Intermediate Co. Guaranty" means a Guarantee by Intermediate Co. of the Obligations in the form of Exhibit C or otherwise in form and substance satisfactory to the Administrative Agent.

"Interpolated Rate" means, at any time, for any Interest Period, the rate per annum (rounded to the same number of decimal places as the LIBO Screen Rate) determined by the Administrative Agent (which determination shall be conclusive and binding absent manifest error) to be equal to the rate that results from interpolating on a linear basis between: (a) the LIBO Screen Rate for the longest period for which the LIBO Screen Rate is available for Dollars that is shorter than the Impacted Interest Period; and (b) the LIBO Screen Rate for the shortest period (for which that LIBO Screen Rate is available for Dollars) that exceeds the Impacted Interest Period, in each case, at such time.

"JPMorgan" means JPMorgan Chase Bank, N.A.

"LIBO Rate" has the meaning set forth in Section 2.09(b).

"LIBO Screen Rate" has the meaning set forth in Section 2.09(b).

"Lien" means, with respect to any asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such asset. For the purposes of this Agreement, the Company or any Subsidiary shall be deemed to own subject to a Lien any asset which it has acquired or beneficially holds subject to the interest of a vendor or lessor under any conditional sale agreement, capital lease or other title retention agreement relating to such asset.

"Material Adverse Effect" means a material adverse effect on (a) business, assets, property or financial condition of the Company and its Consolidated Subsidiaries, taken as a whole or (b) the validity or enforceability of any of the Credit Documents or the material rights and remedies of the Banks under the Credit Documents.

"Material Subsidiary" means (a) Intermediate Co., (b) Brighthouse Reinsurance, (c) any other Subsidiary that has total assets (including, without limitation, Capital Stock of its Subsidiaries) in excess of 10% of the total assets of the Company and its Consolidated Subsidiaries (based upon and as of the date of the filing of the most recent combined or consolidated balance sheet of the Company furnished pursuant to Section 4.04 or 5.01), and (d) any Subsidiary formed or organized after the Effective Date that owns, directly or indirectly, greater than 10% of the Capital Stock of any other Material Subsidiary. In the event that the aggregate total assets of the Material Subsidiaries represents less than 80% of the consolidated total assets of the Company and its Consolidated Subsidiaries (as reported on the Company's most recent combined or consolidated balance sheet furnished pursuant to Section 4.04 or 5.01), the Company shall promptly designate an additional Subsidiary or Subsidiaries as Material Subsidiaries in order that, after such designation, the aggregate total assets of the Material Subsidiaries represent at least 80% of the consolidated total assets of the Company and its Consolidated Subsidiaries (as reported on the Company's most recent combined or consolidated balance sheet furnished pursuant to Section 4.04 or 5.01).

"MetLife" means MetLife, Inc., a Delaware corporation.

"MLPFS" means Merrill Lynch, Pierce, Fenner & Smith Incorporated (or any other registered broker-dealer wholly-owned by Bank of America Corporation to which all or substantially all of Bank of America Corporation's or any of its subsidiaries' investment banking, commercial lending services or related businesses may be transferred following the Effective Date.

"Moody's" means Moody's Investors Service, Inc.

"Multiemployer Plan" means at any time an employee pension benefit plan within the meaning of Section 4001(a)(3) of ERISA to which any member of the ERISA Group is then making or accruing an obligation to make contributions or has within the preceding five plan years made contributions, including for these purposes any Person which ceased to be a member of the ERISA Group during such five-year period.

"NAIC" means the National Association of Insurance Commissioners and any successor thereto.

"Net Proceeds" means, with respect to any Equity Issuance, the aggregate cash proceeds received in respect of such Equity Issuance, net of all reasonable fees and out-of-pocket expenses paid to third parties (other than Affiliates of the Company) in connection therewith; provided that Net Proceeds of any Equity Issuance shall not include any proceeds received in respect of the exercise of stock options held by officers, directors, employees, or consultants of the Company or any of its Subsidiaries.

"Non-Consenting Bank" means any Bank that does not approve any consent, waiver or amendment that (a) requires the approval of each Bank or each affected Banks in accordance with the terms of Section 10.05 and (b) has been approved by the Required Banks.

"Non-Defaulting Banks" means any Bank that is not a Defaulting Bank.

"Non-Operating Indebtedness" of any Person means, at any date, all Debt (other than Operating Indebtedness) of such Person.

"Notes" means a promissory note or notes of the Company, substantially in the form of Exhibit A hereto, evidencing the obligation of the Company to repay the Term Loan made to it hereunder, and "Note" means any one of such promissory notes issued hereunder.

"Notice of Borrowing" has the meaning set forth in Section 2.05(a).

"NYFRB" means the Federal Reserve Bank of New York.

"NYFRB Rate" means, for any day, the greater of (a) the Federal Funds Rate in effect on such day and (b) the Overnight Bank Funding Rate in effect on such day (or for any day that is not a Domestic Business Day, for the immediately preceding Domestic Business Day); provided that if none of such rates are published for any day that is a Domestic Business Day, the term "NYFRB Rate" means the rate for a federal funds transaction quoted at 11:00 a.m. on such day received to the Administrative Agent from a Federal funds broker of recognized standing selected by it; provided, further, that if any of the aforesaid rates shall be less than zero, such rate shall be deemed to be zero for purposes of this Agreement.

"Obligations" means all advances to, and debts, liabilities, obligations, covenants and duties of the Company and the Guarantor arising under any Credit Document or otherwise with respect to the Term Loan, whether direct or indirect (including those acquired by assumption), absolute or contingent, due or to become due, now existing or hereafter arising and including interest and fees that accrue after the commencement by or against the Company, Guarantor or any Affiliate thereof of any proceeding under any bankruptcy, insolvency or similar laws affecting creditors' rights generally naming such Person as the debtor in such proceeding, regardless of whether such interest and fees are allowed claims in such proceeding

"Operating Indebtedness" of any Person means, at any date, without duplication, any Debt of such Person (a) in respect of or supporting (including any Guarantee of Debt in respect thereof) AXXX, XXX and other similar life reserve requirements, (b) incurred in connection with repurchase agreements and securities lending, (c) to the extent the proceeds of which are used directly or indirectly (including for the purpose of funding portfolios that are used to fund trusts in order) to support AXXX, XXX and other similar life reserves, (d) to the extent the proceeds of which are used to fund discrete customer-related assets or pools of assets (and related hedge instruments and capital) that are at least notionally segregated from other assets and have sufficient cash flow to pay principal and interest thereof, with insignificant risk of other assets of the Company and its Subsidiaries being called upon to make such principal and interest payments or (e) excluded entirely from financial leverage by both S&P and Moody's in their evaluation of such Person.

"Overnight Bank Funding Rate" means, for any day, the rate comprised of both overnight federal funds and overnight Eurodollar borrowings by United Sates-managed banking offices of depository institutions, as such composite rate shall be determined by the NYFRB as set forth on its public website from time to time, and published on the next succeeding Domestic Business Day by the NYFRB as an overnight bank funding rate (from and after such date as the NYFRB shall commence to publish such composite rate).

"Parent" means, with respect to any Bank, any Person as to which such Bank is, directly or indirectly, a subsidiary.

"Participant" has the meaning set forth in Section 10.06(b).

"Participant Register" has the meaning set forth in Section 10.06(b).

"Patriot Act" has the meaning set forth in Section 4.17.

"Payment Account" means an account designated by the Administrative Agent in a notice to the Company and the Banks to which payments hereunder are to be made.

"PBGC" means the Pension Benefit Guaranty Corporation or any entity succeeding to any or all of its functions under ERISA.

"Person" means an individual, a corporation, a partnership, an association, a trust or any other entity or organization, including a government or political subdivision or an agency or instrumentality thereof.

"Plan" means at any time an employee pension benefit plan (other than a Multiemployer Plan) which is covered by Title IV of ERISA or subject to the minimum funding standards under Section 412 of the Code and either (i) is maintained, or contributed to, by any member of the ERISA Group for employees of any member of the ERISA Group or (ii) has at any time within the preceding five years been maintained, or contributed to, by any Person which was at such time a member of the ERISA Group for employees of any Person which was at such time a member of the ERISA Group.

"Prime Rate" means the rate of interest publicly announced from time to time by JPMorgan as its prime rate as in effect at its principal office in New York City; each change in the Prime Rate shall be effective from and including the date such change is publicly announced as being effective.

"Quarterly Dates" means the last day of March, June, September and December in each year, the first of which shall be the first such day after the date hereof.

"Register" has the meaning set forth in Section 2.07(b).

"Regulation S-X" means Regulation S-X promulgated under the Securities Act of 1933, as amended from time to time, and as interpreted by the SEC.

"Regulations T, U and X" means Regulations T, U and X, respectively, of the Board of Governors of the Federal Reserve System, in each case as in effect from time to time.

"Related Parties" means, with respect to any specified Person, such Person's Affiliates and the respective directors, officers, employees, agents and advisors of such Person and such Person's Affiliates.

"Required Banks" means, as of any date of determination, Banks holding more than 50% of the Term Loan Facility at such time; provided that, the portion of the Term Loan Facility held by any Defaulting Bank shall be excluded for the purposes of making a determination of Required Banks.

"Restructuring Effective Date" means the date the Restructuring Transaction is consummated, in a manner reasonably satisfactory to the Administrative Agent and the Active Joint Lead Arrangers.

"Restructuring Transaction" means the corporate restructuring described in the Specified Form 10, pursuant to which, among other things, (i) the Company shall own all of the voting Capital Stock of Intermediate Co., (ii) Intermediate Co. shall own, directly or indirectly, all of the Capital Stock of MetLife Insurance Company USA, Brighthouse Securities, LLC, Brighthouse Services, LLC, MetLife Advisors, LLC, First MetLife Investors Insurance Company, New England Life Insurance Company and each other Insurance Subsidiary to be acquired by the Company and Intermediate Co. and (iii) the ownership structure of the Company and its Subsidiaries shall be as set forth on Schedule VI.

"Revolving Credit Agreement" means that certain Revolving Credit Agreement, by and among the Company, the Administrative Agent and the banks from time to time party thereto.

"Sanctions" has the meaning set forth in Section 4.17.

"Sanctions Laws" has the meaning set forth in Section 4.17.

"S&P" means Standard and Poor's Ratings Services.

"SEC" means Securities and Exchange Commission or any governmental body, agency or official succeeding to its principal functions.

"Specified Form 10" means that certain Form 10, filed by the Company with the Securities and Exchange Commission on October 5, 2016, as may be amended in a manner not adverse to the Administrative Agent and the Banks or otherwise with the consent of the Active Joint Lead Arrangers.

"Spin-Off Effective Date" means the date the Spin-Off Transaction is consummated, in a manner reasonably satisfactory to the Administrative Agent and the Active Joint Lead Arrangers.

"Spin-Off Transaction" means the distribution and separation transaction described in the Specified Form 10, pursuant to which, among other things, (i) MetLife will not own more than 19.9% of the Company's Capital Stock, (ii) the Restructuring Transaction shall have been consummated and (iii) the ownership structure of the Company and its Subsidiaries after giving effect to the Spin-Off Transaction shall be as set forth on Schedule VII.

"Statutory Statement" means a statement of the condition and affairs of an Insurance Subsidiary, prepared in accordance with accounting procedures and practices prescribed or permitted by an applicable insurance regulatory authority or the NAIC, as modified in accordance with permitted practices approved by an applicable insurance regulatory authority, and filed with an applicable insurance regulatory authority or the NAIC.

"Subsidiary" means any corporation or other entity of which securities or other ownership interests having ordinary voting power to elect a majority of the board of directors or other persons performing similar functions are at the time directly or indirectly owned by the Company, and, prior to the Spin-Off Effective Date, any corporation or other entity that the Company is anticipated to own on the Spin-Off Effective Date and that is included in the combined financial statements of Company and its related companies in the Specified Form 10.

"Term Loan" and "Term Loans" means the term loan made by each Bank to the Company pursuant to Section 2.04, which may be made in multiple installments as more particularly set forth in such Section 2.04 (or, if context so requires, the aggregate term loan made by all of the Banks).

"Term Loan Facility" means, at any time, (a) at any time during the Availability Period, the sum of (i) the aggregate amount of Commitments at such time and (ii) the aggregate outstanding principal amount of the Term Loans of all Banks at such time and (b) thereafter, the aggregate outstanding principal amount of the Term Loans of all Banks at such time.

"Termination Date" means the earlier to occur of (i) December 2, 2019 or, if such day is not a Euro-Dollar Business Day, the next preceding Euro-Dollar Business Day or (ii) if the Spin-Off Transaction has not occurred on or prior to such date, August 15, 2017.

"Type", when used in reference to any Borrowing, refers to whether the Borrowing is of a Base Rate Term Loan or a Euro-Dollar Term Loan.

"Write-Down and Conversion Powers" means, with respect to any EEA Resolution Authority, the write-down and conversion powers of such EEA Resolution Authority from time to time under the Bail-In Legislation for the applicable EEA Member Country, which write-down and conversion powers are described in the EU Bail-In Legislation Schedule.

SECTION 1.02 Accounting Terms and Determinations.

(a) All accounting terms not specifically or completely defined herein shall be construed in conformity with, and all financial data required to be submitted pursuant to this

Agreement shall be prepared in conformity with, GAAP, as in effect from time to time, applied in a manner consistent with that used in preparing the audited financial statements or statutory statements, as of the Effective Date, except as otherwise specifically prescribed herein.

(b) If at any time any change in GAAP would affect the computation of any requirement set forth in any Credit Document, and either the Borrowers or the Required Banks shall so request, the Administrative Agent, the Banks and the Company shall negotiate in good faith to amend such requirement to preserve the original intent thereof in light of such change in GAAP (subject to the approval of the Required Banks); provided that, until so amended, (i) such requirement shall continue to be computed in accordance with GAAP as in effect prior to such change therein and (ii) the Company shall provide to the Administrative Agent and the Banks financial statements and other documents required under this Agreement or as reasonably requested hereunder setting forth a reconciliation between calculations of such requirement made before and after giving effect to such change in GAAP.

SECTION 1.03 Types of Borrowings. The term "Borrowing" denotes the Term Loan or portion thereof that is made to the Company pursuant to Section 2.04, or converted or continued pursuant to Section 2.05(b), on a single date and for a single Interest Period. Borrowings are classified for purposes of this Agreement by reference to the pricing of the portion of the Term Loan comprising such Borrowing (e.g., a "Euro-Dollar Borrowing" is a Borrowing comprised of Euro-Dollar Term Loans).

ARTICLE II

THE CREDITS

SECTION 2.01 [Reserved].

SECTION 2.02 [Reserved].

SECTION 2.03 [Reserved].

SECTION 2.04 Term Loan. At any time and from time to time during the Availability Period each Bank severally agrees, on the terms and conditions set forth in this Agreement, to make a Term Loan in up to ten installments in Dollars to the Company pursuant to this Section in an aggregate principal amount not to exceed such Bank's Commitment, which Commitment shall be permanently and irrevocably reduced on a dollar for dollar basis in an amount equal to the principal amount of each installment of the Term Loan made under this Agreement by such Bank on the date such installment is made. Each Borrowing shall be in an aggregate principal amount of $25,000,000 or any larger multiple of $1,000,000 and shall be made from the several Banks ratably in proportion to their respective Commitments. Once prepaid or repaid, the Term Loan under this Agreement may not be reborrowed.

SECTION 2.05 Notice of Borrowings; Interest Elections.

(a) With respect to each borrowing of an installment of the Term Loan, the Company shall give the Administrative Agent notice (a "Notice of Borrowing") not later than 11:00 a.m. (New York City time) on (x) the date of each Base Rate Borrowing by the Company and (y) the third Euro-Dollar Business Day before each Euro-Dollar Borrowing by the Company, specifying:

(i) the date of such Borrowing, which shall be a Domestic Business Day in the case of a Base Rate Borrowing or a Euro-Dollar Business Day in the case of a Euro-Dollar Borrowing,

(ii) the aggregate amount (in Dollars) of such Borrowing,

(iii) whether the Term Loans comprising such Borrowing are to be Base Rate Term Loans or Euro-Dollar Term Loans, and

(iv) in the case of a Euro-Dollar Borrowing, the duration of the Interest Period applicable thereto, subject to the provisions of the definition of Interest Period;

and certifying that all other conditions in Section 3.01(b) through (f) have been satisfied on or prior to the date of such Borrowing.

(b) Interest Elections. Each Borrowing initially shall be of the Type specified in the applicable Notice of Borrowing and, in the case of a Euro-Dollar Borrowing, shall have an initial Interest Period as specified in such Notice of Borrowing. Thereafter, the Company may elect to convert such Borrowing to a different Type or to continue such Borrowing and, in the case of a Euro-Dollar Borrowing, may elect Interest Periods therefor, all as provided in this subsection (b). The Company may elect different options with respect to different portions of the affected Borrowing, in which case each such portion shall be allocated ratably among the Banks holding the Term Loans comprising such Borrowing, and the Term Loans comprising each such portion shall be considered a separate Borrowing. To make an election pursuant to this Section, the Company shall notify the Administrative Agent of such election by telephone by the time that a Notice of Borrowing would be required under Section 2.05(a) if the Company were requesting a Borrowing of the Type resulting from such election to be made on the effective date of such election. Each such telephonic Interest Election Request shall be irrevocable and shall be confirmed promptly by hand delivery or telecopy to the Administrative Agent of a written Interest Election Request in a form approved by the Administrative Agent and signed by the Company. Each telephonic and written Interest Election Request shall specify the following information in compliance with Section 2.04:

(i) the Borrowing to which such Interest Election Request applies and, if different options are being elected with respect to different portions thereof, the portions thereof to be allocated to each resulting Borrowing (in which case the information to be specified pursuant to clauses (iii) and (iv) below shall be specified for each resulting Borrowing);

(ii) the effective date of the election made pursuant to such Interest Election Request, which shall be a Business Day;

(iii) whether the resulting Borrowing is to be a Base Rate Borrowing or a Euro-Dollar Borrowing; and

(iv) if the resulting Borrowing is a Euro-Dollar Borrowing, the Interest Period to be applicable thereto after giving effect to such election, which shall be a period contemplated by the definition of the term “Interest Period”.

If any such Interest Election Request requests a Euro-Dollar Borrowing but does not specify an Interest Period, then the Company shall be deemed to have selected an Interest Period of one month's duration. Promptly following receipt of an Interest Election Request, the Administrative Agent shall advise each Bank of the details thereof and of such Bank's portion of each resulting Borrowing. If the Company fails to deliver a timely Interest Election Request with respect to a Euro-Dollar Revolving Borrowing prior to the end of the Interest Period applicable thereto, then, unless such Borrowing is repaid as provided herein, at the end of such Interest Period such Borrowing shall be converted to a Base Rate Borrowing. Notwithstanding any contrary provision hereof, if an Event of Default has occurred and is continuing and the Administrative Agent, at the request of the Required Banks, so notifies the Company, then, so long as an Event of Default is continuing (i) no outstanding Borrowing may be converted to or continued as a Euro-Dollar Borrowing and (ii) unless repaid, each Euro-Dollar Borrowing shall be converted to a Base Rate Borrowing at the end of the Interest Period applicable thereto.

SECTION 2.06 Funding of Term Loans.

(a) Upon receipt of a Notice of Borrowing, the Administrative Agent shall promptly notify each Bank of the contents thereof and of such Bank's share of such Borrowing and such Notice of Borrowing shall not thereafter be revocable by the Company.

(b) Not later than 12:00 noon (New York City time) (or 1:00 p.m. (New York City time) in the case of any Base Rate Borrowing) on the date of each Borrowing, each Bank participating therein shall (except as provided in subsection (c) of this Section) make available its share of such Borrowing, in Federal or other funds immediately available in New York City, to the Administrative Agent at its address specified in or pursuant to Section 10.01. Unless the Administrative Agent determines that any applicable condition specified in Article III has not been satisfied, the Administrative Agent will make the funds so received from the Banks available to the Company at the Administrative Agent's aforesaid address.

(c) [Reserved].

(d) Unless the Administrative Agent shall have received notice from a Bank prior to the time of any Borrowing that such Bank will not make available to the Administrative Agent such Bank's share of such Borrowing, the Administrative Agent may assume that such Bank has made such share available to the Administrative Agent on the date of such Borrowing in accordance with subsection (b) of this Section and the Administrative Agent may, in reliance upon such assumption, make available to the Company on such date a corresponding amount. If and to the extent that such Bank shall not have so made such share available to the Administrative Agent, such Bank and the Company severally agree to repay to the Administrative Agent forthwith on demand such corresponding amount together with interest thereon, for each day from the date such amount is made available to the Company until the date such amount is repaid to the Administrative Agent, at (i) in the case of the Company, a rate per annum equal to the higher of the Federal Funds Rate and the interest rate applicable thereto pursuant to Section 2.09 and (ii) in the case of such Bank, the higher of the Federal Funds Rate and a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation. If such Bank shall repay to the Administrative Agent such corresponding amount, such amount so repaid shall constitute such Bank's Term Loan included in such Borrowing for purposes of this Agreement.

SECTION 2.07 Evidence of Term Loans.

(a) Each Bank shall maintain in accordance with its usual practice records evidencing the indebtedness of the Company to such Bank resulting from each Term Loan made by such Bank, including the amounts of principal and interest payable and paid to such Bank from time to time hereunder, and setting forth the Commitments of the Banks.

(b) The Administrative Agent, acting solely for this purpose as an agent of the Company, shall maintain a copy of each Assignment and Assumption delivered to it and a register for the recordation of the names and addresses of the Banks and the Commitments of, and principal amounts (and stated interest) of the Term Loan owing to, each Bank from time to time (the "Register"). The entries in the Register shall be conclusive absent clear error, and the Company, the Administrative Agent and the Banks shall treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Bank hereunder for all purposes of this Agreement. The Register shall be available for inspection by the Company and any Bank at any reasonable time and from time to time upon reasonable prior notice.

(c) The failure of any Bank or the Administrative Agent to maintain such records required by this Section 2.07 or any error therein shall not in any manner affect the obligations of the Company to repay the Term Loan in accordance with the terms of this Agreement.

(d) Any Bank may request that the Term Loan of such Bank to the Company be evidenced by a single Note, in substantially the form of Exhibit A hereto with appropriate modifications to reflect the fact that it evidences the Term Loan of the relevant Type, payable by the Company to such Bank for the account of its Applicable Lending Office. In such event, the Company shall prepare, execute and deliver to such Bank a Note payable to such Bank (or, if requested by such Bank, to such Bank and its registered assigns). Thereafter, once recorded in and to the extent consistent with the information contained in the Register, the Term Loan evidenced by such Note and interest thereon shall at all times (including after assignment pursuant to Section 10.06) be represented by one or more Notes in such form payable to the payee named therein (or, to such payee and its registered assigns). For the Term Loan evidenced by a Note pursuant to this clause (d), any transfer of a Note must be recorded in the Register in order to be effective.

SECTION 2.08 Maturity of Term Loans. Each Term Loan shall mature, and the Company hereby unconditionally promises to pay the unpaid principal of each Term Loan (together with accrued interest thereon and all other amounts payable under this Agreement) on the Termination Date.

SECTION 2.09 Interest Rates of Term Loans.

(a) Each Base Rate Term Loan shall bear interest on the outstanding principal amount thereof, for each day from the date such Base Rate Term Loan is made until it becomes due, at a rate per annum equal to the sum of the Base Rate for such day plus the Applicable Margin. Such interest shall accrue and be payable quarterly in arrears on each Quarterly Date and on the Termination Date (and, if later, the date the Term Loan shall be paid in full). Any overdue principal of or interest on any Base Rate Term Loan shall bear interest, payable on demand, for each day until paid at a rate per annum equal to the sum of 2% plus the Base Rate for such day plus the Applicable Margin.

(b) Each Euro-Dollar Term Loan shall bear interest on the outstanding principal amount thereof, for the Interest Period applicable thereto, at a rate per annum equal to the sum of the applicable LIBO Rate plus the Applicable Margin. Such interest shall be payable (i) for each Interest Period on the last day thereof and, if such Interest Period is longer than three months, at intervals of three months after the first day thereof and (ii) in the event of any conversion of any Euro-Dollar Term Loan prior to the end of the current Interest Period therefor, accrued interest on such Euro-Dollar Term Loan shall be payable on the effective date of such conversion.

The "LIBO Rate" applicable to any Interest Period means, with respect to any Euro-Dollar Term Loan for any Interest Period, the LIBO Screen Rate at approximately 11:00 a.m., London time, two Euro-Dollar Business Days prior to the commencement of such Interest Period; provided that if the LIBO Screen Rate shall not be available at such time for such Interest Period (an "Impacted Interest Period") with respect Dollars then the LIBO Rate shall be the Interpolated Rate.

"LIBO Screen Rate" means, for any day and time, with respect to any Euro-Dollar Term Loan for any Interest Period, the London interbank offered rate as administered by ICE Benchmark Administration (or any other Person that takes over the administration of such rate for Dollars for a period equal in length to such Interest Period as displayed on such day and time on the applicable Bloomberg screen page that displays such rate (or, in the event such rate does not appear on a Bloomberg page or screen, on any successor or substitute page on such screen that displays such rate, or on the appropriate page of such other information service that publishes such rate from time to time as selected by the Administrative Agent in its reasonable discretion), provided that if the LIBO Screen Rate shall be less than zero, such rate shall be deemed to zero for the purposes of this Agreement.

(c) Any overdue principal of any Euro-Dollar Term Loan shall bear interest, payable on demand, for each day from and including the date payment thereof was due to but excluding the date of actual payment, at a rate per annum equal to the sum of 2% plus the Applicable Margin plus the average (rounded upward, if necessary, to the next higher 1/16 of 1%) of the respective rates per annum (as of the date of determination) at which one-day (or, if such amount due remains unpaid more than three Euro-Dollar Business Days, then for such other period of time not longer than six months as the Administrative Agent may select) deposits in Dollars in an amount approximately equal to such overdue payment due to the Person serving as the Administrative Agent are offered to such Person in the London interbank market for the applicable period determined as provided above (or, if the circumstances described in clause (a) or (b) of Section 8.01 shall exist, at a rate per annum equal to the sum of 2% plus the Base Rate for such day plus the Applicable Margin). Any overdue interest on any Euro-Dollar Term Loan shall bear interest, payable on demand, for each day from and including the date payment thereof is due to but excluding the date of actual payment, at a rate per annum equal to the sum of 2% plus the Base Rate for such day plus the Applicable Margin.

(d) The Administrative Agent shall determine each interest rate applicable to the Term Loans and other amounts hereunder. The Administrative Agent shall give prompt notice to the Company and the Banks of each rate of interest so determined, and its determination thereof shall be conclusive in the absence of manifest error.

SECTION 2.10 Fees.

(a) The Company agrees to pay to the Administrative Agent for account of each Bank a Commitment Fee, which shall accrue at the Applicable Commitment Fee Rate, on the daily undrawn amount of the Commitment of such Bank during the period from and including the date hereof to the date on which the Commitments are reduced to zero and terminated. Accrued Commitment Fees shall be payable on each Quarterly Date, commencing on the first such date after the Effective Date; provided that all such fees shall be payable on the earlier of (i) the Availability Termination Date and (ii) date on which the Commitments are terminated and reduced to zero and any such fees accruing after such date shall be payable on demand.

(b) [Reserved].

(c) [Reserved].

(d) [Reserved].

(e) All fees payable hereunder shall be paid on the dates due, in immediately available funds, to the Administrative Agent for distribution, as applicable, to the Banks entitled thereto. Fees paid hereunder shall not be refundable under any circumstances.

SECTION 2.11 Termination or Reduction of Commitments; Mandatory Prepayments of Term Loan.

(a) The Commitments shall be automatically and permanently reduced on a dollar for dollar basis by an amount equal to the principal amount of each Borrowing under this Agreement on the date of such Borrowing. Unless previously terminated or reduced to zero, the Commitments shall be automatically and permanently reduced to zero and terminated on the Availability Termination Date. For the avoidance of doubt, the Commitments shall automatically and permanently terminate upon being reduced to zero.

(b) During the Availability Period, the Company may, upon at least three Domestic Business Days' notice to the Administrative Agent, terminate at any time, or proportionately and permanently reduce from time to time by an aggregate amount of $10,000,000 or any larger multiple of $5,000,000, the undrawn portion of the aggregate amount of the Commitments. Upon receipt of such a notice, the Administrative Agent shall promptly notify each Bank of the contents thereof and of such Bank's ratable share of such reduction (if such notice is a notice of reduction) and such notice shall not thereafter be revocable by the Company. Any termination or reduction of the Commitments shall be permanent.

(c) Promptly upon the issuance or incurrence of any Debt of the Company or any Subsidiary on or after November 9, 2016 in excess of $150,000,000 (excluding (i) Debt under this Agreement and the Revolving Credit Agreement, (ii) Debt permitted under clauses (a), (b) and (c) of Section 5.12, and (iii) Debt constituting Operating Indebtedness pursuant to clauses (a) through (d) of the definition thereof), the Company shall promptly apply an amount equal to the net proceeds of such issuance or incurrence to prepay the then outstanding principal of the Term Loan (and accrued interest thereon); provided, that any amounts issued or incurred in excess of the then outstanding principal amount of the Term Loan (and accrued interest thereon) shall automatically, permanently and irrevocably reduce (or, if applicable, terminate) the then undrawn portion of the Commitments on a dollar for dollar basis; provided, further that this clause (c) shall not apply to the initial $500,000,000 of Debt issued or incurred by the Company and its Subsidiaries on or after November 9, 2016, that would otherwise be required to be prepaid under this Section 2.11(c). The Company shall, not less than three Domestic Business Days (or such shorter time as the Administrative Agent may agree in its sole discretion) prior to the issuance or incurrence of such Debt, deliver a notice thereof, which shall set forth the (i) amount of such incurrence or issuance of Debt, (ii) the amount of the mandatory prepayment, and (iii) the amount of the reduction of the undrawn portion of the Commitments in connection therewith.

SECTION 2.12 Optional Prepayments.

(a) The Company may, upon at least one Domestic Business Day's notice to the Administrative Agent (or such shorter time as the Administrative Agent may agree in its sole discretion), prepay any Base Rate Borrowing made to the Company in whole at any time, or from time to time in part in amounts aggregating $5,000,000 or any larger multiple of $1,000,000, by paying the principal amount to be prepaid together with accrued interest thereon to the date of prepayment.

(b) The Company may, upon notice to the Administrative Agent by 10:00 a.m., New York City time, at least three Domestic Business Days prior to the date of prepayment, prepay any Euro-Dollar Borrowing made to the Company in whole at any time, or from time to time in part in amounts aggregating $5,000,000 or any larger multiple of $1,000,000, by paying the principal amount to be prepaid together with (x) accrued interest thereon to the date of prepayment and (y) all losses and expenses (if any) relating thereto which are (i) determined pursuant to Section 2.14 and (ii) notified to the Company by the relevant Bank at least one Domestic Business Day prior to the date of such prepayment, provided that the failure of any Bank to so notify the Company of the amount of any such loss or expense shall not relieve the Company of its obligation to pay the same.

(c) Each prepayment pursuant to this Section shall be applied to prepay ratably the Term Loan of the several Banks included in the relevant Borrowing being prepaid. Upon receipt of a notice of prepayment pursuant to this Section, the Administrative Agent shall promptly notify each Bank of the contents thereof and of such Bank's ratable share (if any) of such prepayment and such notice shall not thereafter be revocable by the Company.

SECTION 2.13 Payments Generally; Pro Rata Treatment.

(a) The Company shall make or cause to be made each payment required to be made by it hereunder (whether principal of or interest on the Term Loan, fees, amounts under Article VIII or otherwise) or under any other Credit Document (except to the extent otherwise provided therein) not later than 2:00 p.m., New York City time, on the date when due, in immediately available funds, without set-off or counterclaim. Any amounts received after such time on any date may, in the discretion of the Administrative Agent, be deemed to have been received on the next succeeding Domestic Business Day for purposes of calculating interest thereon. All such payments shall be made to the Administrative Agent at its Payment Account, except as otherwise expressly provided in the relevant Credit Document, and except that payments pursuant to Section 10.03 and Article VIII shall be made directly to the Persons entitled thereto. The Administrative Agent shall distribute any such payments received by it for account of any other Person to the appropriate recipient promptly following receipt thereof. If any payment hereunder shall be due on a day that is not a Domestic Business Day or Euro-Dollar Business Day (as applicable), the date for payment shall be extended to the next succeeding Domestic or Euro-Dollar Business Day (as applicable) and, in the case of any payment accruing interest, interest thereon shall be payable for the period of such extension. All payments hereunder or under any other Credit Document shall be made in Dollars.

(b) If at any time insufficient funds are received by and available to the Administrative Agent to pay fully all amounts of principal of or interest on the Term Loan and fees then due hereunder, such funds shall be applied (i) first, to pay interest and fees then due hereunder in respect of the Term Loan (as applicable), pro rata among the Banks in accordance with the amounts of interest and fees then due to the Banks, and (ii) second, to pay such principal in respect of the Term Loans (as applicable) then due hereunder, pro rata among the Banks in accordance with the amounts of principal of the Term Loan then due to the Banks.

(c) Except to the extent otherwise provided herein (including, without limitation, in clause (e) hereof): (i) each payment of principal in respect of the Term Loans shall be for account of the Banks (other than Defaulting Banks), pro rata in accordance with the amounts of principal of the Term Loan then due and payable to the Banks (other than Defaulting Banks); (ii) each termination or reduction of the undrawn portion of Commitments under Section 2.11 or otherwise hereunder shall be applied to the respective undrawn portion of the Commitments of the Banks, pro rata in accordance with their respective Applicable Percentages; and (iii) each payment of interest and Commitment Fees shall be for account of the Banks (other than Defaulting Banks), pro rata in accordance with the amounts of interest and Commitment Fees (as the case may be) then due and payable to the Banks (other than Defaulting Banks).

(d) Unless the Administrative Agent shall have received notice from the Company prior to the date on which any payment is due to the Administrative Agent for account of the Banks hereunder that the Company will not make such payment, the Administrative Agent may assume that the Company made such payment on such date in accordance herewith and may, in reliance upon such assumption, distribute to the Banks the amount due. In such event, if the Company has not in fact made such payment, then each of the Banks severally agrees to repay to the Administrative Agent forthwith on demand the amount so distributed to such Bank with interest thereon, for each day from and including the date such amount is distributed to it to but excluding the date of payment to the Administrative Agent, at the higher of the Federal Funds Rate and a rate determined by Administrative Agent in accordance with banking industry rules for interbank compensation.

(e) If any Bank shall fail to make any payment required to be made by it pursuant to Section 2.06(d), 2.13(d), or 7.07 or shall otherwise be a Defaulting Bank, then the Administrative Agent may, in its discretion and notwithstanding any contrary provision hereof, (i) apply any amounts thereafter received by the Administrative Agent for the account of such Bank for the benefit of the Administrative Agent to satisfy such Bank's obligations to it under such Section until all such unsatisfied obligations are fully paid, and/or (ii) hold any such amounts in a segregated account as cash collateral for, and application to, any future funding obligations of such Bank under any such Section, in the case of each of clauses (i) and (ii) above, in any order as determined by the Administrative Agent in its discretion.

SECTION 2.14 Funding Losses. If the Company makes any payment of principal with respect to any Euro-Dollar Term Loan (pursuant to Article VI or VIII or otherwise), or converts any Euro-Dollar Term Loan, on any day other than the last day of the Interest Period applicable thereto, or the end of an applicable period fixed pursuant to Section 2.09(c), or if the Company fails to borrow, convert, continue or prepay any Euro-Dollar Term Loans after notice has been given to any Bank in accordance with Section 2.05(a), 2.05(b) or 2.12(b), as applicable, the Company shall reimburse each Bank within 15 days after demand for any resulting loss or expense incurred by it (or by an existing or prospective participant in the related Term Loan), including (without limitation) any loss incurred in obtaining, liquidating or employing deposits from third parties, but excluding loss of margin for the period after any such payment or failure to borrow, provided that such Bank shall have delivered to the Company a certificate as to the amount of such loss or expense, which certificate shall be conclusive in the absence of manifest error.

SECTION 2.15 Computation of Interest and Fees. Interest based on the Prime Rate shall be computed on the basis of a year of 365 days (or 366 days in a leap year) and paid for the actual number of days elapsed (including the first day but excluding the last day). All other interest and fees shall be computed on the basis of a year of 360 days and paid for the actual number of days elapsed (including the first day but excluding the last day).

SECTION 2.16 [Reserved].

SECTION 2.17 Defaulting Banks. Notwithstanding any provision of this Agreement to the contrary, if any Bank becomes a Defaulting Bank, then the following provisions shall apply for so long as such Bank is a Defaulting Bank:

(a) Commitment Fees shall cease to accrue on the Commitment of such Defaulting Bank pursuant to Section 2.10(a);

(b) the Commitment and the outstanding principal amount of Term Loans held by such Defaulting Bank shall not be included in determining whether the Required Banks have taken or may take any action hereunder (including any consent to any amendment, waiver or other modification pursuant to Section 10.05); provided that this clause (b) shall not apply to the vote of a Defaulting Bank in the case of an amendment, waiver or other modification requiring the consent of such Bank or each Bank affected thereby;

(c) the Administrative Agent may, in its discretion, apply or hold payments for the account of such Defaulting Bank as set forth in Section 2.13(e);

(d) [Reserved]; and

(e) the Company may, upon notice to such Defaulting Bank and the Administrative Agent, require such Defaulting Bank, at the expense of such Defaulting Bank, to assign, without recourse (in accordance with and subject to the restrictions contained in Section 10.06), all its interests, rights and obligations under this Agreement by such Defaulting Bank to any Person that shall assume such obligations (which Assignee may be another Bank, if it accepts such assignment) with (and subject to) the consent of the Administrative Agent (which consent shall not unreasonably be withheld).

ARTICLE III

CONDITIONS

SECTION 3.01 Each Credit Extension. The obligation of each Bank to make each installment of the Term Loan is subject to the satisfaction of the following conditions:

(a) receipt by the Administrative Agent of a Notice of Borrowing as required by Section 2.05(a);

(b) the fact that, immediately before and after such installment of the Term Loan is borrowed, no Default shall have occurred and be continuing;

(c) the fact that the representations and warranties of the Company contained in this Agreement shall be true on and as of the date such installment of the Term Loan is borrowed (or, if any such representation or warranty is expressly stated to have been made as of a specific date, as of such specific date);

(d) Intermediate Co. shall own all of the Capital Stock of MetLife Insurance Company USA, Brighthouse Securities, LLC, Brighthouse Services, LLC, MetLife Advisors, LLC, First MetLife Investors Insurance Company, New England Life Insurance Company and each other Insurance Subsidiary to be acquired by the Company and Intermediate Co. pursuant to the Restructuring Transaction, and the Administrative Agent shall have received evidence thereof in form and substance satisfactory to it;

(e) Either (i) the Company shall own all of the voting common Capital Stock of Intermediate Co. and the other elements of the Restructuring Transaction shall have been consummated, on terms and conditions reasonably satisfactory to the Administrative Agent and the Active Joint Lead Arrangers, and the Restructuring Effective Date shall have occurred, and the Administrative Agent shall have received evidence thereof in form and substance satisfactory to it or (ii) the Administrative Agent shall have received (x) the Intermediate Co. Guaranty executed and delivered by Intermediate Co., (y) such documents and certificates as the Administrative Agent may reasonably request relating to the organization, existence and good standing of the Guarantor, the authorization of the transactions contemplated hereby and any other legal matters relating to each of the Guarantor, this Agreement or the transaction contemplated hereby, all in form and substance reasonably satisfactory to the Administrative Agent, including a certified copy of the resolutions of the Board of Directors of the Company, in form and substance reasonably satisfactory to the Administrative Agent, authorizing the execution, delivery and performance of the Intermediate Co. Guaranty and other Credit Documents and (z) an opinion of internal and external counsel to the Guarantor addressed to it and the Banks, covering such matters relating to the Guarantor, the Intermediate Co. Guaranty and the transactions contemplated thereby as the Administrative Agent shall reasonably request; and

(f) receipt by the Administrative Agent of evidence as to payment of all fees or other amounts required to be paid in connection with the borrowing of such installment of the Term Loan, including, without limitation, amounts set forth in the Fee Letters.

The making of each installment of the Term Loan hereunder shall be deemed to be a representation and warranty by the Company on the date of such Term Loan, as the case may be, as to the facts specified in clauses (b) through (f) of this Section.

SECTION 3.02 Effectiveness. This Agreement shall become effective on the first date that all of the following conditions shall have been satisfied (or waived in accordance with Section 10.05):

(a) receipt by the Administrative Agent of counterparts of this Agreement signed by each of the Persons listed on the signature pages hereto (or, in the case of any Bank as to which an executed counterpart shall not have been received, receipt by the Administrative Agent in form satisfactory to it of telecopy or other written confirmation from such Bank of execution and delivery of a counterpart hereof by such Bank);

(b) receipt by the Administrative Agent of an opinion of internal and external counsel to the Company addressed to it and the Banks and dated the Effective Date, covering such matters relating to the Company, this Agreement or the transactions contemplated hereby as the Administrative Agent shall reasonably request. The Company hereby requests such counsel to deliver such opinions;

(c) receipt by the Administrative Agent of a certificate, dated the Effective Date and signed by a Financial Officer of the Company, certifying: (i) (x) that the representations and warranties contained in this Agreement shall be true on and as of such date and (y) no Default or Event of Default shall have occurred and be continuing, (ii) as to clause (i) of this Section 3.02, (iii) (x) the ratings by Moody’s and S&P, respectively, applicable on the Effective Date (to the extent obtained prior thereto) to the Index Debt or (y) the financial strength ratings by Moody’s and S&P, respectively, applicable on the Effective Date of MetLife Insurance Company USA and (iv) a calculation of Adjusted Consolidated Net Worth on the Effective Date;

(d) receipt by the Administrative Agent of such documents and certificates as the Administrative Agent may reasonably request relating to the organization, existence and good standing of the Company, the authorization of the transactions contemplated hereby and any other legal matters relating to each of the Company, this Agreement or the transaction contemplated hereby, all in form and substance reasonably satisfactory to the Administrative Agent, including a certified copy of the resolutions of the Board of Directors of the Company, in form and substance reasonably satisfactory to the Administrative Agent, authorizing the execution, delivery and performance of this Agreement and other Credit Documents;

(e) receipt by the Administrative Agent of all documents, and instruments as it may reasonably request relating to the existence of the Company (including information required to comply with "know your customer" or similar identification requirements of any Bank), the corporate authority for and the validity and enforceability of this Agreement and the other Credit Documents, and any other matters related hereto, all in form and substance reasonably satisfactory to the Administrative Agent;

(f) receipt by the Administrative Agent of (i) evidence as of the Effective Date as to payment of all fees required to be paid, and all expenses required to be paid or reimbursed for which invoices have been presented (including, without limitation, fees and disbursements of counsel to JPMorgan required to be paid as of the Effective Date and invoiced at least two (2) Domestic Business Days prior to the Effective Date) in connection with this Agreement, on or before the Effective Date;

(g) [Reserved];

(h) the Active Joint Lead Arrangers shall be reasonably satisfied with the proposed terms and conditions of the Restructuring Transaction and the Spin-Off Transaction with respect to the Company and its Subsidiaries and the transactions contemplated thereby;

(i) except as disclosed on the Specified Form 10, there shall not have occurred a material adverse change since December 31, 2015 in the business, assets, property or financial condition of the Company and its Consolidated Subsidiaries, taken as a whole; and

(j) receipt by the Administrative Agent of counterparts of a Note signed by the Company in favor of each Bank requesting a Note.

The Administrative Agent shall promptly notify the Company and the Banks of the Effective Date, and such notice shall be conclusive and binding on all parties hereto.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES

On (i) the Effective Date, Spin-Off Effective Date and each other date as required by the Credit Documents, the Company and (ii) the date the Intermediate Co. Guaranty is executed and each other date as required by the Credit Documents during the Guaranty Period (including the Spin-Off Effective Date if it occurs during the Guaranty Period), the Guarantor (other than with respect to Sections 4.04(a) and (b), 4.12 and 4.16, and with (x) references to the Company (and its Subsidiaries, as applicable) in this Article IV, or in any defined term used herein, being deemed references to the Guarantor (and its Subsidiaries, as applicable), (y) references to the "Material Subsidiaries" being deemed references to entities identified in clauses (b), (c) and (d) thereof (determined using Company financial statements) and (z) references to this Agreement in Section 4.02, 4.03, 4.05, 4.10 and 4.14 being deemed references to the Intermediate Co. Guaranty), in each case, represent and warrant that:

SECTION 4.01 Corporate Existence and Power. The Company (a) is a corporation duly incorporated and validly existing under the laws of the State of Delaware, (b) has (i) all corporate power and authority and (ii) all material governmental licenses, authorizations, consents and approvals required, in each case, to own or lease its assets and carry on its business as now conducted and (c) is duly qualified and is licensed and, as applicable, in good standing under the laws of each jurisdiction where its ownership, lease or operation of properties or the conduct of its business requires such qualification or license, except in each case referred to in the foregoing clauses (b)(ii) and (c) to the extent that such failure to do so would not reasonably be expected to have a Material Adverse Effect.

SECTION 4.02 Corporate and Governmental Authorization; Contravention. The execution, delivery and performance by the Company of this Agreement and the other Credit Documents to which it is a party are within the Company's corporate powers, have been duly authorized by all necessary corporate action, require no action by or in respect of, or filing with, any governmental body, agency or official and do not contravene, or constitute a default under, any provision of applicable law or regulation or of the articles of incorporation or by-laws of the Company or of any material agreement, judgment, injunction, order, decree or other instrument binding upon the Company or any of its Material Subsidiaries or result in the creation or imposition of any Lien on any asset of the Company or any of its Material Subsidiaries.

SECTION 4.03 Binding Effect. This Agreement and the other Credit Documents to which it is a party constitute the legal, valid and binding obligations of the Company, in each case enforceable in accordance with their respective terms, except as the same may be limited by bankruptcy, insolvency or similar laws affecting creditors' rights generally and by general principles of equity.

SECTION 4.04 Financial Information; No Material Adverse Change.

(a) The combined balance sheets of the Company and its Consolidated Subsidiaries, and the related combined statements of income, cash flows and shareholders' net investment for the fiscal year then ended, reported on by Deloitte & Touche LLP and set forth in the Company's Specified Form 10, a copy of which has been delivered to the Administrative Agent on behalf of each of the Banks, fairly present, in conformity with generally accepted accounting principles, the combined financial position of the Company and its Consolidated Subsidiaries as of such date and their combined results of operations and changes in financial position for the period covered by such financial statements.

(b) The unaudited combined balance sheets of the Company and its Consolidated Subsidiaries as of June 30, 2016 and the related unaudited combined statements of income, cash flows and shareholders' net investment for the period then ended, set forth in the Company's Specified Form 10, a copy of which has been delivered to the Administrative Agent on behalf of each of the Banks, fairly present, in conformity with generally accepted accounting principles applied on a basis consistent with the financial statements referred to in subsection (a) of this Section, the combined financial position of the Company and its Consolidated Subsidiaries as of such date and their consolidated results of operations and changes in financial position for such period (subject to normal year-end adjustments and, to the extent permitted by Regulation S-X, the absence of footnotes).

(c) A copy of a duly completed and signed annual Statutory Statement or other similar report of or for each Insurance Subsidiary that is a Material Subsidiary in the form filed with the governmental body, agency or official which regulates insurance companies in the jurisdiction in which such Insurance Subsidiary is domiciled for the year ended December 31, 2015 has been delivered to the Administrative Agent on behalf of each of the Banks and fairly presents, in accordance with statutory accounting principles, the information contained therein.

(d) A copy of a duly completed and signed quarterly Statutory Statement or other similar report of or for each Insurance Subsidiary that is a Material Subsidiary in the form filed with the governmental body, agency or official which regulates insurance companies in the jurisdiction in which such Insurance Subsidiary is domiciled for the quarter ended September 30, 2016 has been delivered to the Administrative Agent on behalf of each of the Banks and fairly presents, in accordance with statutory accounting principles, the information contained therein.

(e) Except as disclosed in the Specified Form 10, since December 31, 2015, there has been no material adverse change in the business, assets, property or financial condition of the Company and its Consolidated Subsidiaries, considered as a whole.

SECTION 4.05 Litigation. There is no action, suit or proceeding pending against, or to the knowledge of the Company threatened against, the Company or any of its Subsidiaries before any court or arbitrator or any governmental body, agency or official (a) which has or would be reasonably expected to have a Material Adverse Effect, or (b) which in any manner draws into question the validity or enforceability of this Agreement or any other Credit Document. The Company has reasonably concluded that its compliance with Environmental Laws is unlikely to result in a Material Adverse Effect.

SECTION 4.06 Compliance with ERISA. Except as would not reasonably be expected to result in a Material Adverse Effect, each member of the ERISA Group has fulfilled its obligations under the minimum funding standards of ERISA and the Code with respect to each Plan and is in compliance in all material respects with the presently applicable provisions of ERISA and the Code with respect to each Plan. Except as would not reasonably be expected to result in a Material Adverse Effect, no member of the ERISA Group has (i) sought a waiver of the minimum funding standard under Section 412 of the Code in respect of any Plan, (ii) failed to make any required contribution or payment to any Plan or Multiemployer Plan or in respect of any Benefit Arrangement, or made any amendment to any Plan or Benefit Arrangement, which has resulted or could result in the imposition of a Lien or the posting of a bond or other security under ERISA or the Code (other than a bond or other security required in connection with the creation and adoption of a pension plan for the Company) or (iii) incurred any liability under Title IV of ERISA other than a liability to the PBGC for premiums under Section 4007 of ERISA.

SECTION 4.07 Taxes. The Company and its Subsidiaries have filed all income tax returns and all other material tax returns which are required to be filed by them and have paid all taxes due pursuant to such returns or pursuant to any assessment received by the Company or any Subsidiary, except for any such taxes that are being contested in good faith by appropriate proceedings and for which adequate reserves have been made, and except in each case to the extent that the failure to do so would not reasonably be expected to have a Material Adverse Effect. The charges, accruals and reserves on the books of the Company and its Subsidiaries in respect of taxes are, in the opinion of the Company, adequate.

SECTION 4.08 Subsidiaries. Each of the Company's Material Subsidiaries (a) is a corporation or limited liability company that is duly incorporated or organized, validly existing and (except where such concept is not applicable) in good standing under the laws of its jurisdiction of incorporation or formation, (b) has all corporate or limited liability power (as applicable) and authority and all material governmental licenses, authorizations, consents and approvals, in each case, required to own or lease its assets and carry on its business as now conducted and (c) is duly qualified and is licensed and, as applicable, in good standing under the laws of each jurisdiction where its ownership, lease or operation of properties or the conduct of its business requires such qualification or license, except in each case referred to in the foregoing clauses (b) and (c) to the extent that such failure to do so would not reasonably be expected to have a Material Adverse Effect.

SECTION 4.09 Not an Investment Company. The Company is not an "investment company" within the meaning of the Investment Company Act of 1940, as amended.

SECTION 4.10 Obligations to be Pari Passu. The Company's obligations under this Agreement and each other Credit Document to which it is a party rank pari passu as to priority of payment and in all other respects with all other material unsecured and unsubordinated Debt of the Company, with the exception of those obligations that are mandatorily preferred by law and not by contract.

SECTION 4.11 No Default. No event has occurred and is continuing which constitutes, or which, with the passage of time or the giving of notice or both, would constitute, a default under or in respect of any material agreement, instrument or undertaking to which the Company or any Material Subsidiary is a party or by which either the Company or any Material Subsidiary or any of their respective assets is bound, unless such default would not have or be reasonably expected to have a Material Adverse Effect.

SECTION 4.12 Material Subsidiaries. Set forth as Schedule III hereto is a true, correct and complete list of each Material Subsidiary as of the date hereof.

SECTION 4.13 [Reserved].

SECTION 4.14 Full Disclosure. None of the reports, financial statements, certificates or other information furnished by or on the behalf of the Company to the Administrative Agent or any Bank in connection with the negotiation of this Agreement and the other Credit Documents or delivered hereunder or thereunder (as modified or supplemented by other information so furnished) contains any material misstatement of fact or omits to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading as of the date made; provided that, with respect to projected or pro forma financial information, the Company represents only that such information was prepared in good faith based upon assumptions believed to be reasonable at the time furnished (it being understood that such projections and forecasts are subject to uncertainties and contingencies and no assurances can be given that such projections or forecasts will be realized).

SECTION 4.15 [Reserved].

SECTION 4.16 Hybrid Instruments. Set forth as Schedule IV hereto is a true, correct and complete list of each Hybrid Instrument of the Company and its Consolidated Subsidiaries outstanding as of the date hereof, specifying in each case the equity credit treatment given to each such Hybrid Instrument by S&P and/or Moody’s as of the Effective Date.

SECTION 4.17 Sanctioned Persons; Anti-Corruption Laws; Patriot Act. None of the Company or any of its Subsidiaries or, to the knowledge of the Company, any of their respective directors, officers, employees, agents or Affiliates is subject to any sanctions or economic embargoes administered or enforced by the U.S. Department of State or the Office of Foreign Asset Control of the U.S. Department of Treasury (collectively, “Sanctions”, and the associated laws, rules, regulations and orders, collectively, “Sanctions Laws”), except to the extent that being subject to such Sanctions would not reasonably be expected to have a Material Adverse Effect or reasonably be expected to result in any Bank violating any Sanctions Laws. Each of the Company and its Subsidiaries and their respective directors, officers and, to the knowledge of the Company, employees, agents and Affiliates is in compliance, in all material respects, with (i) all Sanctions Laws, (ii) the United States Foreign Corrupt Practices Act of 1977, as amended, and any other applicable anti-bribery or anti-corruption laws, rules, regulations and orders (collectively, “Anti-Corruption Laws”) and (iii) USA PATRIOT Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001) the “Patriot Act”) and any other applicable terrorism and money laundering laws, rules, regulations and orders (collectively, “Anti-Money Laundering Laws”), except in each case to the extent that such non-compliance therewith would not reasonably be expected to have a Material Adverse Effect or reasonably be expected to result in any Bank violating any such Sanctions Laws, Anti-Corruption Laws or Anti-Money Laundering Laws. No part of the proceeds of the Term Loan will be used by the Company, directly or indirectly, (A) for the purpose of funding, financing or facilitating any activities or business of or with, or making any payments to, any Person or in any country or territory in violation of any Sanctions Law or (B) for any payments to any governmental official or employee, political party, official of a political party, candidate for political office, or anyone else acting in an official capacity, in order to obtain, retain or direct business or obtain any improper advantage, in violation of any Anti-Corruption Law, except in each case to the extent that such use would not reasonably be expected to have a Material Adverse Effect or reasonably be expected to result in any Bank violating any Sanctions Laws, Anti-Corruption Laws or Anti-Money Laundering Laws.

SECTION 4.18 EEA Financial Institutions. The Company is not an EEA Financial Institution.

ARTICLE V

COVENANTS

Until all Commitments have expired or been terminated and the principal of and interest on the Term Loan and all fees payable hereunder shall have been paid in full, (i) the Company (other than with respect to Section 5.14) and (ii) during the Guaranty Period, the Guarantor (other than with respect to Sections 5.01 (except clauses (c) through (f) thereof), 5.07 and 5.10, and with (x) references to the Company (and its Subsidiaries, as applicable) in this Article V (other than Section 5.14), or in any defined term used herein, being deemed references to the Guarantor (and its Subsidiaries, as applicable), (y) references to the "Material Subsidiaries" being deemed references to entities identified in clause (b), (c) and (d) thereof (determined using Company financial statements) and (z) references in Section 5.11 to this Agreement being deemed references to the Intermediate Co. Guaranty), in each case, agree:

SECTION 5.01 Information.

The Company will deliver to each of the Banks:

(a) within 90 days after the end of each fiscal year of the Company, the consolidated balance sheet of the Company and its Consolidated Subsidiaries as of the end of such fiscal year and the related consolidated statements of income, cash flows and shareholders' equity for such fiscal year, setting forth in each case in comparative form the figures for the previous fiscal year, all reported on in a manner acceptable to the SEC by Deloitte & Touche LLP or other independent public accountants of nationally recognized standing;

(b) within 45 days after the end of each of the first three quarters of each fiscal year of the Company, the consolidated balance sheet of the Company and its Consolidated Subsidiaries as of the end of such quarter and the related consolidated statements of income, cash flows and shareholders' equity for such quarter and for the portion of the Company's fiscal year ended at the end of such quarter, setting forth in each case in comparative form the figures for the corresponding quarter and the corresponding portion of the Company's previous fiscal year, all certified (subject to normal year-end adjustments and, to the extent permitted by Regulation S-X, the absence of footnotes) as to fairness of presentation, generally accepted accounting principles and consistency with the most recent audited consolidated financial statements of the Company and its Consolidated Subsidiaries delivered to the Banks (except for changes concurred in by the Company's independent public accountants) by a Financial Officer;

(c) (I) substantially concurrently with the delivery of each set of financial statements referred to in clauses (a) and (b) above a certificate of a Financial Officer of the Company (i) setting forth in reasonable detail the calculations required to establish whether the Company was in compliance with the requirements of Sections 5.07 and 5.12 (and 5.14, if applicable) on the date of such financial statements and, with respect to the first fiscal quarter ending after the Spin-Off Effective Date, including a detailed calculation and explanation of the Company's determination of actual Adjusted Consolidated Net Worth, in form and substance satisfactory to the Agent and Lenders, (ii) stating that such Financial Officer, as the case may be, has no knowledge of any Default existing on the date of such certificate or, if such Financial Officer has knowledge of the existence on such date of any Default, setting forth the details thereof and the action which the Company is taking or proposes to take with respect thereto, and (iii) a reconciliation to such financial statements of any inclusions to, or exclusions from, the calculations of Adjusted Consolidated Net Worth, Consolidated Total Indebtedness and Consolidated Total Capitalization, and (II) simultaneously with the delivery of each set of financial statements referred to in clause (a) and (b) above a certificate of a Financial Officer of the Company specifying any changes to the list of Material Subsidiaries as of the last day of the fiscal period to which such financial statements relate;

(d) within 120 days after the end of each fiscal year of each Insurance Subsidiary, a copy of a duly completed and signed annual Statutory Statement (or any successor form thereto) required to be filed by such Insurance Subsidiary that is a Material Subsidiary with the governmental body, agency or official which regulates insurance companies in the jurisdiction in which such Insurance Subsidiary is domiciled, in the form submitted to such governmental body, agency or official;

(e) within 60 days after the end of each of the first three fiscal quarters of each Insurance Subsidiary, a copy of a duly completed and signed quarterly Statutory Statement (or any successor form thereto) required to be filed by such Insurance Subsidiary that is a Material Subsidiary with the governmental body, agency or official which regulates insurance companies in the jurisdiction in which such Insurance Subsidiary is domiciled, in the form submitted to such governmental body, agency or official;

(f) forthwith upon learning of the occurrence of any Default, a certificate of a Financial Officer of the Company setting forth the details thereof and the action which the Company is taking or proposes to take with respect thereto;

(g) promptly upon the mailing thereof to the shareholders of the Company generally, if and only to the extent not duplicative of information otherwise provided pursuant to clause (h) below, copies of all financial statements, reports and proxy statements so mailed;

(h) promptly upon the filing thereof, copies of all registration statements (other than the exhibits thereto and any registration statements on Form S-8 or its equivalent) and reports on Forms 10-K, 10-Q and 8-K (or their equivalents) or amendments to Specified Form 10 which the Company shall have filed with the SEC;

(i) if and when, and only if the liability for the Company and its Subsidiaries from the applicable event would reasonably be expected to exceed \$75,000,000, any member of the ERISA Group (i) gives or is required to give notice to the PBGC of any “reportable event” (as defined in Section 4043 of ERISA), with respect to any Plan which might constitute grounds for a termination of such Plan under Title IV of ERISA, or knows that the plan administrator of any Plan has given or is required to give notice of any such reportable event, a copy of the notice of such reportable event given or required to be given to the PBGC; (ii) receives notice of complete or partial withdrawal liability under Title IV of ERISA or notice that any Multiemployer Plan is in reorganization, is insolvent or has been terminated, a copy of such notice; (iii) receives notice from the PBGC under Title IV of ERISA of an intent to terminate, impose liability (other than for premiums under Section 4007 of ERISA) in respect of, or appoint a trustee to administer, any Plan, a copy of such notice; (iv) applies for a waiver of the minimum funding standard under Section 412 of the Code, a copy of such application; (v) gives notice of intent to terminate any Plan under Section 4041(c) of ERISA, a copy of such notice and other information filed with the PBGC; (vi) gives notice of withdrawal from any Plan pursuant to Section 4063 of ERISA, a copy of such notice; or (vii) fails to make any required payment or contribution to any Plan or Multiemployer Plan or in respect of any Benefit Arrangement or makes any amendment to any Plan or Benefit Arrangement which has resulted or could result in the imposition of a Lien or the posting of a bond or other security, a certificate of a Financial Officer of the Company setting forth details as to such occurrence and action, if any, which the Company or applicable member of the ERISA Group is required or proposes to take;

(j) promptly after Moody's or S&P shall have announced a change in the rating established or deemed to have been established for the Index Debt, written notice of such rating change; and

(k) from time to time such additional information regarding the financial position or business of the Company or the Guarantor as the Administrative Agent, at the request of any Bank, may reasonably request.

Documents required to be delivered pursuant to Section 5.01 (a), (b), (d), (e), (g) or (h) may be delivered electronically on the following Internet websites: (a) the Company's website at an address to be designated in writing to the Administrative Agent, (b) with respect to Section 5.01(a), (b), (g) or (h) the SEC's website www.sec.com (to the extent that any such documents are included in materials otherwise filed with the SEC) or (c) such other third party website that shall have been identified by the Company in a notice to the Administrative Agent and the Banks and that is accessible by the Banks without charge, and in each case if so delivered shall be deemed to have been delivered on the date such materials are publically available; provided that (i) the Company shall deliver paper copies of such information to any Bank promptly upon the request of such Bank through the Administrative Agent and (ii) the Company shall have notified the Administrative Agent of the posting of such documents delivered pursuant to Section 5.01(a), (b), (d), (e) and (g). The Administrative Agent shall have no obligation to request the delivery of or to maintain paper copies of the documents referred to above, and in any event shall have no responsibility to monitor compliance by the Company with any such request by a Bank for delivery, and each Bank shall be solely responsible for requesting delivery to it or maintaining its copies of such documents.

SECTION 5.02 Payment of Obligations. The Company will pay and discharge, and will cause each Material Subsidiary to pay and discharge, at or before maturity, all their respective material obligations and liabilities, including, without limitation, tax liabilities, that if not paid, would reasonably be expected to result in a Material Adverse Effect, except where (a) the same may be contested in good faith by appropriate proceedings, (b) the Company or such Material Subsidiary has set aside, in accordance with generally accepted accounting principles, appropriate reserves for the accrual of any of the same and (c) the failure to make payment pending such contest would not reasonably be expected to result in a Material Adverse Effect; provided that, for avoidance of doubt, solely with respect to tax liabilities an obligation shall be considered to be delinquent or in default for purposes of this Section only if there has first been notice and demand therefore (as defined in Section 6306 of the Code and similar provisions of applicable law) by a tax authority.

SECTION 5.03 Conduct of Business and Maintenance of Existence. The Company will continue, and will cause each Material Subsidiary to continue, to engage in business of the same general type as conducted by the Company and its Material Subsidiaries, taken as a whole, on the date hereof and will preserve, renew and keep in full force and effect, and will cause each Material Subsidiary to preserve, renew and keep in full force and effect (a) their respective corporate existence and (b) their respective rights, privileges, licenses and franchises, other than, in the case of the foregoing clause (b), the loss of which would not reasonably be expected to result in a Material Adverse Effect; except that if at the time thereof and immediately after giving effect thereto no Default has occurred and is continuing, (i) any Subsidiary may merge with or into the Company, provided that the Company shall be the surviving entity, (ii) any Material Subsidiary may merge with or into any other Subsidiary, provided that such Material Subsidiary shall be the surviving entity or, if such Material Subsidiary is not the surviving entity, the surviving entity shall be deemed to a Material Subsidiary and (iii) any Material Subsidiary may sell, transfer, lease or otherwise dispose of its assets to the Company or to another Material Subsidiary.

SECTION 5.04 Maintenance of Property; Insurance.

(a) The Company will keep, and will cause each Material Subsidiary to keep, all property useful and necessary in its business in good working order and condition, except, in each case, to the extent that failure to do so would not be reasonably expected to result in a Material Adverse Effect.

(b) The Company will maintain, and will cause each Material Subsidiary to maintain (either in the name of the Company or in such Subsidiary's own name) with financially sound and responsible insurance companies, insurance on all their respective properties and against at least such risks, in each case as is consistent with sound business practice for companies in substantially the same industry as the Company and its Material Subsidiaries; and the Company will furnish to the Banks, upon request from the Administrative Agent, information presented in reasonable detail as to the insurance so carried.

SECTION 5.05 Compliance with Laws. The Company will comply, and will cause each Subsidiary to comply, in all material respects with all applicable laws, ordinances, rules, regulations and requirements of governmental bodies, agencies and officials (including, without limitation, Sanctions Laws, Anti-Corruption Laws, Anti-Money-Laundering Laws, Environmental Laws and ERISA and the rules and regulations thereunder) except where the necessity of compliance therewith is contested in good faith by appropriate proceedings, except where such non-compliance therewith would not reasonably be expected to have a Material Adverse Effect (or, in the case of the laws, rules, regulations and orders referred to in Section 4.17, reasonably be expected to result in any Bank violating such laws, rules, regulations or orders).

SECTION 5.06 Inspection of Property, Books and Records. The Company will keep, and will cause each Material Subsidiary to keep, proper books of record and account in which entries that are full, true and correct in all material respects shall be made of all dealings and transactions in relation to its business and activities; and, subject in all cases to Section 10.11, will permit, and will cause each Material Subsidiary to permit, representatives of any Bank to visit and inspect any of their respective properties, to examine and make abstracts from any of their respective books and records and to discuss their respective affairs, finances and accounts with their respective officers, employees, actuaries and independent public accountants, all upon reasonable notice, at such reasonable times during ordinary business hours and as often as may reasonably be desired; provided that neither the Company nor any of its Subsidiaries shall be required to disclose any information subject to attorney-client privilege to the extent disclosure thereof would impair such privilege.

SECTION 5.07 Financial Covenants with respect to the Company.

(a) Minimum Adjusted Consolidated Net Worth. From and after the earlier of (i) the initial extension of credit under this Agreement or (ii) the Spin-Off Transaction Effective Date, the Company will not at any time permit its Adjusted Consolidated Net Worth, calculated as of the end of each fiscal quarter, to be less than an amount equal to the sum of (A) the greater of (x) $8,100,000,000 and (y) 72% of the actual Adjusted Consolidated Net Worth of the Company (determined as of the end of the first fiscal quarter ending after the Spin-Off Effective Date) plus (B) 50% of the aggregate amount of (x) Equity Issuances by the Company and its Subsidiaries after the end of the first fiscal quarter ending after the Spin-Off Effective Date and (y) the Hybrid Instrument Amount with respect to Hybrid Instruments issued after the end of the first fiscal quarter ending after the Spin-Off Effective Date.

(b) Total Indebtedness to Total Capitalization Ratio. From and after the earlier of (i) the initial extension of credit under this Agreement or (ii) the Spin-Off Transaction Effective Date, the Company will not at any time permit the ratio of (a) Consolidated Total Indebtedness to (b) Consolidated Total Capitalization to exceed 0.35 to 1.00, calculated as of the last day of each fiscal quarter.

With respect to all testing periods prior to the end of the first fiscal quarter after the Spin-Off Effective Date, Adjusted Consolidated Net Worth, Consolidated Total Indebtedness and Consolidated Total Capitalization shall be calculated as of the last day of the most recently ended fiscal quarter for which financial statements are available, giving pro forma effect to the Restructuring Transaction and the payment of the dividend and the incurrence of Debt contemplated in connection with the Spin-Off Transaction.

SECTION 5.08 Negative Pledge. The Company will not, and will not permit any Subsidiary to, create or suffer to exist any Lien upon any present or future capital stock or any other Ownership Interests (as defined below) of any of its Material Subsidiaries (other than any Subsidiary established primarily for the purpose of reinsuring redundant reserve insurance liabilities of the Company or any other Insurance Subsidiary). As used herein “Ownership Interests” means, with respect to any Person, all of the shares of Capital Stock of such Person and all debt securities of such Person that can be converted or exchanged for Capital Stock of such Person, whether voting or nonvoting, and whether or not such Capital Stock or debt securities are outstanding on any date of determination.

SECTION 5.09 Consolidations, Mergers and Sales of Assets. The Company will not (a) consolidate or merge with or into any other Person or (b) sell, lease or otherwise transfer, directly or indirectly, all or substantially all of the assets of the Company and its Subsidiaries, taken as a whole, to any other Person; provided that the Company may merge with another Person if (i) the Company is the corporation surviving such merger and (ii) immediately after giving effect to such merger, no Default shall have occurred and be continuing.

SECTION 5.10 Use of Credit. The proceeds of the Term Loan will be used for the Company's general corporate purposes, including in connection with the Spin-Off Transaction. No proceeds of the Term Loan will be used, directly or indirectly, for the purpose, whether immediate, incidental or ultimate, of buying or carrying any "margin stock" within the meaning of Regulations T, U and X.

SECTION 5.11 Obligations to be Pari Passu. The Company's obligations under this Agreement and the other Credit Documents to which it is a party will rank at all times pari passu as to priority of payment and in all other respects with all other material unsecured and unsubordinated Debt of the Company, with the exception of those obligations that are mandatorily preferred by law and not by contract.

SECTION 5.12 Certain Debt. The Company will not at any time permit the sum of (i) Non-Operating Indebtedness of the Company that is secured by a Lien on any property or assets of the Company and its Subsidiaries and (ii) Non-Operating Indebtedness of the Subsidiaries of the Company to exceed $150,000,000, except:

(a) Debt of any Subsidiary of the Company owing to the Company or another Subsidiary of the Company (but including any Debt owing to any other Affiliate of the Company);

(b) Debt consisting of surplus notes issued by Subsidiaries of the Company that are operating Insurance Subsidiaries in an amount not to exceed $1,000,000,000; and

(c) Disqualified Capital Stock issued by (x) Intermediate Co. in connection with the Restructuring Transaction in an aggregate principal amount not to exceed $75,000,000 and (y) Brighthouse Reinsurance in connection with the Restructuring Transaction in an aggregate principal amount not to exceed $15,000,000.

SECTION 5.13 Intermediate Co. Guaranty. The Intermediate Co. Guaranty shall be in effect at all times during the Guaranty Period.

SECTION 5.14 Financial Covenants with respect to the Guarantor. During the Guaranty Period:

(a) Minimum Adjusted Consolidated Net Worth. From and after the initial extension of credit under this Agreement, the Guarantor will not at any time permit its Adjusted Consolidated Net Worth (with references to Company therein being deemed references to the

Guarantor), calculated as of the end of each fiscal quarter, to be less than an amount equal to the sum of (a) the greater of (x) $8,100,000,000 and (y) 72% of the actual Adjusted Consolidated Net Worth of the Guarantor (determined as of the end of the first fiscal quarter ending after the Spin-Off Effective Date) plus (b) 50% of the aggregate amount of (x) Equity Issuances by the Guarantor and its Subsidiaries after the end of the first fiscal quarter ending after the Spin-Off Effective Date and (y) the Hybrid Instrument Amount (with references to Company therein being deemed references to the Guarantor) with respect to Hybrid Instruments (with references to Company therein being deemed references to the Guarantor) issued after the end of the first fiscal quarter ending after the Spin-Off Effective Date; or

(b) Total Indebtedness to Total Capitalization Ratio. From and after the initial extension of credit under this Agreement, the Guarantor will not at any time permit the ratio of (a) Consolidated Total Indebtedness (with references to Company therein being deemed references to the Guarantor) to (b) Consolidated Total Capitalization (with references to Company therein being deemed references to the Guarantor) to exceed 0.35 to 1.00.

With respect to all testing periods prior to the end of the first fiscal quarter after the Spin-Off Effective Date, Adjusted Consolidated Net Worth, Consolidated Total Indebtedness and Consolidated Total Capitalization shall be tested as of the end of the most recently ended fiscal quarter for which financial statements are available, giving pro forma effect to the Restructuring Transaction and the payment of the dividend and the incurrence of Debt contemplated in connection with the Spin-Off Transaction. The calculation of the covenants in this Section 5.14 shall be based on financial information available with respect to the Company (with such adjustments to reflect such information for the Guarantor as shall be reasonably agreed among the Company and the Active Joint Lead Arrangers) and, prior to the Restructuring Effective Date, shall include pro forma adjustments to (1) include (without duplication) Debt of the Company and its subsidiaries in the calculation of Consolidated Total Indebtedness with respect to the Guarantor and (2) eliminate any intercompany Debt that would be eliminated in consolidation if the Company owned the Guarantor in the calculation of Consolidated Total Indebtedness with respect to the Guarantor.

ARTICLE VI

DEFAULTS

SECTION 6.01 Events of Default. If one or more of the following events ("Events of Default") shall have occurred and be continuing:

(a) (i) the Company or Guarantor shall fail to pay when due any principal of the Term Loan or (ii) the Company or Guarantor shall fail to pay when due any interest on the Term Loan or any fees or any other amounts payable hereunder and such failure under this clause (ii) shall continue for four Domestic Business Days;

(b) the Company or Guarantor shall fail to observe or perform any covenant of the Company or the Guarantor, respectively, contained in Section 5.03(a) or Sections 5.07 through 5.14 inclusive;

(c) the Company or Guarantor shall fail to observe or perform any covenant or agreement of the Company or the Guarantor, respectively, contained in this Agreement or the other Credit Documents (other than those covered by clause (a) or (b) above) for 30 days after written notice thereof has been given to the Company by the Administrative Agent at the request of any Bank;

(d) any representation, warranty, certification or statement made by the Company or the Guarantor in this Agreement, any other Credit Document or in any certificate, financial statement or other document delivered pursuant to this Agreement shall prove to have been incorrect in any material respect when made (or deemed made);

(e) the Company, the Guarantor or any Subsidiary shall fail to make any payment in respect of any Debt (other than Loans or other extensions of credit hereunder) having a principal amount then outstanding of not less than $150,000,000 when due and such failure shall continue beyond any applicable grace period or the Company, the Guarantor or any Subsidiary shall fail to make any payment in an amount at least equal to $150,000,000 in respect of any Derivative Financial Product when due and such failure shall continue beyond any applicable grace period;

(f) any event or condition shall occur which results in the acceleration of the maturity of any Debt (other than Term Loans or other extensions of credit hereunder) having a principal or face amount then outstanding of not less than $150,000,000 of the Company, the Guarantor or any Subsidiary, or any early termination event shall arise with respect to any Derivative Financial Product that creates, after taking into account the effect of any legally enforceable netting agreement relating to such Derivative Financial Product, a net obligation of not less than such amount, or enables (or, with the giving of notice or lapse of time or both, would enable) the holder (or counterparty) of such Debt (or Derivative Financial Product) or any Person acting on such holder's behalf to accelerate the maturity (or declare an early termination event) thereof;

(g) the Company, the Guarantor or any Material Subsidiary shall commence a voluntary case or other proceeding seeking rehabilitation, dissolution, conservation, liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, rehabilitator, dissolver, conservator, custodian or other similar official of it or any substantial part of its property, or shall consent to any such relief or to the appointment of or taking possession by any such official in an involuntary case or other proceeding commenced against it, or shall make a general assignment for the benefit of creditors, or shall fail generally to pay its debts as they become due, or shall take any corporate action to authorize any of the foregoing;

(h) an involuntary case or other proceeding shall be commenced against the Company, the Guarantor or any Material Subsidiary seeking rehabilitation, dissolution, conservation, liquidation, reorganization or other relief with respect to it or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, rehabilitator, dissolver, conservator, custodian or other similar official of it or any substantial part of its property, and such involuntary case or other proceeding shall remain undismissed and unstayed for a period of 60 days; or an order for relief shall be entered against the Company or any such Material Subsidiary under the federal bankruptcy laws as now or hereafter in effect; or any governmental body, agency or official shall apply for, or commence a case or other proceeding to seek, an order for the rehabilitation, conservation, dissolution or other liquidation of the Company or any Material Subsidiary or of the assets or any substantial part thereof of the Company and any Material Subsidiary or any other similar remedy;

(i) any of the following events or conditions shall occur, which, in the aggregate, would reasonably be expected to involve possible taxes, penalties and other liabilities in an aggregate amount in excess of $150,000,000: (i) any member of the ERISA Group shall fail to pay when due any amount or amounts which it shall have become liable to pay under Title IV of ERISA; (ii) notice of intent to terminate a Plan shall be filed under Title IV of ERISA by any member of the ERISA Group, any plan administrator or any combination of the foregoing; (iii) the PBGC shall institute proceedings under Title IV of ERISA to terminate, to impose liability (other than for premiums under Section 4007 of ERISA) in respect of, or to cause a trustee to be appointed to administer, any Plan; (iv) a condition shall exist by reason of which the PBGC would reasonably be expected to obtain a decree adjudicating that any Plan must be terminated; or (v) there shall occur a complete or partial withdrawal from, or a default, within the meaning of Section 4219(c)(5) of ERISA, with respect to, one or more Multiemployer Plans;

(j) a judgment or order for the payment of money in excess of $250,000,000 (after (without duplication) the actual amounts of insurance recoveries, offsets and contributions received and amounts thereof not yet received but which the insurer thereon has acknowledged in writing its obligation to pay) shall be rendered against the Company, the Guarantor or any Material Subsidiary and such judgment or order shall continue unsatisfied and unstayed for a period of 60 days after entry of such judgment (and, for purposes of this clause, a judgment shall be stayed if, among other things, an appeal is timely filed and such judgment cannot be enforced);

(k) a Change of Control shall have occurred; or

(l) the Intermediate Co. Guaranty shall for any reason cease to be in full force and effect during the Guaranty Period; or the Company, the Guarantor or any other Person contests in any manner the validity or enforceability of any provision of the Intermediate Co. Guaranty; or the Guarantor denies it has any further liability or obligation under any provision of the Intermediate Co. Guaranty, or purports to revoke, terminate or rescind any provision thereof at any time prior to the release thereof by the Administrative Agent pursuant to Section 7.12 hereof;

then, and in every such event, and at any time thereafter during the continuance of such event, the Administrative Agent shall, if requested by the Required Banks, by notice to the Company take any or all of the following actions, at the same or different times: (i) terminate the Commitments and they shall thereupon terminate and (ii) declare the Term Loans then outstanding to be due and payable in whole (or in part, in which case any principal not so declared to be due and payable may thereafter be declared to be due and payable), and thereupon the principal of the Term Loans so declared to be due and payable, together with accrued interest thereon and all fees and other obligations of the Company and the Guarantor accrued hereunder shall become due and payable immediately, without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Company and the Guarantor; provided that, in the case of any of the Events of Default specified in clause (g) or (h) above, with respect to the Company or the Guarantor, without any notice to the Company or Guarantor or any other act by the Administrative Agent or the Banks, the Commitments shall thereupon terminate and the principal of the Term Loans then outstanding, together with accrued interest thereon and all fees and other obligations of the Company accrued hereunder, shall automatically become due and payable without presentment, demand, protest or notice of any kind, all of which are hereby waived by the Company and the Guarantor. For the avoidance of doubt, no Event of Default will apply to the Guarantor unless the Guaranty Period is in effect.

SECTION 6.02 Notice of Default. The Administrative Agent shall give notice to the Company under Section 6.01(c) promptly upon being requested to do so by any Bank and shall thereupon notify all the Banks thereof.

ARTICLE VII

THE ADMINISTRATIVE AGENT

SECTION 7.01 Appointment and Authorization. Each Bank irrevocably appoints and authorizes the Administrative Agent to take such action as agent on its behalf and to exercise such powers under this Agreement and the other Credit Documents as are delegated to the Administrative Agent by the terms hereof or thereof, together with all such powers as are reasonably incidental thereto.

SECTION 7.02 Agent's Fee. The Company shall pay to the Administrative Agent for its own account fees in the amounts and at the times previously agreed upon between the Company and the Administrative Agent.

SECTION 7.03 Agent and Affiliates. JPMorgan shall have the same rights and powers under this Agreement as any other Bank and may exercise or refrain from exercising the same as though it were not the Administrative Agent, and JPMorgan and its Affiliates may accept deposits from, lend money to, and generally engage in any kind of business with the Company or any Subsidiary or Affiliate of any thereof as if it were not the Administrative Agent hereunder.

SECTION 7.04 Action by Agent. The obligations of the Administrative Agent hereunder are only those expressly set forth herein. The Administrative Agent shall not have any duty to take any discretionary action permitted to be taken by it pursuant to the provisions of this Agreement, unless it shall be requested in writing to do so by the Required Banks. Without limiting the generality of the foregoing, the Administrative Agent shall not be required to take any action with respect to any Default, except as expressly provided in Article VI. The Administrative Agent shall have no duty to disclose to the Banks information that is not required to be furnished by the Company to the Administrative Agent at such time, but is voluntarily furnished by the Company to the Administrative Agent (either in its capacity as Administrative Agent or in its individual capacity).

SECTION 7.05 Consultation with Experts. The Administrative Agent may consult with legal counsel (who may be counsel for the Company), independent public accountants and other experts selected by it and shall not be liable for any action taken or omitted to be taken by it in good faith in accordance with the advice of such counsel, accountants or experts.

SECTION 7.06 Liability of Agent. Neither the Administrative Agent nor any of its directors, officers, agents or employees shall be liable to any Bank for any action taken or not taken by it in connection herewith (i) with the consent or at the request of the Required Banks or (ii) in the absence of its own gross negligence or willful misconduct as determined by a court of competent jurisdiction. The Administrative Agent shall be deemed not to have knowledge of any Default unless and until written notice thereof is given to the Administrative Agent by the Company or a Bank. Neither the Administrative Agent nor any of its directors, officers, agents or employees shall be responsible to any Bank for or have any duty to any Bank to ascertain, inquire into or verify (i) any statement, warranty or representation made in connection with this Agreement or any borrowing hereunder; (ii) the performance or observance of any of the covenants or agreements of the Company; (iii) the satisfaction of any condition specified in Article III, except receipt of items required to be delivered to the Administrative Agent; (iv) the validity, effectiveness or genuineness of this Agreement, any other Credit Document or any other instrument or writing furnished in connection herewith; (v) the existence or possible existence of any Default; (vi) the financial condition of the Company or any of its Subsidiaries; or (vii) the contents of any certificate, report or other document delivered hereunder or in connection herewith. The Administrative Agent shall not incur any liability by acting in reliance upon any notice, consent, certificate, statement, or other writing believed by it in good faith to be genuine or to be signed by the proper party or parties.

SECTION 7.07 Indemnification. Each Bank shall, ratably in accordance with its Commitment (determined as of the time that the applicable unreimbursed expense or indemnity payment is sought), indemnify the Administrative Agent (to the extent not reimbursed by the Company) against any cost, expense (including counsel fees and disbursements), claim, demand, action, loss or liability (except such as result from the Administrative Agent's gross negligence or willful misconduct as determined by a court of competent jurisdiction) that the Administrative Agent may suffer or incur in connection with this Agreement or any action taken or omitted by the Administrative Agent hereunder. The Administrative Agent shall be fully justified in failing or refusing to take any action hereunder unless it shall first be indemnified to its satisfaction by the Banks pro rata against any and all liability, cost and expense that it may incur by reason of taking or continuing to take any such action.

SECTION 7.08 Credit Decision. Each Bank acknowledges that it has, independently and without reliance upon the Administrative Agent or any other Bank, and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Bank also acknowledges that it will, independently and without reliance upon the Administrative Agent or any other Bank, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking any action under this Agreement.

SECTION 7.09 Successor Agent. The Administrative Agent may resign at any time by giving written notice thereof to the Banks and the Company. Upon any such resignation, the Required Banks shall have the right to appoint from among the Banks a successor Administrative Agent, which successor Administrative Agent shall be satisfactory to the Company, provided that no Default is continuing. If no successor Administrative Agent shall have been so appointed by the Required Banks, and shall have accepted such appointment, within 30 days after the retiring Administrative Agent gives notice of resignation, then the retiring Administrative Agent may, on behalf of the Banks, appoint a successor Administrative Agent, which shall be a commercial bank organized or licensed under the laws of the United States of America or of any State thereof and having a combined capital and surplus of at least $100,000,000 and (unless a Default has occurred and is continuing) shall otherwise be subject to the consent of the Company, which consent shall not be unreasonably withheld. Upon the acceptance of its appointment as Administrative Agent hereunder by a successor Administrative Agent, such successor Administrative Agent shall thereupon succeed to and become vested with all the rights and duties of the retiring Administrative Agent, and the retiring Administrative Agent shall be discharged from its duties and obligations hereunder. After any retiring Administrative Agent's resignation hereunder as Administrative Agent, the provisions of this Article shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Administrative Agent.

SECTION 7.10 Delegation to Affiliates. The Company and the Banks agree that the Administrative Agent may delegate any of its duties under this Agreement to any of its Affiliates. Any such Affiliate (and such Affiliate's directors, officers, agents and employees) which performs duties in connection with this Agreement shall be entitled to the same benefits of the indemnification, waiver and other protective provisions to which the Administrative Agent is entitled under Articles VII and X.

SECTION 7.11 Joint Lead Arrangers and Other Agents. Notwithstanding anything herein to the contrary, none of the Joint Lead Arrangers and Joint Bookrunners, Syndication Agents or the Documentation Agents listed on the cover page of this Agreement shall have any right, power, obligation, liability, responsibility or duty under this Agreement in its capacity as such, except in its respective capacity, if any, as a Bank.

SECTION 7.12 Release of Intermediate Co. Guaranty. Provided that (i) no Default or Event of Default has occurred and is continuing and (ii) the Company shall own all of the voting common Capital Stock of Intermediate Co. and the other elements of the Restructuring Transaction shall have been consummated, in form and substance reasonably satisfactory to the Administrative Agent and the Active Joint Lead Arrangers, and the Restructuring Effective Date shall have occurred, the Banks irrevocably authorize the Administrative Agent, and the Administrative Agent agrees, upon delivery of a written request, and certification of the satisfaction of the conditions set forth in clauses (i) and (ii) above, by the Company or Guarantor, to release the Guarantor from its obligations under the Intermediate Co. Guaranty.

ARTICLE VIII

CHANGE IN CIRCUMSTANCES

SECTION 8.01 Basis for Determining Interest Rate Inadequate or Unfair. If on or prior to the first day of any Interest Period for any Euro-Dollar Borrowing:

(a) the Administrative Agent determines (which determination shall be conclusive absent manifest error) that adequate and reasonable means do not exist for ascertaining the LIBO Rate for such Interest Period, or

(b) the Required Banks advise the Administrative Agent that the LIBO Rate as determined by the Administrative Agent will not adequately and fairly reflect the cost to such Banks of funding their Euro-Dollar Term Loans for such Interest Period,

the Administrative Agent shall forthwith give notice thereof to the Company and the Banks, whereupon until the Administrative Agent notifies the Company that the circumstances giving rise to such suspension no longer exist, the obligations of the Banks to make Euro-Dollar Term Loans shall be suspended. Unless the Company notifies the Administrative Agent at least two Domestic Business Days before the date of any Euro-Dollar Borrowing for which a Notice of Borrowing has previously been given that it elects not to borrow on such date, such Borrowing shall instead be made as a Base Rate Borrowing.

SECTION 8.02 Illegality. If, after the date of this Agreement, the adoption of any applicable law, rule or regulation, or any change in any applicable law, rule or regulation, or any change in the interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by any Bank (or its Applicable Lending Office) with any request or directive (whether or not having the force of law) of any such authority, central bank or comparable agency shall make it unlawful or impossible for any Bank (or its Applicable Lending Office) to make, continue, maintain or fund its Euro-Dollar Term Loans and such Bank shall so notify the Administrative Agent, the Administrative Agent shall forthwith give notice thereof to the other Banks and the Company, whereupon until such Bank notifies the Company and the Administrative Agent that the circumstances giving rise to such suspension no longer exist, the obligation of such Bank to make Euro-Dollar Term Loans shall be suspended. Before giving any notice to the Administrative Agent pursuant to this Section, such Bank shall designate a different Applicable Lending Office if such designation will avoid the need for giving such notice and will not, in the judgment of such Bank, be otherwise disadvantageous to such Bank. If such Bank shall determine that it may not lawfully continue to maintain and fund any of its outstanding Euro-Dollar Term Loans to maturity and shall so specify in such notice, the Company shall immediately prepay in full the then outstanding principal amount of each such Euro-Dollar Term Loan, together with accrued interest thereon. Concurrently with prepaying each such Euro-Dollar Term Loan, the Company shall borrow Base Rate Term Loans in an equal principal amount from such Bank (on which interest and principal shall be payable contemporaneously with the related Euro-Dollar Term Loans of the other Banks), and such Bank shall make such Base Rate Term Loans.

SECTION 8.03 Increased Cost and Reduced Return.

(a) If on or after the date hereof, in the case of any Term Loan or any obligation to make Term Loans, the adoption of any applicable law, rule or regulation, or any change in any applicable law, rule or regulation, or any change in the interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by any Bank (or its Applicable Lending Office) with any request or directive (whether or not having the force of law) of any such authority, central bank or comparable agency shall impose, modify or deem applicable any reserve (including, without limitation, any such requirement imposed by the Board of Governors of the Federal Reserve System, but excluding with respect to any Euro-Dollar Term Loan any such requirement included in an applicable Euro-Dollar Reserve Percentage), special deposit, compulsory loan, insurance assessment or similar requirement against assets of, deposits with or for the account of, or credit extended by, any Bank (or its Applicable Lending Office) or shall impose on any Bank (or its Applicable Lending Office) or the London interbank market any other condition affecting its Euro-Dollar Term Loans, its Notes or its obligation to make Euro-Dollar Term Loans and the result of any of the foregoing is to increase the cost or expense to such Bank (or its Applicable Lending Office) of making, continuing, converting to or maintaining any Euro-Dollar Term Loan, or to reduce the amount of any sum received or receivable by such Bank (or its Applicable Lending Office) under this Agreement or under other Credit Document with respect thereto, by an amount deemed by such Bank to be material, then, within 15 days after demand by such Bank (with a copy to the Administrative Agent), the Company shall pay to such Bank such additional amount or amounts as will compensate such Bank for such increased cost or reduction.

(b) If any Bank shall have determined that, after the Effective Date (subject to clause (d) below), the adoption of any applicable law, rule or regulation regarding capital adequacy, or any change in any applicable law, rule or regulation regarding capital adequacy or liquidity requirements, or any change in the interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or any request or directive regarding capital adequacy or liquidity requirements (whether or not having the force of law) of any such authority, central bank or comparable agency, has or would have the effect of reducing the rate of return on capital of such Bank (or its Parent) as a consequence of such Bank's obligations hereunder to a level below that which such Bank (or its Parent) could have achieved but for such adoption, change, request or directive (taking into consideration its policies with respect to capital adequacy) by an amount deemed by such Bank to be material, then from time to time, within 15 days after demand by such Bank (with a copy to the Administrative Agent), the Company shall pay to such Bank such additional amount or amounts as will compensate such Bank (or its Parent) for such reduction.

(c) Each Bank will promptly notify the Company and the Administrative Agent of any event of which it has knowledge, occurring after the date hereof, which will entitle such Bank to compensation pursuant to this Section. A certificate of any Bank claiming compensation under this Section and setting forth the additional amount or amounts to be paid to it hereunder and, in reasonable detail, such Bank's computation of such amount or amounts, shall be conclusive in the absence of manifest error. In determining such amount, such Bank may use any reasonable averaging and attribution methods.

(d) Notwithstanding anything herein to the contrary, for purposes of this Section, (x) the Dodd-Frank Wall Street Reform and Consumer Protection Act and all requests, rules, guidelines or directives thereunder or issued in connection therewith and (y) all requests, rules, guidelines or directives promulgated by the Bank for International Settlements, the Basel Committee on Banking Supervision (or any successor or similar authority) or the United States or foreign regulatory authorities, in each case pursuant to Basel III, shall in each case be deemed to have gone into effect after the Effective Date, regardless of the date enacted, adopted or issued.

SECTION 8.04 Base Rate Term Loans Substituted for Affected Euro-Dollar Term Loans. If (i) the obligation of any Bank to make or continue Euro-Dollar Term Loans has been suspended pursuant to Section 8.02 or (ii) any Bank has demanded compensation under Section 8.03(a) or 8.05 and the Company shall, by at least five Euro-Dollar Business Days' prior notice to such Bank through the Administrative Agent, have elected that the provisions of this Section shall apply to such Bank, then, unless and until such Bank notifies the Company that the circumstances giving rise to such suspension or demand for compensation no longer apply:

(a) all Term Loans which would otherwise be made, or continued, by such Bank as Euro-Dollar Term Loans shall be made instead as, or converted into, Base Rate Term Loans (on which interest and principal shall be payable contemporaneously with the related Euro-Dollar Term Loans of the other Banks), and

(b) after each of its Euro-Dollar Term Loans has been repaid, all payments of principal which would otherwise be applied to repay such Euro-Dollar Term Loans shall be applied to repay its Base Rate Term Loans instead.

SECTION 8.05 Taxes.

(a) For purposes of this Section, the following terms have the following meanings:

"FATCA" means Sections 1471 through 1474 of the Code, as of the date of this Agreement (or any amended or successor version that is substantively comparable and not materially more onerous to comply with), any current or future regulations or official interpretations thereof and any agreement entered into pursuant to Section 1471(b)(1) of the Code.

"Taxes" means any and all present or future taxes, duties, levies, imposts, deductions, charges or withholdings of any nature with respect to any payment by the Company pursuant to this Agreement or any other Credit Document, and all liabilities with respect thereto, but excluding, in the case of each Bank and the Administrative Agent, (i) taxes imposed on its net income, and franchise, branch profits or similar taxes imposed on it, by a jurisdiction under the laws of which such Bank or the Administrative Agent (as the case may be) is organized or in which its principal executive office is located or, in the case of each Bank, in which its Applicable Lending Office is located, (ii) taxes imposed by reason of any present or former connection between such recipient and the jurisdiction (or any political subdivision thereof) imposing such taxes, other than solely as a result of the execution and delivery of this

Agreement, the making of any Credit Extensions hereunder or the performance of any action provided for hereunder, (iii) in the case of each Bank, U.S. federal withholding taxes imposed on amounts payable to or for the account of such Bank with respect to an applicable interest in the Loan or Credit Agreement pursuant to a law in effect on the date on which such Bank acquires such interest in the Loan or Credit Agreement or such Bank changes its lending office, except in each case to the extent that, pursuant to this Section 8.05, amounts with respect to such taxes were payable either to such Bank's assignor immediately before such Bank became a party hereto or to such Bank immediately before it changed its lending office, (iv) taxes attributable to such recipient's failure to comply with Section 8.05(d) or Section 8.05(e), and (v) any U.S. Federal withholding Taxes imposed by FATCA (all such excluded taxes, "Excluded Taxes"). If the form provided by a Bank pursuant to Section 8.05(d) at the time such Bank first becomes a party to this Agreement indicates a United States interest withholding tax rate in excess of zero, any United States interest withholding tax at such rate imposed on payments by the Company under this Agreement or any other Credit Document shall be excluded from the definition of "Taxes".

"Other Taxes" means any present or future stamp or documentary taxes and any other excise or property taxes, or similar charges or levies, which arise from any payment made pursuant to this Agreement or any other Credit Document or from the execution, delivery, registration or enforcement of, or otherwise with respect to, this Agreement or any other Credit Document, but excluding any such taxes described in clause (ii) of the definition of Excluded Taxes imposed with respect to an assignment.

"Withholding Agent" means the Company, the Guarantor or the Administrative Agent.

(b) Any and all payments by any Withholding Agent to or for the account of any Bank or the Administrative Agent hereunder or under any other Credit Document shall be made free and clear and without deduction or withholding for any Taxes or Other Taxes; provided that, if any Withholding Agent shall be required by law to deduct any Taxes or Other Taxes from any such payments, (i) the sum payable by the Company shall be increased as necessary so that after making all required deductions and withholdings (including deductions and withholdings applicable to additional sums payable under this Section) such Bank or the Administrative Agent (as the case may be) receives an amount equal to the sum it would have received had no such deductions or withholdings been made, (ii) such Withholding Agent (as the case may be) shall make such deductions or withholdings, (iii) such Withholding Agent (as the case may be) shall pay the full amount deducted or withheld to the relevant taxation authority or other authority in accordance with applicable law and (iv) the Company or the Guarantor (as the case may be) shall promptly furnish to the Administrative Agent, at its address referred to in Section 10.01, the original or a certified copy of a receipt evidencing payment thereof, and, if such receipt relates to Taxes or Other Taxes in respect of a sum payable to any Bank, the Administrative Agent shall promptly deliver such original or certified copy to such Bank.

(c) The Company agrees to indemnify each Bank and the Administrative Agent for the full amount of Taxes or Other Taxes (including, without limitation, any Taxes or Other Taxes imposed or asserted on amounts payable under this Section), whether or not correctly or legally imposed, paid by such Bank or the Administrative Agent (as the case may be) and reasonable expenses arising therefrom or with respect thereto. This indemnification shall be paid within 30 days after such Bank or Agent, as the case may be, makes demand therefor.

(d) On or prior to the date on which a Bank becomes a Bank under this Agreement, (i) each Bank that is not incorporated under the laws of the United States of America or a state thereof agrees that it will deliver to each of the Company and the Administrative Agent two duly completed copies of United States Internal Revenue Service Form W-8BEN, W-8BEN-E, W-8IMY or W-8ECI (as applicable), certifying in either case that such Bank is entitled to receive payments under this Agreement and the Notes without deduction or withholding of any United States federal income taxes, and (ii) each Bank that is incorporated under the laws of the United States of America or a state thereof agrees that it will deliver to each of the Company and the Administrative Agent two duly completed copies of United States Internal Revenue Service Form W-9. Each Bank which so delivers a Form W-9, W-8BEN, W-8BEN-E, W-8IMY or W-8ECI (as applicable) further undertakes to deliver to each of the Company and the Administrative Agent two additional copies of such form (or successor form) on or before the date that such form expires or becomes obsolete or after the occurrence of any event requiring a change in the most recent form so delivered by it, and such amendments thereto or extensions or renewals thereof as may be reasonably requested by the Company or the Administrative Agent, in each case certifying that such Bank is entitled to receive payments under this Agreement and the Notes without deduction or withholding of any United States federal income taxes, unless such Bank promptly notifies the Company and Administrative Agent in writing of its legal inability to do so.

(e) If a payment made to a Bank under any Credit Document would be subject to U.S. federal withholding tax imposed by FATCA if such Bank fails to comply with the applicable reporting requirements of FATCA (including those contained in Section 1471(b) or 1472(b) of the Code, as applicable), such Bank shall deliver to the Company and the Withholding Agent at the time prescribed by law and at such times reasonably requested by the Withholding Agent or the Company such documentation prescribed by applicable law (including as prescribed by Section 1471(b)(3)(C)(i) of the Code) and such additional documentation reasonably requested by the Withholding Agent or the Company sufficient for the Withholding Agent to comply with its obligations under FATCA and to determine that such Bank has complied with such applicable reporting requirements or to determine the amount to deduct and withhold from such payment. Solely for purposes of this clause (e), "FATCA" shall include any amendments made to FATCA after the date of this Agreement. Each Bank agrees that if any form or certification it previously delivered expires or becomes obsolete or inaccurate in any respect, it shall update such form or certification or promptly notify the Company and the Withholding Agent in writing of its legal inability to do so.

(f) For any period with respect to which a Bank has failed to provide the Company or the Administrative Agent with the appropriate form as required by Section 8.05(d) (whether or not such Bank is lawfully able to do so, unless such failure is due to a change in treaty, law or regulation occurring subsequent to the date on which such form originally was required to be provided), such Bank shall not be entitled to indemnification under Section 8.05(b) or (c) with respect to any withholding of the United States federal income tax resulting from such failure; provided that if a Bank, which is otherwise exempt from or subject to a reduced rate of withholding tax, becomes subject to Taxes because of its failure to deliver a form required hereunder, the Company shall take such steps as such Bank shall reasonably request to assist such Bank to recover such Taxes.

(g) Each Bank and the Administrative Agent shall, at the request of the Company, use reasonable efforts (consistent with applicable legal and regulatory restrictions) to file any certificate or document requested by the Company if the making of such a filing would avoid the need for or reduce the amount of any such additional amounts payable to or for the account of such Bank or the Administrative Agent (as the case may be) pursuant to this Section which may thereafter accrue and would not, in the sole judgment of such Bank or the Administrative Agent, require such Bank or the Administrative Agent to disclose any confidential or proprietary information or be otherwise disadvantageous to such Bank or the Administrative Agent. Furthermore, if the Bank or Administrative Agent determines, it its sole discretion exercised in good faith, that it has received a refund of any Taxes or Other Taxes as to which it has been indemnified pursuant to this Section (including the payment of additional amounts pursuant to this Section), it shall pay to the indemnifying party an amount equal to such refund, net of all out-of-pocket expenses of such Indemnitee and without interest (other than interest paid by the relevant governmental authority). Such indemnifying party, upon the request of such Indemnitee, shall repay to such Indemnitee the amount paid over pursuant to this paragraph (g) (plus any penalties, interest or other charges imposed by the relevant governmental authority) in the event that such Indemnitee is required to repay such refund to such governmental authority.

(h) Each Bank shall severally indemnify the Administrative Agent, within 10 days after demand therefor, for (i) any Indemnified Taxes attributable to such Bank (but only to the extent that the Company has not already indemnified the Administrative Agent for such Taxes or Other Taxes and without limiting the obligation of the Company to do so), (ii) any Taxes attributable to such Bank's failure to comply with the provisions of Section 10.06 relating to the maintenance of a Participant Register and (iii) any Excluded Taxes attributable to such Bank, in each case, that are payable or paid by the Administrative Agent in connection with any Loan Document, and any reasonable expenses arising therefrom or with respect thereto, whether or not such Taxes were correctly or legally imposed or asserted by the relevant governmental authority. A certificate as to the amount of such payment or liability delivered to any Bank by the Administrative Agent shall be conclusive absent manifest error. Each Bank hereby authorizes the Administrative Agent to set off and apply any and all amounts at any time owing to such Bank under any Loan Document or otherwise payable by the Administrative Agent to the Bank from any other source against any amount due to the Administrative Agent under this paragraph (h).

(i) Notwithstanding the foregoing, nothing in this Section shall interfere with the rights of any Bank to conduct its fiscal or tax affairs in such manner as it deems fit.

SECTION 8.06 Regulation D Compensation. For so long as any Bank maintains reserves against "Eurocurrency liabilities" (or any other category of liabilities which includes deposits by reference to which the interest rate on Euro-Dollar Term Loans is determined or any category of extensions of credit or other assets which includes loans by a non-United States office of such Bank to United States residents), and as a result the cost to such Bank (or its Applicable Lending Office) of making or maintaining its Euro-Dollar Term Loans is increased, then such Bank may require the Company to pay, contemporaneously with each payment of interest on the Euro-Dollar Term Loans, additional interest on the related Euro-Dollar Term Loans of such Bank at a rate per annum up to but not exceeding the excess of (i) (A) the applicable LIBO Rate divided by (B) one minus the Euro-Dollar Reserve Percentage over (ii) the applicable LIBO Rate. Any Bank wishing to require payment of such additional interest (x) shall so notify the Company and the Administrative Agent, in which case such additional interest on the Euro-Dollar Term Loans of such Bank shall be payable to such Bank at the place indicated in such notice with respect to each Interest Period commencing at least three Euro-Dollar Business Days after the giving of such notice and (y) shall furnish to the Company at least five Euro-Dollar Business Days prior to each date on which interest is payable on the Euro-Dollar Term Loans an officer's certificate setting forth the amount to which such Bank is then entitled under this Section (which shall be consistent with such Bank's good faith estimate of the level at which the related reserves are maintained by it). Each such certificate shall be accompanied by such information as the Company may reasonably request as to the computation set forth therein.

SECTION 8.07 Mitigation Obligations; Replacement of Banks.

(a) If any Bank requests compensation under Section 8.03, or if the Company is required to pay any additional amount to any Bank or any governmental body, agency or official for the account of any Bank pursuant to Section 8.05, then such Bank shall use reasonable efforts to designate a different Applicable Lending Office for funding or booking its Term Loans hereunder or to assign its rights and obligations hereunder to another of its offices, branches or affiliates, if, in the judgment of such Bank (with the concurrence of the Company), such designation or assignment (i) would eliminate or reduce amounts payable pursuant to Section 8.03 or 8.05, as the case may be, in the future and (ii) would not subject such Bank to any unreimbursed cost or expense and would not otherwise be disadvantageous to such Bank. The Company hereby agrees to pay all reasonable costs and expenses incurred by any Bank in connection with any such designation or assignment.

(b) If (i) any Bank requests compensation under Section 8.03, (ii) the Company is required to pay any additional amount to any Bank or any governmental body, agency or official for the account of any Bank pursuant to Section 8.05, or (iii) any Bank is a Non-Consenting Bank, then the Company may, at its sole expense and effort, upon notice to such Bank and the Administrative Agent, require such Bank to assign and delegate, without recourse (in accordance with and subject to the restrictions contained in Section 10.06(c)), all its interests, rights and obligations under this Agreement to an Assignee that shall assume such obligations (which Assignee may be another Bank, if a Bank accepts such assignment); provided that (i) the Company shall have received the prior written consent of the Administrative Agent, which consent shall not unreasonably be withheld, (ii) such Bank shall have received payment of an amount equal to the outstanding principal of its Term Loans, accrued interest thereon, accrued fees and all other amounts payable to it hereunder, from the Assignee (to the extent of such outstanding principal and accrued interest and fees) or the Company (in the case of all other amounts), (iii) in the case of any such assignment resulting from a claim for compensation under Section 8.03 or payments required to be made pursuant to Section 8.05, such assignment will result in a reduction in such compensation or payments, (iv) in the case of any such assignment in respect of a Non-Consenting Bank, the applicable Assignee shall have consented to the applicable amendment, waiver or consent, and (v) such assignment does not conflict with applicable law. A Bank shall not be required to make any such assignment and delegation if, prior thereto, as a result of a waiver by such Bank or otherwise, the circumstances entitling the Company to require such assignment and delegation cease to apply.

ARTICLE IX

[RESERVED].

ARTICLE X

MISCELLANEOUS

SECTION 10.01 Notices. All notices, requests and other communications to any party hereunder shall be in writing (including facsimile transmission, or by electronic communication, if arrangements for doing so have been approved by such party) and shall be given to such party: (a) in the case of the Company, at the Company's address or telecopier number set forth on the Company's signature page hereof, (b) in the case of the Administrative Agent, at its address or telecopier number set forth on its respective signature page hereof, (c) in the case of any Bank, at its address or telecopier number set forth in its Administrative Questionnaire or (d) in the case of any party, such other address or telecopier number as such party may hereafter specify for the purpose by notice to the Administrative Agent and the Company. Each such notice, request or other communication shall be effective (i) if given by mail, 72 hours after such communication is deposited in the mails with first class postage prepaid, addressed as aforesaid and return receipt requested, (ii) if given by telecopier, when transmitted to the telecopier number specified in this Section or (iii) if given by any other means, when delivered at the relevant address specified by such party pursuant to this Section; provided that notices to the Administrative Agent under Article II or Article VIII shall not be effective until received.

Notices and other communications to the Banks hereunder may be delivered or furnished by electronic communications pursuant to procedures approved by the Administrative Agent; provided that the foregoing shall not apply to notices pursuant to Article II unless otherwise agreed by the Administrative Agent and the applicable Bank. The Administrative Agent or the Company may, in its discretion, agree to accept notices and other communications to it hereunder by electronic communications pursuant to procedures approved by it; provided that approval of such procedures may be limited to particular notices or communications.

SECTION 10.02 No Waivers. No failure or delay by the Administrative Agent or any Bank in exercising any right, power or privilege hereunder or under any other Credit Document shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein provided shall be cumulative and not exclusive of any rights or remedies provided by law.

SECTION 10.03 Expenses; Indemnification; Non-Liability of Banks.

(a) The Company shall pay (i) all reasonable out-of-pocket costs and expenses of the Administrative Agent and the Active Joint Lead Arrangers and their Affiliates, including reasonable fees and disbursements of one counsel for the Administrative Agent, in connection with the preparation, due diligence, administration, syndication and closing of this Agreement, any waiver or consent hereunder or any amendment hereof or any Default or alleged Default hereunder and (ii) if an Event of Default occurs, all out-of-pocket expenses incurred by the Administrative Agent and each Bank, including fees and disbursements of counsel including costs allocated to in-house counsel, in connection with such Event of Default and collection, bankruptcy, insolvency and other enforcement proceedings resulting therefrom.

(b) The Company agrees to indemnify the Administrative Agent, each Bank, their Affiliates and the respective directors, officers, agents, partners, advisors and employees of the foregoing (each an "Indemnitee") and hold each Indemnitee harmless from and against any and all liabilities, losses, damages, costs and expenses of any kind, including, without limitation, costs of settlement and the reasonable and documented fees and disbursements of one counsel for the Indemnitees (unless the Indemnitees have conflicting interests and cannot reasonably be represented by one counsel, in which case such expenses shall include the reasonable and documented fees and disbursements of no more than such number of counsels as are necessary to represent such conflicting interests), which may be incurred by such Indemnitee in connection with, or as a result of, any actual or prospective claim, litigation, investigation or any investigative, administrative or judicial proceeding (whether or not such Indemnitee shall be designated a party thereto or whether such proceeding is brought by the Company, its equity holders or its creditors) relating to or arising out of (i) the execution or delivery of this Agreement or any agreement or instrument contemplated hereby, the performance by the parties hereto of their respective obligations hereunder or any other transactions contemplated hereby; (ii) the Term Loan or the use of proceeds therefrom; or (iii) any actual or prospective claim, litigation, investigation or proceeding relating to any of the foregoing clauses (i) and (ii), whether based on contract, tort, or any other theory and regardless of whether any Indemnitee is a party thereto; provided that no Indemnitee shall have the right to be indemnified hereunder to the extent that such losses, claims, damages, liabilities or related expenses have resulted from (x) its own gross negligence or willful misconduct, (y) the material breach in bad faith by such Indemnitee of its material obligations hereunder or (z) any claim, litigation, or proceeding solely among Indemnitees brought by any Indemnitee against another Indemnitee (other than any claim, litigation, or proceeding against an Indemnitee acting in its capacity as an Active Joint Lead Arranger, Administrative Agent or other capacity as an agent) that does not involve an act or omission (or alleged act or omission) by the Company or any of the Company's affiliates, in the case of each of the foregoing clauses (x), (y) and (z), as determined in a final and non-appealable judgment by a court of competent jurisdiction.

(c) To the extent permitted by applicable law, the Company shall not assert, and hereby waives, any claim against any Indemnitee, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, this Agreement or any agreement or instrument contemplated hereby, the transactions contemplated hereby, the Term Loan, or the use of the proceeds thereof.

(d) No Indemnitee shall be liable for any damages arising from the use by others of any information or other materials obtained through IntraLinks, Syndtrak, ClearPar or other similar information transmission systems in connection with this Agreement or any other Credit Document.

(e) The agreements in this Section shall survive the resignation of the Administrative Agent, the replacement of any Bank, the termination of the Commitments and the repayment, satisfaction or discharge of all the other Obligations.

SECTION 10.04 Sharing of Payments. Each Bank agrees that if it shall, by exercising any right of set-off or counterclaim or otherwise, receive payment of a proportion of the aggregate amount of principal and interest due with respect to any Term Loan made by it which is greater than the proportion received by any other Bank in respect of the aggregate amount of principal and interest due with respect to any Term Loan made by such other Bank, the Bank receiving such proportionately greater payment shall purchase such participations in the Term Loans held by the other Banks, as applicable, and such other adjustments shall be made, as may be required so that all such payments of principal and interest with respect to the Term Loans made by the Banks shall be shared by the Banks pro rata; provided that (i) nothing in this Section shall impair the right of any Bank to exercise any right of set-off or counterclaim it may have and to apply the amount subject to such exercise to the payment of indebtedness of the Company other than its indebtedness under this Agreement and (ii) the provisions of this Section shall not be construed to apply to any payment made by the Company pursuant to and in accordance with the express terms of this Agreement. The Company agrees, to the fullest extent it may effectively do so under applicable law, that any holder of a participation in the Term Loan, whether or not acquired pursuant to the foregoing arrangements, may exercise rights of set-off or counterclaim and other rights with respect to such participation as fully as if such holder of a participation were a direct creditor of the Company or Guarantor in the amount of such participation.

SECTION 10.05 Amendments and Waivers. Any provision of this Agreement may be amended or waived if, but only if, such amendment or waiver is in writing and is signed by the Company and the Required Banks or by the Administrative Agent (with the consent of the Required Banks) (and, if the rights or duties of the Administrative Agent, in such capacity, are affected thereby, by the Administrative Agent); provided, that no such amendment or waiver shall (i) increase the amount or extend the expiry date of the Commitment of any Bank without the written consent of such Bank, (ii) reduce the principal amount of any Term Loan, the rate or amount of interest thereon or any fees payable to any Bank hereunder, without the written consent of each Bank affected thereby, (iii) postpone the scheduled date of payment of the principal amount of any Term Loan, or any interest thereon, or any fees payable hereunder, or waive or excuse any such payment, or postpone the scheduled date of expiration of any Commitment, without the written consent of each Bank affected thereby, (iv) change Section 2.13(b) or (c) or Section 10.04 in a manner that would alter the pro rata sharing of payments required thereby, without the written consent of each Bank affected thereby, (v) change any of the provisions of this Section or the definition of "Required Banks" or any other provision hereof specifying the number or percentage of Banks required to waive, amend or modify any rights hereunder or make any determination or grant any consent hereunder, without the written consent of each Bank, or (vi) release the Guarantor under the Intermediate Co. Guaranty (other than as permitted by Section 7.12), without the written consent of each Bank, other than any Bank that is a Defaulting Bank.

SECTION 10.06 Successors and Assigns.

(a) The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns; provided, however, that the Company may not assign or otherwise transfer any of its rights or obligations under this Agreement, without the prior written consent of each Bank.

(b) Any Bank may at any time grant to one or more banks or other institutions (each a "Participant") participating interests in its rights and obligations under this Agreement. In the event of any such grant by a Bank of a participating interest to a Participant, whether or not upon notice to the Company and the Administrative Agent, such Bank shall remain solely responsible for the performance of its obligations hereunder, and the Company and the Administrative Agent shall continue to deal solely and directly with such Bank in connection with such Bank's rights and obligations under this Agreement. Any agreement pursuant to which any Bank may grant such a participating interest shall provide that such Bank shall retain the sole right and responsibility to enforce the obligations of the Company hereunder including, without limitation, the right to approve any amendment, modification or waiver of any provision of this Agreement; provided that such participation agreement may provide that such Bank will not agree to any modification, amendment or waiver of this Agreement described in the proviso of Section 10.05 without the consent of the Participant. The Company agrees that each Participant shall, to the extent provided in its participation agreement, be entitled to the benefits of Article VIII with respect to its participating interest. An assignment or other transfer which is not permitted by subsection (c) or (d) of this Section shall be given effect for purposes of this Agreement only to the extent of a participating interest granted in accordance with this subsection (b). Each Bank that grants a participation shall, acting solely for this purpose as a non-fiduciary agent of the Company, maintain a register on which it enters the name and address of each Participant and the principal amounts (and stated interest) of each Participant's interest in the Term Loans or other obligations under this Agreement (the "Participant Register"); provided that no Bank shall have any obligation to disclose all or any portion of the Participant Register to any Person (including the identity of any Participant or any information relating to a Participant's interest in any Commitment, Term Loan, or other obligations under any Loan Document) except to the extent that such disclosure is necessary to establish that such Commitment, Term Loan, or other obligation is in registered form under Section 5f.103-1(c) of the United States Treasury Regulations. The entries in the Participant Register shall be conclusive absent manifest error, and such Bank shall treat each Person whose name is recorded in the Participant Register as the owner of such participation for all purposes of this Agreement notwithstanding any notice to the contrary. For the avoidance of doubt, the Administrative Agent (in its capacity as Administrative Agent) shall have no responsibility for maintaining a Participant Register.

(c) Any Bank may at any time assign to one or more banks or other financial institutions (other than the Company, Affiliates of the Company or a Defaulting Bank, each an "Assignee") all, or a proportionate part of all, of its rights and obligations under this Agreement, and such Assignee shall assume such rights and obligations, pursuant to an Assignment and Assumption executed by such Assignee and such transferor Bank, with (and subject to) the consent (which in each case shall not be unreasonably withheld, conditioned or delayed) of each of the Company and the Administrative Agent; provided that (i) if an Assignee is an Affiliate of any Bank or was a Bank immediately prior to such assignment, no such consent of the Company shall be required and (ii) if an Assignee was a Bank immediately prior to such assignment, no such consent of the Administrative Agent shall be required; provided, further, that (x) the Company shall be deemed to have consented to any such assignment unless it shall object thereto by written notice to the Administrative Agent within ten Business Days after having received notice thereof and (y) if an Event of Default occurs and is continuing, no such consent of the Company shall be required; and provided, further, that any such assignment (other than an assignment to another Bank or an Affiliate of any Bank or an assignment of the entire remaining amount of the transferor Bank's interests in the Term Loan Facility) shall be in an amount that is at least $5,000,000 unless otherwise agreed by the Company and the Administrative Agent. Upon execution and delivery of such Assignment and Assumption and payment by such Assignee to such transferor Bank of an amount equal to the purchase price agreed between such transferor Bank and such Assignee, such Assignee shall be a Bank party to this Agreement and shall have all the rights and obligations of a Bank with an undrawn Commitment and principal amount of the Term Loan owing to it as set forth in such instrument of assumption, and the transferor Bank shall be released from its obligations hereunder to a corresponding extent, and no further consent or action by any party shall be required. In connection with any such assignment, the transferor Bank or Assignee shall pay to the Administrative Agent an administrative fee for processing such assignment in the amount of $3,500. If the Assignee is not incorporated under the laws of the United States of America or a state thereof, it shall, prior to the first date on which interest or fees are payable hereunder for its account, deliver to the Company and the Administrative Agent certification as to exemption from deduction or withholding of any United States federal income taxes in accordance with Section 8.05(d).

(d) Any Bank may at any time assign all or any portion of its rights under this Agreement to any Person to secure obligations of such Bank, including, without limitation, to one or more of the Federal Reserve Banks which comprise the Federal Reserve System or other central banks. No such assignment shall release the transferor Bank from its obligations hereunder.

(e) No Participant shall be entitled to receive any greater payment under Section 8.03, 8.05 or 8.06 than such Bank would have been entitled to receive with respect to the rights transferred, unless such transfer is made (i) with the Company's prior written consent, (ii) by reason of the provisions of Section 8.02 or 8.07 requiring such Participant to designate a different Applicable Lending Office under certain circumstances or (iii) at a time when the circumstances giving rise to such greater payment did not exist.

SECTION 10.07 Collateral. Each of the Banks represents to the Administrative Agent and each of the other Banks that it in good faith is not relying upon any "margin stock" (as defined in Regulation U) as collateral in the extension or maintenance of the credit provided for in this Agreement.

SECTION 10.08 New York Law. This Agreement shall be governed by and construed in accordance with the laws of the State of New York.

SECTION 10.09 Judicial Proceedings.

(a) Submission to Jurisdiction. The Company hereby submits to the exclusive jurisdiction of the United States District Court for the Southern District of New York and of any New York State court sitting in New York City, borough of Manhattan, for purposes of all legal proceedings arising out of or relating to this Agreement or any other Credit Document or the transactions contemplated hereby. The Company irrevocably waives, to the fullest extent permitted by law, any objection which it may now or hereafter have to the laying of the venue of any such proceeding brought in such a court and any claim that any such proceeding brought in such a court has been brought in an inconvenient forum.

(b) [Reserved].

(c) Service of Process. The Company hereby consents to process being served in any suit, action or proceeding of the nature referred to in subsection (a) of this Section in any federal or New York State court sitting in New York City by service of process upon its agent appointed as provided in subsection (b) of this Section; provided that, to the extent lawful and possible, notice of said service upon such agent shall be mailed by registered or certified air mail, postage prepaid, return receipt requested, to the Company at its address specified on the signature page hereof or to any other address of which the Company shall have given written notice to the applicable Bank. The Company irrevocably waives, to the fullest extent permitted by law, all claim of error by reason of any such service in such manner and agrees that such service shall be deemed in every respect effective service of process upon the Company in any such suit, action or proceeding and shall, to the fullest extent permitted by law, be taken and held to be valid and personal service upon and personal delivery to the Company.

(d) No Limitation on Service or Suit. Nothing in this Section shall affect the right of the Administrative Agent or any Bank to serve process in any other manner permitted by law or limit the right of the Administrative Agent or any Bank to bring proceedings against the Company in the courts of any jurisdiction or jurisdictions.

SECTION 10.10 Counterparts; Integration; Headings. This Agreement may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument. This Agreement constitutes the entire agreement and understanding among the parties hereto and supersedes any and all prior agreements and understandings, oral or written, relating to the subject matter hereof. Article and Section headings and the Table of Contents used herein are for convenience of reference only, are not part of this Agreement and shall not affect the construction of, or be taken into consideration in interpreting, this Agreement.

SECTION 10.11 Confidentiality. The Administrative Agent and each Bank agree that they will maintain the confidentiality of, and will not use for any purpose (other than exercising its rights and enforcing its remedies hereunder and under the other Credit Documents), any written or oral information provided under this Agreement by or on behalf of the Company or the Guarantor (hereinafter collectively called "Confidential Information"), subject to the Administrative Agent's and each Bank's (a) obligation to disclose any such Confidential Information pursuant to a request or order under applicable laws and regulations or by a self-regulatory body or pursuant to a subpoena or other legal process, (b) right to disclose any such Confidential Information to its bank examiners, auditors, counsel and other professional advisors and to other Banks and to its subsidiaries and Affiliates and the subsidiaries and Affiliates of its holding company, provided that the Administrative Agent or such Bank, as the case may be, shall cause each such subsidiary or Affiliate to maintain the Confidential Information on the same terms as the terms provided herein, (c) right to disclose any such Confidential Information in connection with any litigation or dispute involving the Banks and the Company or any of its Subsidiaries and Affiliates, (d) right to provide such information to (i) participants, prospective participants, prospective assignees or assignees pursuant to Section 10.06, or (with the consent of the Company (such consent not to be unreasonably withheld)) to its agents if prior thereto such participant, prospective participant, prospective assignee, or agent agrees in writing to maintain the confidentiality of such information on terms substantially similar to those of this Section as if it were a "Bank" party hereto or (ii) any actual or prospective counterparty (or its advisors) to any swap, derivative or securitization transaction relating to the Company and its obligations or to any actual or prospective credit insurance provider relating to the Company and its obligations if prior thereto such counterparty or credit insurance provider agrees in writing to maintain the confidentiality of such information on terms substantially similar to those of this Section as if it were a "Bank" party hereto, and (e) right to provide such information with the Company's consent. Notwithstanding the foregoing, any such information supplied to a Bank, participant, prospective participant or prospective assignee under this Agreement shall cease to be Confidential Information if it is or becomes known to such Person by other than unauthorized disclosure, or if it is, at the time of disclosure, or becomes a matter of public knowledge. In addition, the Administrative Agent and the Banks may disclose the existence of this Agreement and information about this Agreement to market data collectors and other service providers to the lending industry and service providers to the Administrative Agent and the Banks in connection with the administration of this Agreement, the other Credit Documents and the Commitments.

SECTION 10.12 WAIVER OF JURY TRIAL. EACH OF THE COMPANY, THE ADMINISTRATIVE AGENT AND THE BANKS HEREBY IRREVOCABLY WAIVES ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT, THE NOTES OR THE TRANSACTIONS CONTEMPLATED HEREBY.

SECTION 10.13 [Reserved].

SECTION 10.14 USA PATRIOT Act. Each Bank hereby notifies the Company that pursuant to the requirements of the Patriot Act, such Bank may be required to obtain, verify and record information that identifies the Company and the Guarantor, which information includes the name and address of the Company and the Guarantor and other information that will allow such Bank to identify the Company and the Guarantor in accordance with said Act.

SECTION 10.15 No Fiduciary Duty. The Administrative Agent, each Bank and their Affiliates (collectively, solely for purposes of this Section, the "Banks"), may have economic interests that conflict with those of the Company and the Guarantor, their respective stockholders and/or their affiliates. The Company agrees that nothing in the Credit Documents or otherwise will be deemed to create an advisory, fiduciary or agency relationship or fiduciary or other implied duty between any Bank, on the one hand, and the Company, its stockholders or its affiliates, on the other. The Company acknowledges and agrees that (i) the transactions contemplated by the Credit Documents (including the exercise of rights and remedies hereunder and thereunder) are arm's-length commercial transactions between the Banks, on the one hand, and the Company, on the other, and (ii) in connection therewith and with the process leading thereto, (x) no Bank has assumed an advisory or fiduciary responsibility in favor of the Company, its stockholders or its affiliates with respect to the transactions contemplated hereby (or the exercise of rights or remedies with respect thereto) or the process leading thereto (irrespective of whether any Bank has advised, is currently advising or will advise the Company, its stockholders or its Affiliates on other matters) or any other obligation to the Company except the obligations expressly set forth in the Credit Documents and (y) each Bank is acting solely as principal and not as the agent or fiduciary of the Company, its management, stockholders or creditors or any other Person. The Company acknowledges and agrees that the Company has consulted its own legal and financial advisors to the extent it deemed appropriate and that it is responsible for making its own independent judgment with respect to such transactions and the process leading thereto. The Company agrees that the Company will not claim that any Bank has rendered advisory services of any nature or respect, or owes a fiduciary or similar duty to it, in connection with such transaction or the process leading thereto.

SECTION 10.16 Acknowledgement and Consent to Bail-In of EEA Financial Institutions. Notwithstanding anything to the contrary in any Credit Document or in any other agreement, arrangement or understanding among any such parties, each party hereto and the Guarantor acknowledges that any liability of any EEA Financial Institution arising under any Credit Document may be subject to the write-down and conversion powers of an EEA Resolution Authority and agrees and consents to, and acknowledges and agrees to be bound by:

(a) the application of any Write-Down and Conversion Powers by an EEA Resolution Authority to any such liabilities arising hereunder which may be payable to it by any party hereto that is an EEA Financial Institution; and

(b) the effects of any Bail-In Action on any such liability, including, if applicable:

(i) a reduction in full or in part or cancellation of any such liability;

(ii) a conversion of all, or a portion of, such liability into shares or other instruments of ownership in such EEA Financial Institution, its parent entity, or a bridge institution that may be issued to it or otherwise conferred on it, and that such shares or other instruments of ownership will be accepted by it in lieu of any rights with respect to any such liability under this Agreement or any other Credit Document; or

(iii) the variation of the terms of such liability in connection with the exercise of the write-down and conversion powers of any EEA Resolution Authority.

[*Signature Pages Follow*]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

COMPANY:

BRIGHTHOUSE FINANCIAL, INC.

By: /s/ Jin Chang
Name: Jin Chang
Title: Treasurer

U.S. Federal Tax Identification No.: 81-3846992

Gragg Building
11225 North Community House Road
Charlotte, NC 28277
Attention: Jin Chang, Treasurer
Tel: (980) 949-4289
Fax: (980) 949-3934

BANKS:

JPMORGAN CHASE BANK, N.A., as Administrative Agent and as a Bank

By: /s/ James S. Mintzer
Name: James S. Mintzer
Title: Vice President

Address for Notices (for the Administrative Agent):

JPMorgan Chase Bank, N.A.
500 Stanton Christiana Road, NCC5, 1st Floor
Newark, DE, 19713
Attention: JPM Loan and Agency Services
Tel: (302) 634-1964
Fax: (302) 634-4733

BANK OF AMERICA, N.A.

By: /s/ Chris Choi
Name: Chris Choi
Title: Director

WELLS FARGO BANK, NATIONAL ASSOCIATION

By: /s/ Karen Hanke
Name: Karen Hanke
Title: Managing Director

SUMITOMO MITSUI BANKING CORPORATION

By: /s/ Alan Krouk
Name: Alan Krouk
Title: Managing Director

U.S. BANK NATIONAL ASSOCIATION

By: /s/ Bonnie S. Wiskowski
Name: Bonnie S. Wiskowski
Title: Vice President

GOLDMAN SACHS BANK USA

By: /s/ Ryan Durkin
Name: Ryan Durkin
Title: Authorized Signatory

HSBC BANK, NATIONAL ASSOCIATION

By: /s/ Jody T. Feldman
Name: Jody T. Feldman
Title: Director, Financial Institutions Group

MUFG UNION BANK, N.A.

By: /s/ Rick Adler
Name: Rick Adler
Title: Managing Director

MORGAN STANLEY SENIOR FUNDING, INC.

By: /s/ Michael King
Name: Michael King
Title: Vice President

BARCLAYS BANK PLC

By: /s/ Christopher Aitkin
Name: Christopher Aitkin
Title: Assistant Vice President

BNP PARIBAS

By: /s/ Michael Albanese
Name: Michael Albanese
Title: Managing Director

By: /s/ Nair P Raghu
Name: Nair P Raghu
Title: Vice President

CITIBANK, N.A.

By: /s/ Robert Chesley
Name: Robert Chesley
Title: Vice President and Managing Director

DEUTSCHE BANK AG NEW YORK BRANCH

By: /s/ Virginia Cosenza
Name: Virginia Cosenza
Title: Vice President

By: /s/ Ming K. Chu
Name: Ming K. Chu
Title: Director

EXHIBIT A

[Form of Note]

NOTE

New York, New York
____________, 20__

For value received, Brighthouse Financial, Inc. a Delaware corporation (the "Company"), promises to pay to (the "Bank"), for the account of its Applicable Lending Office, the unpaid principal amount of the Term Loan made by the Bank to the Company pursuant to the Term Loan Agreement referred to below on the date provided for in the Term Loan Agreement. The Company promises to pay interest on the unpaid principal amount of the Term Loan on the dates and at the rate or rates provided for in the Term Loan Agreement. All such payments of principal and interest shall be made in lawful money of the United States in Federal or other immediately available funds at the office of the Administrative Agent.

The Term Loan made by the Bank, the respective dates, amounts, types and the maturity thereof and all repayments of the principal thereof shall be recorded on its books by the Bank and, prior to any transfer hereof, appropriate notations to evidence the foregoing information with respect to the Term Loan then outstanding shall be endorsed by the Bank on the schedule attached hereto, or on a continuation of such schedule attached to and made a part hereof; provided that the failure of the Bank to make any such recordation or endorsement shall not affect the obligations of the Company hereunder or under the Term Loan Agreement.

This note is one of the Notes referred to in the Term Loan Agreement dated as of December 2, 2016 among the Company, the Banks party thereto and JPMorgan Chase Bank, N.A., as Administrative Agent (as the same may be amended, amended and restated or otherwise modified from time to time, the "Term Loan Agreement"). Terms defined in the Term Loan Agreement are used herein with the same meanings. Reference is made to the Term Loan Agreement for provisions for the prepayment hereof and the acceleration of the maturity hereof.

THIS NOTE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

[Signature Page Follows]

BRIGHTHOUSE FINANCIAL, INC.

By: ______________________________
Name:
Title:

Note (cont'd)

TERM LOAN AND PAYMENTS OF PRINCIPAL

Date	Amount of Term Loan	Type of Term Loan	Amount of Principal Repaid	Maturity Date	Notation Made By

EXHIBIT B

[Form of Assignment and Assumption]

ASSIGNMENT AND ASSUMPTION

This Assignment and Assumption (the "Assignment and Assumption") is dated as of the Effective Date set forth below and is entered into by and between [*Insert name of Assignor*] (the "Assignor") and [*Insert name of Assignee*] (the "Assignee"). Capitalized terms used but not defined herein shall have the meanings given to them in the Term Loan Agreement identified below (as amended, the "Term Loan Agreement"), receipt of a copy of which is hereby acknowledged by the Assignee. The Standard Terms and Conditions set forth in Annex 1 attached hereto are hereby agreed to and incorporated herein by reference and made a part of this Assignment and Assumption as if set forth herein in full.

For an agreed consideration, the Assignor hereby irrevocably sells and assigns to the Assignee, and the Assignee hereby irrevocably purchases and assumes from the Assignor, subject to and in accordance with the Standard Terms and Conditions and the Term Loan Agreement, as of the Effective Date inserted by the Administrative Agent as contemplated below (i) all of the Assignor's rights and obligations in its capacity as a Bank under the Term Loan Agreement and any other documents or instruments delivered pursuant thereto to the extent related to the amount and percentage interest identified below of all of such outstanding rights and obligations of the Assignor under the facility identified below and (ii) to the extent permitted to be assigned under applicable law, all claims, suits, causes of action and any other right of the Assignor (in its capacity as a Bank) against any Person, whether known or unknown, arising under or in connection with the Term Loan Agreement, any other documents or instruments delivered pursuant thereto or the credit transactions governed thereby or in any way based on or related to any of the foregoing, including contract claims, tort claims, malpractice claims, statutory claims and all other claims at law or in equity related to the rights and obligations sold and assigned pursuant to clause (i) above (the rights and obligations sold and assigned pursuant to clauses (i) and (ii) above being referred to herein collectively as the "Assigned Interest"). Such sale and assignment is without recourse to the Assignor and, except as expressly provided in this Assignment and Assumption, without representation or warranty by the Assignor.

1. Assignor:	______________________________
2. Assignee:	[and is an Affiliate of [*identify Bank*]]
4. Administrative Agent:	JP Morgan Chase Bank, N.A., as the administrative agent under the Term Loan Agreement
5. Term Loan Agreement:	Term Loan Agreement dated as of December 2, 2016 between Brighthouse Financial, Inc., the Banks party thereto and JPMorgan Chase Bank, N.A., as Administrative Agent
6. Assigned Interest:	

Facility Assigned	Aggregate Amount of Term Loan/ [undrawn Commitments] for all Banks	Amount of Term Loan / [undrawn Commitment] Assigned	Percentage Assigned of Term Loan / [undrawn Commitment]
	$	$	%
	$	$	%
	$	$	%

Effective Date: , 20 [TO BE INSERTED BY ADMINISTRATIVE AGENT AND WHICH SHALL BE THE EFFECTIVE DATE OF RECORDATION OF TRANSFER IN THE REGISTER THEREFOR.]

The terms set forth in this Assignment and Assumption are hereby agreed to:

ASSIGNOR

[NAME OF ASSIGNOR]

By: ______________________________
Name:
Title:

ASSIGNEE

[NAME OF ASSIGNEE]

By: ______________________________
Name:
Title:

[Consented to] and Accepted:

JPMORGAN CHASE BANK, N.A., as Administrative Agent

By ______________________________________
Name:
Title:

[Consented to:]

BRIGHTHOUSE FINANCIAL, INC.

By ______________________________________
Name:
Title:

STANDARD TERMS AND CONDITIONS FOR

ASSIGNMENT AND ASSUMPTION

1. Representations and Warranties.

1.1 Assignor. The Assignor (a) represents and warrants that (i) it is the legal and beneficial owner of the Assigned Interest, (ii) the Assigned Interest is free and clear of any lien, encumbrance or other adverse claim and (iii) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and Assumption and to consummate the transactions contemplated hereby; and (b) assumes no responsibility with respect to (i) any statements, warranties or representations made in or in connection with the Term Loan Agreement, (ii) the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Term Loan Agreement or any collateral thereunder, (iii) the financial condition of the Company, any of its Subsidiaries or Affiliates or any other Person obligated in respect of the Term Loan Agreement or (iv) the performance or observance by the Company, any of its Subsidiaries or Affiliates or any other Person of any of their respective obligations under the Term Loan Agreement.

1.2 Assignee. The Assignee (a) represents and warrants that (i) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and Assumption and to consummate the transactions contemplated hereby and to become a Bank under the Term Loan Agreement, (ii) it satisfies the requirements, if any, specified in the Term Loan Agreement that are required to be satisfied by it in order to acquire the Assigned Interest and become a Bank, (iii) from and after the Effective Date, it shall be bound by the provisions of the Term Loan Agreement as a Bank thereunder and, to the extent of the Assigned Interest, shall have the obligations of a Bank thereunder, (iv) it has received a copy of the Term Loan Agreement, together with copies of the most recent financial statements delivered pursuant to Section 5.01 thereof, as applicable, and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Assignment and Assumption and to purchase the Assigned Interest on the basis of which it has made such analysis and decision independently and without reliance on the Administrative Agent or any other Bank, and (v) if it is a Bank that is not incorporated under the laws of the United States of America or any state thereof, attached to this Assignment and Assumption is any documentation required to be delivered by it pursuant to the terms of the Term Loan Agreement, duly completed and executed by the Assignee; and (b) agrees that (i) it will, independently and without reliance on the Administrative Agent, the Assignor or any other Bank, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Term Loan Agreement, and (ii) it will perform in accordance with their terms all of the obligations which by the terms of the Term Loan Agreement are required to be performed by it as a Bank.

2. Payments. From and after the Effective Date, the Administrative Agent shall make all payments in respect of the Assigned Interest (including payments of reimbursement obligations, interest, fees and other amounts) to the Assignor for amounts which have accrued to but excluding the Effective Date and to the Assignee for amounts which have accrued from and after the Effective Date.

3. General Provisions. This Assignment and Assumption shall be binding upon, and inure to the benefit of, the parties hereto and their respective successors and assigns. This Assignment and Assumption may be executed in any number of counterparts, which together shall constitute one instrument. Delivery of an executed counterpart of a signature page of this Assignment and Assumption by telecopy shall be effective as delivery of a manually executed counterpart of this Assignment and Assumption. This Assignment and Assumption shall be governed by, and construed in accordance with, the law of the State of New York.

EXHIBIT C

[Form of Guaranty]

Please see attached.

GUARANTY

[______], 201[__]

FOR VALUE RECEIVED, the sufficiency of which is hereby acknowledged, and in consideration of credit and/or financial accommodation heretofore or hereafter from time to time made or granted to **BRIGHTHOUSE FINANCIAL, INC.** (the "Borrower") by **JPMORGAN CHASE BANK, N.A.** ("JPMorgan"), as administrative agent (the "Administrative Agent") and the banks (the "Banks") from time to time party to that certain Term Loan Agreement, dated as of December 2, 2016 (as amended, restated, amended and restated, supplemented or otherwise modified in effect from time to time, the "Term Loan Agreement"; capitalized terms used herein without definition shall have the definitions set forth therein), by and among the Borrower, the Banks, and JPMorgan, as Administrative Agent, the undersigned (the "Guarantor") hereby furnishes its guaranty to the Administrative Agent, for the benefit of itself and the Banks, as follows:

1. Guaranty. The Guarantor hereby unconditionally and irrevocably guarantees to Administrative Agent, for the benefit of itself and the Banks, the full and prompt payment when due, whether at stated maturity, by required prepayment, upon acceleration, demand or otherwise, and at all times thereafter, of the Guaranteed Obligations (as hereafter defined) and the punctual performance of all of the terms contained in the Credit Documents and other documents executed by the Borrower in favor of Administrative Agent and the Banks in connection with the Guaranteed Obligations. This Guaranty is a guaranty of payment and performance and is not merely a guaranty of collection. As used herein, the term "Guaranteed Obligations" means the Obligations and any and all existing and future indebtedness, obligations, and liabilities of every kind, nature and character, direct or indirect, absolute or contingent, liquidated or unliquidated, voluntary or involuntary and whether for principal, interest, premiums, fees, indemnities, damages, costs, expenses or otherwise, of the Borrower under the Term Loan Agreement and the other Credit Documents (including all renewals, extensions, amendments, refinancings and other modifications thereof and all costs, attorneys' fees and expenses incurred by the Administrative Agent and any other Bank in connection with the collection or enforcement thereof to the same extent required to be paid by the Borrower pursuant to the terms of the Credit Documents). Without limiting the generality of the foregoing, the Guaranteed Obligations shall include any such indebtedness, obligations, and liabilities which may be or hereafter become unenforceable or shall be an allowed or disallowed claim under any proceeding or case commenced by or against the Guarantor or the Borrower under the Bankruptcy Code (Title 11, United States Code), any successor statute or any other liquidation, conservatorship, bankruptcy, assignment for the benefit of creditors, moratorium, rearrangement, receivership, insolvency, reorganization, or similar debtor relief laws of the United States or other applicable jurisdictions from time to time in effect and affecting the rights of creditors generally (collectively, "Debtor Relief Laws"), and shall include interest that accrues after the commencement by or against the Borrower or the Guarantor of any proceeding under any Debtor Relief Laws. Anything contained herein to the contrary notwithstanding, the obligations of the Guarantor hereunder at any time shall be limited to an aggregate amount equal to the largest amount that would not render its obligations hereunder subject to avoidance as a fraudulent transfer or conveyance under Section 548 of the Bankruptcy Code (Title 11, United States Code) or any comparable provisions of any similar federal or state law.

2. No Setoff or Deductions; Taxes; Payments. The Guarantor shall make all payments hereunder without setoff or counterclaim and free and clear of and without deduction for any taxes, levies, imposts, duties, charges, fees, deductions, withholdings, compulsory loans, restrictions or conditions of any nature now or hereafter imposed or levied by any jurisdiction or any political subdivision thereof or taxing or other authority therein unless the Guarantor is compelled by law to make such deduction or withholding. With respect to any payments made pursuant to this Guaranty, the provisions of Section 8.05 of the Term Loan Agreement (and all defined terms contained therein) shall apply *mutatis mutandis*, substituting references to the "Company" for references to the "Guarantor" as appropriate. The obligations of the Guarantor under this paragraph shall survive the payment in full of the Guaranteed Obligations and termination of this Guaranty.

3. Rights of the Administrative Agent and the Banks. The Guarantor consents and agrees that the Administrative Agent may, at any time and from time to time, without notice or demand, and without affecting the enforceability or continuing effectiveness hereof, (a) amend, extend, renew, compromise, discharge, accelerate or otherwise change the time for payment or the terms of the Guaranteed Obligations or any part thereof, (b) take, hold, exchange, enforce, waive, release, fail to perfect, sell, or otherwise dispose of any security for the payment of this Guaranty or any Guaranteed Obligations; (c) apply such security and direct the order or manner of sale thereof as the Lender in its sole discretion may determine; and (d) release or substitute one or more of any endorsers or other guarantors of any of the Guaranteed Obligations. Without limiting the generality of the foregoing, the Guarantor consents to the taking of, or failure to take, any action which might in any manner or to any extent vary the risks of the Guarantor under this Guaranty or which, but for this provision, might operate as a discharge of the Guarantor. The provisions of this Section 3 shall not derogate from any approval or consent rights the Borrower may have with respect to any matters referenced herein.

4. Certain Waivers. The Guarantor waives to the fullest extent permitted by law (a) any defense arising by reason of any disability or other defense of the Borrower or any other guarantor, or the cessation from any cause whatsoever (including any act or omission of the Administrative Agent or any other Bank) of the liability of the Borrower; (b) any defense based on any claim that the Guarantor's obligations exceed or are more burdensome than those of the Borrower; (c) the benefit of any statute of limitations affecting the Guarantor's liability hereunder; (d) any right to require the Administrative Agent or any Bank to proceed against the Borrower, proceed against or exhaust any security for the Guaranteed Obligations, or pursue any other remedy in the Lender 's power whatsoever and any defense based upon the doctrines of marshalling of assets or of election of remedies; (e) any benefit of and any right to participate in any security now or hereafter held by the Administrative Agent or any Bank; (f) any fact or circumstance related to the Guaranteed Obligations which might otherwise constitute a defense to the obligations of the Guarantor under this Guaranty; and (g) any and all other defenses or benefits that may be derived from or afforded by applicable law limiting the liability of or exonerating guarantors or sureties, other than the defense that the Guaranteed Obligations have been fully performed and indefeasibly paid in full in cash.

The Guarantor expressly waives all presentments, demands for payment or performance, notices of nonpayment or nonperformance, protests, notices of protest, notices of dishonor and all other notices or demands of any kind or nature whatsoever with respect to the Guaranteed Obligations, and all notices of acceptance of this Guaranty or of the existence, creation or incurrence of new or additional Guaranteed Obligations. This Guaranty shall not be affected by the genuineness, validity, regularity or enforceability of the Guaranteed Obligations, or any instrument or agreement evidencing any Guaranteed Obligations, or by the existence, validity, enforceability, perfection, non-perfection or extent of any collateral therefor, or by any fact or circumstance relating to the Guaranteed Obligations which might otherwise constitute a defense to the obligations of the Guarantor under this Guaranty, and the Guarantor hereby irrevocably waives any defenses it may now have or hereafter acquire in any way relating to any or all of the foregoing.

5. Obligations Independent. The obligations of the Guarantor hereunder are those of primary obligor, and not merely as surety, and are independent of the Guaranteed Obligations and the obligations of any other guarantor, and a separate action may be brought against the Guarantor to enforce this Guaranty whether or not the Borrower or any other person or entity is joined as a party.

6. Subrogation. The Guarantor shall not exercise any right of subrogation, contribution, indemnity, reimbursement or similar rights with respect to any payments it makes under this Guaranty until all of the Guaranteed Obligations and any amounts payable under this Guaranty have been indefeasibly paid and performed in full and any commitments of the Banks and facilities provided by the Banks with respect to the Guaranteed Obligations are terminated. If any amounts are paid to the Guarantor in violation of the foregoing limitation, then such amounts shall be held in trust for the benefit of the Banks and shall forthwith be paid to the Administrative Agent for the benefit of the Banks to reduce the amount of the Guaranteed Obligations, whether matured or unmatured.

7. Termination; Reinstatement. This Guaranty is a continuing and irrevocable guaranty of all Guaranteed Obligations now or hereafter existing and shall remain in full force and effect until all Guaranteed Obligations and any other amounts payable under this Guaranty are paid in full in cash (other than contingent obligations as to which no claim has yet been made) and any commitments of the Lender or facilities provided by the Lender with respect to the Guaranteed Obligations are terminated, at which time this Guaranty shall automatically terminate and be released, unless released by the Administrative Agent as set forth in Section 7.12 of the Term Loan Agreement. Notwithstanding the foregoing, this Guaranty shall continue in full force and effect or be revived, as the case may be, if any payment by or on behalf of the Borrower or the Guarantor is made, or the Administrative Agent or any other Bank exercises its right of setoff, in respect of the Guaranteed Obligations and such payment or the proceeds of such setoff or any part thereof is subsequently invalidated, declared to be fraudulent or preferential, set aside or required (including pursuant to any settlement entered into by the Administrative Agent or any other Bank in its discretion) to be repaid to a trustee, receiver or any other party, in connection with any proceeding under any Debtor Relief Laws or otherwise, all as if such payment had not been made or such setoff had not occurred and whether or not the Administrative Agent or any other Bank is in possession of or has released this Guaranty and regardless of any prior revocation, rescission, termination or reduction. The obligations of the Guarantor under this paragraph shall survive termination of this Guaranty.

8. Subordination. The Guarantor hereby subordinates the payment of all obligations and indebtedness of the Borrower owing to the Guarantor, whether now existing or hereafter arising, including but not limited to any obligation of the Borrower to the Guarantor as subrogee of the Administrative Agent or any other Bank or resulting from the Guarantor's performance under this Guaranty, to the payment in full in cash of all Guaranteed Obligations (other than contingent obligations as to which no claim has yet been made). If the Administrative Agent so requests, any such obligation or indebtedness of the Borrower to the Guarantor shall be enforced and performance received by the Guarantor as trustee for the Banks and the proceeds thereof shall be paid over to the Administrative Agent for the benefit of the Banks on account of the Guaranteed Obligations, but without reducing or affecting in any manner the liability of the Guarantor under this Guaranty.

9. Stay of Acceleration. In the event that acceleration of the time for payment of any of the Guaranteed Obligations is stayed, in connection with any case commenced by or against the Guarantor or the Borrower under any Debtor Relief Laws, or otherwise, all such amounts shall nonetheless be payable by the Guarantor immediately upon demand by the Administrative Agent

10. Expenses. The Guarantor shall pay on demand to the Administrative Agent all reasonable and document out-of-pocket expenses (including reasonable and documented attorneys' fees and disbursements of one firm of outside counsel to the Administrative Agent and the Banks, taken as whole, unless there is a conflict of interest among such parties in which case expenses shall include the reasonable and documented fees and disbursements of nor more than such number of counsel necessary to represent such conflicting interests) in any way relating to the enforcement or protection of the Administrative Agent or the other Bank's rights under this Guaranty or in respect of the Guaranteed Obligations, including any incurred during any "workout" or restructuring in respect of the Guaranteed Obligations and any incurred in the preservation, protection or enforcement of any rights of the Administrative Agent or any other Bank in any proceeding under any Debtor Relief Laws. The obligations of the Guarantor under this paragraph shall survive the payment in full of the Guaranteed Obligations and termination of this Guaranty.

11. Miscellaneous. The Administrative Agent and each other Bank's books and records showing the amount of the Guaranteed Obligations shall be admissible in evidence in any action or proceeding, and shall be binding upon the Guarantor and conclusive, absent manifest error, for the purpose of establishing the amount of the Guaranteed Obligations. No provision of this Guaranty may be waived, amended, supplemented or modified, except by a written instrument executed by the Administrative Agent and the Guarantor. No failure by the Administrative Agent or any other Bank to exercise, and no delay in exercising, any right, remedy or power hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any right, remedy or power hereunder preclude any other or further exercise thereof or the exercise of any other right, power or remedy. The remedies herein provided are cumulative and not exclusive of any remedies provided by law or in equity. The unenforceability or invalidity of any provision of this Guaranty shall not affect the enforceability or validity of any other provision herein. Unless otherwise agreed by the Administrative Agent and the Guarantor in writing, this Guaranty is not intended to supersede or otherwise affect any other guaranty now or hereafter given by the Guarantor for the benefit of the Administrative Agent or any other Bank or any term or provision thereof.

12. Condition of Borrower. The Guarantor acknowledges and agrees that it has the sole responsibility for, and has adequate means of, obtaining from the Borrower and any other guarantor such information concerning the financial condition, business and operations of the Borrower and any such other guarantor as the Guarantor requires, and that the Administrative Agent and the Banks have no duty, and the Guarantor is not relying on the Administrative Agent or the Banks at any time, to disclose to the Guarantor any information relating to the business, operations or financial condition of the Borrower or any other guarantor (the guarantor waiving any duty on the part of the Administrative Agent or the Banks to disclose such information and any defense relating to the failure to provide the same).

13. Setoff. The Guarantor agrees that, in addition to (and without limitation of) any right of setoff, banker's lien or counterclaim the Administrative Agent or any other Bank may otherwise have, the Administrative Agent or any other Bank shall be entitled, at their respective option, to offset balances (general or special, time or demand, provisional or final) held by it for the account of the Guarantor at any of the Administrative Agent's or such other Bank's offices, in U.S. dollars or in any other currency, against any amount payable by the Guarantor under this Guaranty which is not paid when due (regardless of whether such balances are then due to the Guarantor), in which case it shall promptly notify the Guarantor thereof; provided that the Administrative Agent or such other Bank's failure to give such notice shall not affect the validity thereof.

14. Representations and Warranties. The Guarantor hereby makes each of the representations and warranties set forth in the Term Loan Agreement expressly applicable to the Guarantor at each time and on each date such forth therein.

15. Indemnification and Survival. The Guarantor shall be subject to the indemnification provisions of Section 10.03 of the Term Loan Agreement to the same extent the Borrower is subject thereto, substituting references therein to the "Company" with references to the "Guarantor" as appropriate.

16. GOVERNING LAW; Assignment; Jurisdiction; Notices. THIS GUARANTY AND ANY CLAIMS, CONTROVERSY, DISPUTE OR CAUSE OF ACTION (WHETHER IN CONTRACT OR TORT OR OTHERWISE) BASED UPON, ARISING OUT OF OR RELATING TO THIS GUARANTY SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE INTERNAL LAWS OF THE STATE OF NEW YORK. This Guaranty shall (a) bind the Guarantor and its successors and assigns, provided that the Guarantor may not assign its rights or obligations under this Guaranty without the prior written consent of the Administrative Agent (and any attempted assignment without such consent shall be void), and (b) inure to the benefit of the Administrative Agent and the Banks and their successors and assigns and the Administrative Agent and the Banks may, without notice to the Guarantor and without affecting the Guarantor's obligations hereunder, assign, sell or grant participations in the Guaranteed Obligations and this Guaranty, in whole or in part. The Guarantor hereby irrevocably (i) submits to the exclusive jurisdiction of any United States Federal or State court sitting in the State of New York, City of New York in any action or proceeding arising out of or relating to this Guaranty, and (ii) waives to the fullest extent permitted by law any defense asserting an inconvenient forum in connection therewith. Service of process by the Administrative Agent in connection with such action or proceeding shall be binding on the Guarantor if sent to the Guarantor by registered or certified mail at its address specified below or such other address as from time to time notified by the Guarantor. The Guarantor agrees that the Administrative Agent and the Banks may disclose to any assignee of or participant in, or any prospective assignee of or participant in, any of its rights or obligations of all or part of the Guaranteed Obligations any and all information in the Administrative Agent or any other Bank's possession concerning the Guarantor, this Guaranty and any security for this Guaranty. All notices and other communications to the Guarantor under this Guaranty shall be in writing and shall be delivered by hand or overnight courier service, mailed by certified or registered mail or sent by telecopier to the Guarantor at its address set forth below or at such other address in the United States as may be specified by the Guarantor in a written notice delivered to the Administrative Agent at such office as the Administrative Agent may designate for such purpose from time to time in a written notice to the Guarantor.

17. WAIVER OF JURY TRIAL; FINAL AGREEMENT. TO THE EXTENT ALLOWED BY APPLICABLE LAW, THE GUARANTOR AND THE ADMINISTRATIVE AGENT EACH HEREBY IRREVOCABLY WAIVES ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS GUARANTY, THE GUARANTEED OBLIGATIONS OR THE TRANSACTIONS CONTEMPLATED HEREBY. THIS GUARANTY REPRESENTS THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS BETWEEN THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

18. Counterparts; Integration; Effectiveness. This Guaranty may be executed in counterparts (and by different parties hereto in different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. This Guaranty and the other Credit Documents constitute the entire contract among the parties relating to the subject matter hereof and supersede any and all previous agreements and understandings, oral or written, relating to the subject matter hereof. Delivery of an executed counterpart of a signature page to this Guaranty by facsimile or other electronic imaging means (e.g. "pdf" or "tif") shall be effective as delivery of a manually executed counterpart of this Guaranty.

19. Credit Document Terms. The Guarantor shall at all times comply with the terms and provisions of the Term Loan Agreement which are expressly applicable to the Guarantor therein.

[*Signature Page Follows*]

Executed by the undersigned as of the date first set forth above.

BRIGHTHOUSE HOLDINGS, LLC

By: ________________________________

Name:

Title:

Schedule I - Commitments

Banks	Commitment ($)
JPMorgan Chase Bank, N.A.	$ 400,000,000
Bank of America, N.A.	$ 400,000,000
Wells Fargo Bank, National Association	$ 400,000,000
Sumitomo Mitsui Banking Corporation	$ 325,000,000
U.S. Bank National Association	$ 275,000,000
Goldman Sachs Bank USA	$ 275,000,000
HSBC Bank USA, National Association	$ 250,000,000
MUFG Union Bank N.A.	$ 137,500,000
Morgan Stanley Senior Funding Inc.	$ 137,500,000
Barclays Bank PLC	$ 100,000,000
BNP Paribas	$ 100,000,000
Citibank, N.A.	$ 100,000,000
Deutsche Bank AG New York Branch	$ 100,000,000
TOTAL COMMITMENTS	$3,000,000,000

Schedule II

[Reserved]

Schedule III – Material Subsidiaries

Name	Jurisdiction	Type
Brighthouse Holdings, LLC	Delaware	Limited Liability Company
MetLife Insurance Company USA	Delaware	Corporation
Brighthouse Reinsurance Company of Delaware	Delaware	Corporation

Schedule IV – Hybrid Instruments

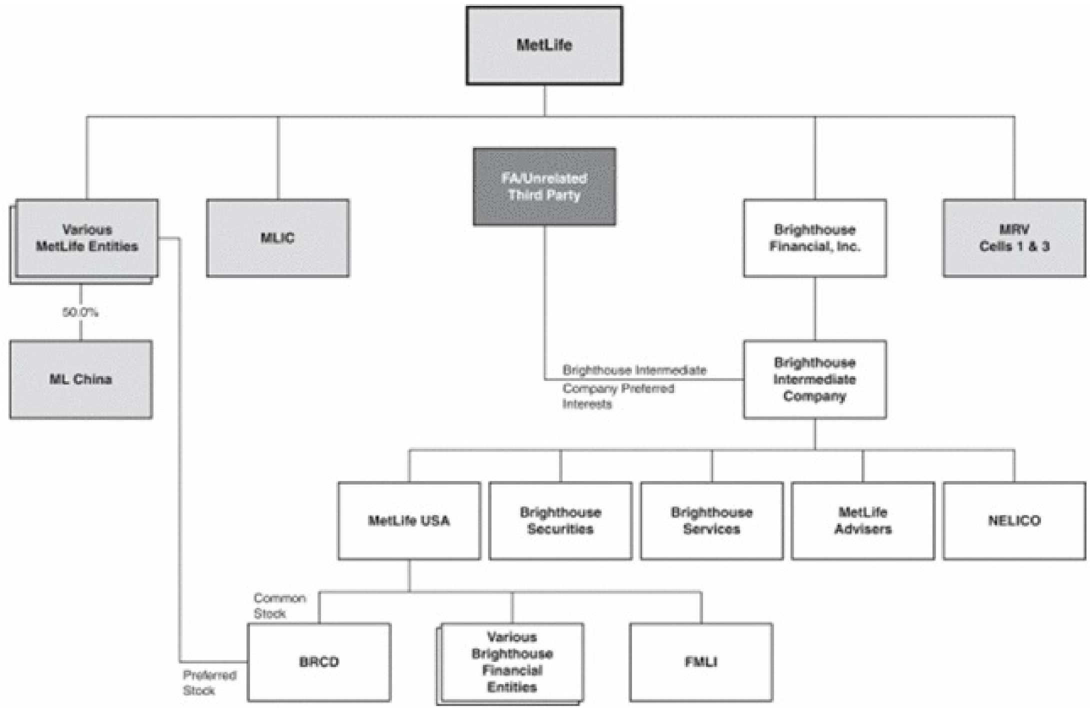
None.

Schedule V

[Reserved]

Schedule VI – Restructuring Transaction

Structure after giving effect to the Restructuring Transaction and prior to consummation of the Spin-Off Transaction:



Schedule VII – Spin-Off Transaction

Structure after giving effect to the Spin-Off Transaction:

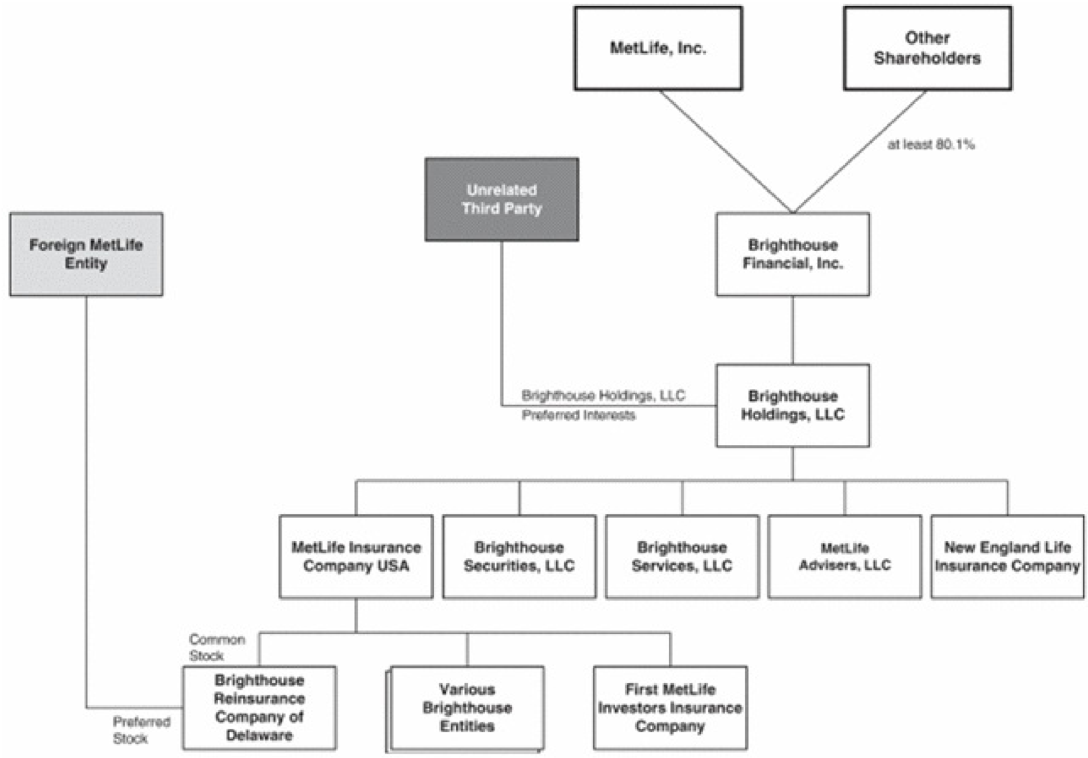


Exhibit 99.1

Information contained herein is subject to completion or amendment. A Registration Statement on Form 10 relating to these securities has been filed with the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended.

Preliminary Information Statement
(Subject to completion, dated December 5, 2016)

Information Statement

Distribution of Common Stock of

BRIGHTHOUSE FINANCIAL, INC.

We are sending you this information statement in connection with the separation of Brighthouse Financial, Inc. from MetLife, Inc. To effect the separation, MetLife will distribute at least 80.1% of the shares of Brighthouse's common stock on a *pro rata* basis to the holders of MetLife common stock. We expect that the distribution of Brighthouse common stock will be tax-free to MetLife's U.S. shareholders for U.S. federal income tax purposes, except for cash that shareholders receive in lieu of fractional shares.

If you are a record holder of MetLife common stock as of 5:00 p.m., New York City time on [●], which is the record date for the distribution, you will be entitled to receive [●] shares of Brighthouse common stock for every [●] shares of MetLife common stock you hold on that date. MetLife will distribute the shares of Brighthouse common stock in book-entry form, which means that we will not issue physical stock certificates. The distribution agent will not distribute any fractional shares of Brighthouse common stock. Instead, the distribution agent will aggregate fractional shares into whole shares, sell the whole shares in the open market at prevailing market prices and distribute the aggregate cash proceeds of the sales, net of brokerage fees and other costs, *pro rata*, to each holder (net of any required withholding for taxes applicable to each holder) who would otherwise have been entitled to receive a fractional share in the distribution.

The distribution will be effective as of 5:00 p.m., New York City time, on [●]. After the distribution becomes effective, we will be a separate, publicly traded company.

MetLife's shareholders are not required to vote on or take any other action in connection with the distribution. We are not asking you for a proxy, and you are requested not to send us a proxy.

MetLife's shareholders will not be required to pay any consideration for the shares of Brighthouse common stock they receive in the distribution, surrender or exchange their shares of MetLife common stock or take any other action in connection with the separation.

MetLife currently owns all of the outstanding shares of Brighthouse common stock. Until the distribution occurs, MetLife will have the sole and absolute discretion to determine and change the terms of the distribution, including establishing the record date for the distribution and the distribution date, as well as to reduce the number of shares of common stock it will retain, if any, following the distribution.

No trading market for Brighthouse common stock currently exists. We intend to list Brighthouse common stock on the New York Stock Exchange ("*NYSE*") under the symbol "BHF". Assuming the Brighthouse common stock is approved for listing, we anticipate that a limited trading market for Brighthouse common stock, commonly known as a "when-issued" trading market, will develop on or shortly before the record date for the distribution and will continue up to and including the date of the distribution. We anticipate "regular-way" trading of Brighthouse common stock will begin on the first trading day after the distribution date.

In reviewing this information statement, you should carefully consider the matters described in the section entitled "Risk Factors" beginning on page 29 of this information statement.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved these securities or determined if this information statement is truthful or complete. Any representation to the contrary is a criminal offense.

This information statement is not an offer to sell, or a solicitation of an offer to buy, any securities.

The date of this information statement is [●].

MetLife first mailed a Notice of Internet Availability of Information Statement Materials containing instructions on how to access this information statement to its shareholders on or about [●].

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NOTE REGARDING FORWARD-LOOKING STATEMENTS

This information statement may contain information that includes or is based upon forward-looking statements. Forward-looking statements give expectations or forecasts of future events. These statements can be identified by the fact that they do not relate strictly to historical or current facts. They use words such as “anticipate,” “estimate,” “expect,” “project,” “intend,” “plan,” “believe” and other words and terms of similar meaning, or are tied to future periods, in connection with a discussion of future operating or financial performance. In particular, these include statements relating to future actions, statements regarding the separation and distribution, including the timing and expected benefits thereof, the formation of Brighthouse and the recapitalization actions, including receiving required regulatory approvals and the timing and expected benefits thereof, 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 Brighthouse, 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 due to a variety of known and unknown risks, uncertainties and other factors. Although it is not possible to identify all of these risks and factors, they include, among others:

- risks relating to the formation of Brighthouse and our recapitalization;
- the timing of the separation and the distribution, whether the conditions to the distribution will be met, whether the separation and the distribution will be completed, and whether the distribution will qualify for non-recognition treatment for U.S. federal income tax purposes and potential indemnification to MetLife if the distribution does not so qualify;

- the impact of the separation on our business and profitability due to MetLife's strong brand and reputation, the increased costs related to replacing arrangements with MetLife with those of third-parties and incremental costs as a public company;
- whether the operational, strategic and other benefits of the separation can be achieved, and our ability to implement our business strategy;
- our degree of leverage following the separation due to indebtedness incurred in connection with the separation;
- differences between actual experience and reserving assumptions;
- higher risk management costs and exposure to increased counterparty risk due to guarantees within certain of our products;
- the effectiveness of our proposed exposure management strategy, and the timing of its implementation and the impact of such strategy on net income volatility and negative effects on our statutory capital;
- a sustained period of low equity market prices and interest rates that are lower than those we assumed when we issued our variable annuity products;
- the effect adverse capital and credit market conditions may have on our ability to meet liquidity needs and our access to capital;
- the impact of regulatory, legislative or tax changes on our insurance business or other operations;
- the effectiveness of our risk management policies and procedures;
- heightened competition, including with respect to service, product features, scale, price, actual or perceived financial strength, claims-paying ratings, credit ratings, e-business capabilities and name recognition;
- changes in accounting standards, practices and/or policies applicable to us;
- the ability of our insurance subsidiaries to pay dividends to us, and our ability to pay dividends to our shareholders;
- our ability to market and distribute our products through distribution channels; and
- our ability to attract and retain key personnel.

For the reasons described above, we caution you against relying on any forward-looking statements, which should also be read in conjunction with the other cautionary statements included and the risks, uncertainties and other factors identified elsewhere in this information statement, including in the section entitled "Risk Factors." Further, any forward-looking statement speaks only as of the date on which it is made, and we undertake no obligation to update or revise any forward-looking statement to reflect events or circumstances after the date on which the statement is made or to reflect the occurrence of unanticipated events, except as otherwise may be required by law.

MARKET DATA

In this information statement, we present certain market and industry data and statistics. This information is based on third-party sources which we believe to be reliable. Market ranking information is generally based on industry surveys and therefore the reported rankings reflect the rankings only of those companies who voluntarily participate in these surveys. Accordingly, our market ranking among all competitors may be lower than the market ranking set forth in such surveys. In some cases, we have supplemented these third-party survey rankings with our own information, such as where we believe we know the market ranking of particular companies who do not participate in the surveys.

TRADEMARKS, SERVICE MARKS AND COPYRIGHTS

We own or have rights to trademarks, service marks or trade names that we use in connection with the operation of our business. In addition, our names, logos and website names and addresses are our service marks or trademarks. Other trademarks, service marks and trade names appearing in this offering memorandum are the property of their respective owners. We also own or have the rights to copyrights that protect the content of our products. Solely for convenience, the trademarks, service marks, tradenames and copyrights referred to in this offering memorandum are listed without the ©, ® and ™ symbols, but we will assert, to the fullest extent under applicable law, our rights or the rights of the applicable licensors to these trademarks, service marks and tradenames.

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SUMMARY

This summary highlights selected information from this information statement and provides an overview of Brighthouse, our separation from MetLife and MetLife's distribution of our common stock to MetLife's shareholders. For a more complete understanding of our business and the distribution, you should read the entire information statement carefully, particularly the discussion of "Risk Factors" beginning on page 29 of this information statement, Management's Discussion and Analysis of Financial Condition and Results of Operations, and our audited historical combined and unaudited historical condensed combined financial statements and the notes to those financial statements appearing elsewhere in this information statement.

We use the following terms to refer to the items indicated:

- "*the Company*," "*we*," "*our*" and "*us*" refer to Brighthouse, the entity that at the time of the distribution will hold, through its subsidiaries, the assets (including the equity interests of certain MetLife subsidiaries) and liabilities associated with MetLife's Brighthouse Financial segment;
- "*Brighthouse*" refers to Brighthouse Financial, Inc., a Delaware corporation, and, where appropriate in context, to one or more of its subsidiaries, or all of them taken as a whole;
- "*MetLife*" refers to MetLife, Inc., a Delaware corporation, and, where appropriate in context, to one or more of its subsidiaries, or all of them taken as a whole;
- the term "*separation*" refers to the separation of MetLife's Brighthouse Financial segment from MetLife's other businesses and the creation of a separate, publicly traded company, Brighthouse, to hold the assets (including the equity interests of certain MetLife subsidiaries) and liabilities associated with MetLife's Brighthouse Financial segment from and after the distribution;
- the term "*distribution*" refers to the distribution of at least 80.1% of the shares of Brighthouse common stock outstanding immediately prior to the distribution date by MetLife to shareholders of MetLife as of the record date;
- the term "*distribution date*" means the date on which the distribution occurs, and we expect the separation to occur on such date as well.

Prior to MetLife's distribution of the shares of our common stock to its shareholders, MetLife will undertake a series of transactions described under "Formation of Brighthouse and the Restructuring" and "Certain Relationships and Related Person Transactions" (the "*restructuring*"). In the third quarter of 2016, MetLife reorganized its businesses into six segments: U.S.; Asia; Latin America; Europe, the Middle East and Africa ("*EMEA*"); MetLife Holdings; and Brighthouse Financial. In addition, MetLife will continue to report certain of its results of operations in Corporate & Other. Following the restructuring:

- MetLife will conduct the following businesses:
    - the remaining portions of MetLife's former Retail segment, which MetLife does not plan to separate and include in Brighthouse, which will include the life and annuity business sold through Metropolitan Life Insurance Company ("*MLIC*"), General American Life Insurance Company ("*GALIC*") and Metropolitan Tower Life Insurance Company ("*MTL*"), including the MLIC pre-demutualization closed block. These businesses are reflected in its MetLife Holdings segment that consists of operations relating to products and businesses no longer actively marketed by MetLife in the United States. The MetLife Holdings segment also includes the long-term care business, formerly reported as part of Metlife's Group, Voluntary & Worksite Benefit ("*GVWB*") segment, and the reinsurance treaty relating to MetLife's former Japan joint venture, previously reported in Corporate & Other;
    - the Property & Casualty business, the Retirement & Income Solutions business (formerly known as MetLife's Corporate Benefit Funding segment) and the Group Benefits business (consisting of

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the remaining components of the GVWB segment, including the individual disability insurance business previously reported in MetLife's former Retail segment), which are reflected in its U.S. segment;

- the U.S. Direct business, previously reported as part of MetLife's Latin America segment, which was disaggregated and is reported in its U.S. segment and in Corporate & Other; and
- its Asia and EMEA segments.

- we will conduct our business principally through the following life insurance company subsidiaries of MetLife as well as several other legal entities which support the issuance, sale and marketing of our life insurance and annuity products:
  - MetLife Insurance Company USA ("*MetLife USA*"), our largest insurance operating company, domiciled in Delaware and licensed to write business in 49 states;
  - New England Life Insurance Company ("*NELICO*"), domiciled in Massachusetts and licensed to write business in all 50 states; and
  - First MetLife Investors Insurance Company ("*FMLI*"), domiciled in New York and licensed to write business in New York, which is expected to be a subsidiary of MetLife USA.

In addition, certain specified assets and liabilities will be allocated between MetLife and us as described under "Formation of Brighthouse and the Restructuring" and "Certain Relationships and Related Person Transactions."

Our Company

We are a major provider of life insurance and annuity products in the United States with $241 billion of total assets and shareholder's net investment of $15.7 billion, as of September 30, 2016, and approximately $630 billion of life insurance face amount in-force as of December 31, 2015. Our in-force book of products consists of approximately 2.8 million insurance policies and annuity contracts as of September 30, 2016, which includes variable, fixed, index-linked and income annuities, variable life, universal life, term life and whole life insurance policies. We offer our products solely in the United States through multiple independent distribution channels and marketing arrangements with a diverse network of distribution partners.

Our Background and Overview

Prior to the distribution, the companies that will become our subsidiaries were wholly owned by MetLife, a global insurance holding company with a corporate history beginning in 1868. MetLife USA, which will be our largest operating subsidiary, was formed in November 2014 through the merger of three affiliated life insurance companies and a former offshore, internal reinsurance subsidiary that mainly reinsured guarantees associated with variable annuity products issued by MetLife affiliates. The principal purpose of the merger was to provide increased transparency relative to capital allocation and variable annuity risk management. In order to further our capabilities to market and distribute our products, prior to the distribution, MetLife will contribute to us (i) several entities including MetLife USA, NELICO and FMLI, (ii) a licensed broker-dealer, (iii) a licensed investment advisor and (iv) other entities which are necessary for the execution of our strategy. *See* "Formation of Brighthouse and the Restructuring — Our History."

In 2012, MetLife changed the organizational structure of its Retail segment, of which we formed the principal part, to implement an integrated operating model with dedicated management. Consistent with this restructuring, over the succeeding four years MetLife has implemented certain actions with respect to its former

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Retail segment, including the establishment of a centralized office campus in Charlotte, North Carolina, and further bolstering the management team. This team, which has been responsible for managing MetLife's retail business prior to the distribution, will continue to manage our business as a separate company.

We will seek to be a financially disciplined and, over time, a cost-competitive product manufacturer with an emphasis on independent distribution. We aim to leverage our large block of in-force life insurance policies and annuity contracts to operate more efficiently. We believe that our strategy of offering a targeted set of products to serve our customers and distribution partners, each of which is intended to produce positive statutory distributable cash flows on an accelerated basis compared to our legacy products, will enhance our ability to invest in our business and distribute cash to our shareholders over time. We also believe that our product strategy of offering a more tailored set of new products and our recent agreement to outsource a significant portion of our client administration and service processes, is consistent with our focus on reducing our expense structure over time.

Risk management of both our in-force book and our new business to enhance sustained, long-term shareholder value is fundamental to our strategy. Consequently, in writing new business we intend to prioritize the value of the new business we write over sales volumes. We assess the value of new products by taking into account the amount and timing of cash flows, the use and cost of capital required to support our insurance financial strength ratings and the cost of risk mitigation. We will remain focused on maintaining our strong capital base and we have established a risk management approach which will be implemented in connection with the separation that seeks to mitigate the effects of severe market disruptions and other economic events on our business. *See* "Business — Description of our Segments, Products and Operations — Variable Annuity Risk Management," "Business — Description of our Segments, Products and Operations — Life — Products — ULSG Market Risk Exposure Management" and "Risk Factors — Risks Related to our Business — Our proposed variable annuity exposure management strategy may not be fully implemented prior to the distribution, may not be effective, may result in net income volatility and may negatively affect our statutory capital."

We believe that general demographic trends in the U.S. population, the increase in under-insured individuals, the potential risk to governmental social safety net programs and the shifting of responsibility for retirement planning and financial security from employers and other institutions to individuals will create opportunities to generate significant demand for our products. We also believe our transition to an independent distribution system will enhance our ability to operate most effectively within the emerging requirements of the April 6, 2016 Department of Labor (the "*DOL*") Fiduciary Rule that sets forth a new regulatory framework for the sale of insurance and annuity products to Employee Retirement Income Security Act of 1974 ("*ERISA*") qualified plans, which is a significant market for annuity products.

For the year ended December 31, 2015 we generated $1.1 billion of net income and $1.5 billion of operating earnings. For the nine months ended September 30, 2016 we had a net loss of $1.2 billion, as compared to net income of $1.0 billion in the nine months ended September 30, 2015. The net loss reflects our reserve strengthening including the effect of our annual review of actuarial assumptions for our variable annuities business. For the nine months ended September 30, 2016 and 2015, we generated $748 million and $1.2 billion of operating earnings, respectively, with the September 30, 2016 period being adversely affected by our second quarter 2016 refinement in the actuarial model which we use to calculate the reserves for our in-force book of universal life insurance policies with secondary guarantees ("*ULSG*") and our annual review of actuarial assumptions for our variable annuities business. *See* "Management's Discussion and Analysis of Financial Condition and Results of Operations — Results of Operations — Combined Results for the Nine Months Ended September 30, 2016 and 2015." Operating earnings is a non-GAAP financial measure. For a reconciliation of operating earnings to net income (loss), *see* "Management's Discussion and Analysis of Financial Condition and Results of Operations — Results of Operations."

Our Segments

For operating purposes, the Company has established three new reporting segments: (i) Annuities, (ii) Life and (iii) Run-off. Our Run-off segment consists of operations related to products which we are not actively selling and which are separately managed. In addition, the Company reports certain of its results of operations not included in the segments in Corporate & Other. We provide an overview of our reporting segments and Corporate & Other below.

Annuities

We are a major provider of annuity products in the United States, with $157.3 billion and $148.4 billion in total annuity assets as of September 30, 2016 and December 31, 2015, respectively. Our annuity product offerings include variable, fixed, index-linked and income annuities designed to address contract holders' needs for protected wealth accumulation on a tax-deferred basis, wealth transfer and income security. We earn various types of fee revenue based on the account value, fund assets and guarantee benefit base of our variable annuity products, as well as the investment spread which we earn on the general account assets supporting our annuity products. Based on $136.5 billion of assets under management ("*AUM*"), which we define as our general account investments and our separate account assets, we believe we would have ranked fifth among U.S. life insurers in annuity AUM as of December 31, 2015.

We seek to manage changes in equity market and interest rate exposures to our existing book of annuity business through our strong capitalization and our selection of derivative instruments, which will be driven in part by our goal of preserving our ability to benefit from positive changes to equity markets and interest rates. *See* "Business — Description of our Segments, Products and Operations — Variable Annuity Risk Management." With respect to new business, we intend to be disciplined in our risk selection, innovative in our product design and seek to diversify our product mix. Beginning in 2013, we began to shift our new annuity business towards products with diversifying market and contract holder behavioral risk attributes and improved risk-adjusted cash returns. Examples of this include transitioning from the sale of variable annuities with guaranteed minimum income benefits ("*GMIB*") to the sale of variable annuities with guaranteed minimum withdrawal benefits ("*GMWB*"), and our increased emphasis on MetLife Shield Level Selector℠ Annuity ("*Shield Level Selector*"), a single premium deferred index-linked annuity product for which we had new deposits of approximately $1.2 billion and $900 million for the nine months ended September 30, 2016 and the year ended December 31, 2015, respectively.

Life

We are also one of the largest life insurance companies in the United States based on ordinary and term life insurance issued, with approximately 1.3 million policies in-force and approximately $630 billion of life insurance face amount in-force as of December 31, 2015. Our in-force book of life insurance includes variable life, universal life, term life and whole life policies. Our life insurance product offerings are designed to address our policyholders' needs for financial security and protected wealth transfer, which may be provided on a tax-advantaged basis. In addition to contributing to our revenues and earnings, mortality protection-based products offered by our Life segment permit us to diversify the longevity and other risks in our annuity segment.

In the first quarter of 2017 we intend to focus on term life and universal life and suspend sales of participating whole life. We aim to be innovative in introducing new life products that meet the needs of our target markets and distribution partners and increase value for our shareholders. For example, starting in 2013, we significantly scaled back our sales of ULSG especially those with guarantees beyond age 100 (*i.e.*, "lifetime" guarantees). We are currently evaluating our ULSG business and, based on that determination, we may in the future report ULSG business in the Run-off segment. In 2015, we introduced the Premier Accumulator Universal Life℠ product ("*PAUL*"), a universal life policy with levelized commissions over time that provides clients with death benefit protection with an asset base that may accumulate and no secondary guarantees. Consistent with our strategy of prioritizing the value of the new business we write over sales volume, we expect our total face amount of life insurance policies to decline, but, over time, for our new life insurance business to provide better shareholder value creation.

Run-off

This segment consists of operations related to products which we are not actively selling and which are separately managed, including structured settlements, company-owned life insurance ("*COLI*") policies, bank-owned life insurance ("*BOLI*") policies and funding agreements. These legacy business lines were not part of MetLife's former Retail segment, but were issued by certain of the legal entities that are now part of Brighthouse. We are currently evaluating our ULSG business and, based on that determination, we may in the future report ULSG business in the Run-off segment. *See* "Management's Discussion and Analysis of Financial Condition and Results of Operations — Executive Summary — Overview."

Corporate & Other

Corporate & Other contains the excess capital not allocated to the segments, the results of part of MetLife's ancillary international operations and ancillary U.S. direct business sold directly to consumers, which were written out of our insurance entities prior to the separation, and interest expense related to the majority of our outstanding debt, as well as expenses associated with certain legal proceedings and income tax audit issues. Additionally, Corporate & Other includes certain assumed reinsurance and the elimination of intersegment amounts.

Market Environment and Opportunities

We believe the shift away from defined benefit plans and the concern over government social safety net programs, occurring at a time of significant demographic change in the United States, as baby boomers transition to retirement, present an opportunity to assist individuals in planning for their long-term financial security. We believe we are well positioned to benefit from this environment and the changes and trends affecting it, including the following:

- ***Largest individual insurance market in the world.*** The U.S. life insurance market has $2.7 trillion[1] net assets in annuities and approximately $11.9 trillion of individual life insurance face amount in-force. This represents a large opportunity pool for the Company from which we expect to benefit because of the scale and scope of our life and annuity products, risk management and distribution capabilities, and our ability to operate nationally.
- ***Shifting of responsibility for retirement planning and life time income security from employers and other institutions to individuals.*** The shift away from traditional defined benefit plans, together with increased life expectancy, has increased the burden on individuals for retirement planning and financial security and created a significant risk that many people will outlive their retirement assets. The Employee Benefit Research Institute estimates that participation in an employment-based defined benefit plan among private sector workers declined from 38% in 1979 to 13% in 2013. Fifty-one percent of households have no retirement savings in a defined contribution plan or IRA,[2] and Social Security provides an average of 40% of the retirement income of retired households.[3] According to the U.S. Government Accountability Office, among the 48% of households age 55 and older with some retirement savings, the median amount is

1 Insured Retirement Institute, IRI Fact Book 2016.
2 LIMRA, The Retirement Income Reference Book, 2015.
3 LIMRA, The Retirement Income Reference Book, 2015.

approximately $109,000.[4] The individual life insurance and retirement industry has traditionally offered solutions that address this underserved need among consumers, such as annuities, which represent an alternative means of generating pension-like income to permit contract holders to secure guaranteed income for life. We believe our simplified suite of annuity products will be attractive to consumers as a supplement to Social Security or employer provided pension income.

- ***Favorable demographic trends.*** There are several demographic trends that we believe we can take advantage of, including:
  - The ongoing transition of baby boomers into retirement offers opportunities for the accumulation of wealth, as well as its distribution and transfer. According to the Insured Retirement Institute, each day 10,000 Americans reach the age of 65 and this is expected to continue through at least 2030.[5] One of the market segments we target, the Secure Seniors, includes individuals from the baby boomer demographic and is projected to grow by 15% between 2015 and 2025.[6] *See* "— Our Business Strategy — Focus on target market segments."
  - The emergence of Generation X and Millennials as a larger and fast growing, potentially ethnically diverse segment of the U.S population. Many of these individuals are in their prime earning years and we believe they will increase their focus on savings for wealth and protection products. As Generation X and Millennials continue to age into the Middle Aged Strivers and Diverse and Protected segments that we target, we believe we have an opportunity to increase our share of the industry profit pool represented by these groups. *See* "— Our Business Strategy — Focus on target market segments."
- ***Underinsured and underserved population is growing***. According to a recent survey, 50% of U.S. households believe that they need more life insurance.[7] Six in 10 Americans have life insurance,[8] but ownership of individual coverage has declined over a 50-year period.[9] We believe the products and solutions we offer will address the financial security needs of the under-insured portion of the U.S. population, which are our target segments.
- ***Regulatory changes***. Regulatory and compliance requirements in the insurance and financial services industries have increased over the past several years and resulted in new regulation and enhanced supervision. For example, the DOL issued new rules on April 6, 2016 that, starting in April 2017, raise the standards for sales of variable and index-linked annuities into retirement accounts to a fiduciary standard, meaning that sales must consider the customer's interest above all factors. These rules are expected to require meaningful changes to distribution practices and disclosures and affect sales of annuity products from providers with proprietary distribution. We believe our history of navigating a changing regulatory environment and our transition to independent distribution may present us with an opportunity to capture market share from those who are less able to adapt to changing regulatory requirements.

We believe these trends, together with our competitive strengths and strategy discussed below, provide us a unique opportunity to increase the value of our business.

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4 U.S. Government Accountability Office, "Retirement Security: Report to the Ranking Member, Subcommittee on Primary Health and Retirement Security, Committee on Health, Education, Labor, and Pensions, U.S. Senate," May 2015.
5 Insured Retirement Institute, IRI Fact Book 2016.
6 MetLife Accelerating Value Consumer Survey, June 2015; Census projections.
7 LIMRA, The Facts of Life and Annuities, 2015 Update.
8 LIMRA, 2016 Insurance Barometer Study.
9 LIMRA, The Facts of Life and Annuities, 2015 Update.

Our Competitive Strengths

We believe that our large in-force book of business, strong balance sheet, risk management strategy, experienced management team and focus on expense reduction will allow us to capitalize on the attractive market environment and opportunities as we complete our separation from MetLife and develop and grow our business on an independent basis.

- ***Large in-force book of business***. We are a major provider of life insurance and annuity products in the United States, with approximately 2.8 million insurance policies and annuity contracts as of September 30, 2016. We believe our size and long-standing market presence position us well for potential future growth and margin expansion following the completion of our transition to a separate company.
  - Our size provides opportunities to achieve economies of scale, permitting us to spread our fixed general and administrative costs, including expenditures on branding, over a large revenue base, resulting in a competitive expense ratio.
  - Our large policyholder base provides us with an opportunity to leverage underlying data to develop risk and policyholder insights as well as implement operational best practices, permitting us to effectively differentiate ourselves from our competitors with the design and management of our products.
  - Our in-force book of business was sold by a wide range of distribution partners to whom we continue to pay trail commissions on the policies and contracts sold by them. For the year ended December 31, 2015, over 1,000 distribution firms or general agencies of our distributors received trail commissions. We believe this enhances our ability to maintain connectivity and relevance to those distributors.
- ***Strong balance sheet***. As of September 30, 2016, we had total assets of $241 billion; total policyholder liabilities and other policy-related balances, including separate accounts, of $194.5 billion; and total shareholder's net investment of $18.2 billion. Following the separation, we intend to maintain the strong capitalization and financial strength ratings of our insurance company subsidiaries, as well as the diversity of invested asset classes.
  - Our insurance company subsidiaries had combined statutory total adjusted capital ("*TAC*") of approximately $7.5 billion resulting in a combined risk-based capital ("*RBC*") ratio of 689% of the company action level as of December 31, 2015. We intend to support our variable annuity business with assets consistent with a CTE95 standard (defined as the average amount of assets required to satisfy contract holder obligations in the worst five percent of scenarios over the life of the contracts ("*CTE95*"), consistent with guidelines promulgated by the National Association of Insurance Commissioners (the "*NAIC*")). As of September 30, 2016, assuming the transactions to be executed in connection with the separation had occurred on such date, we estimate that we would have held $3.0 billion of assets in excess of CTE95 to support our variable annuity book which would be equivalent to holding assets in excess of CTE98 as of such date (defined as the average amount of assets required to satisfy contract holder obligations in the worst two percent of scenarios over the life of the contracts ("*CTE98*"), consistent with guidelines promulgated by the NAIC).
  - We have strong financial strength ratings from the rating agencies that rate us. Financial strength ratings represent the opinions of the rating agencies regarding the ability of our insurance company subsidiaries to meet their financial obligations to policyholders and contract holders and are not designed or intended for use by investors in evaluating our securities.
  - We have a diversified, high quality investment portfolio with $99.6 billion of general account assets as of September 30, 2016, comprised of over 76% fixed maturity securities, of which over 96% were investment grade and 56% were U.S. corporate, government and agency securities.

  - Following MetLife's policyholder assumption review of variable annuities issued by its U.S. insurance companies we have updated our actuarial assumptions and strengthened the GAAP reserves of our insurance company subsidiaries based on a range of possible market scenarios and expected policyholder behavior.
  - As of September 30, 2016, our balance sheet reflected $6.6 billion of GAAP intangible assets equal to approximately 36% of total shareholder's net investment, comprised of deferred acquisition costs ("*DAC*") and value of business acquired ("*VOBA*").

- ***Proven risk management and capital management expertise***. We will bring to Brighthouse the strong risk management culture which we inherited as part of MetLife as demonstrated by our product decisions in recent years and our focused risk and capital management strategies for our existing book of business. We believe we have initially capitalized our insurance company subsidiaries with capital which is sufficient to maintain our financial strength ratings notwithstanding modest fluctuations in equity markets and interest rates in any given period. Further, over time by increasing the proportion of non-derivative, income-generating invested assets compared to derivative instruments supporting our variable annuity book of business, we believe our capital profile will be stronger and more able to mitigate a broader range of risk exposures.
- ***Experienced senior management team with a proven track record of execution including producing cost savings***. Our senior management team has an average of 20 years of insurance industry experience. They have worked together to manage our business and reduce the cost base prior to this distribution and will continue to manage our business as a separate and focused individual life insurance and annuity company. The senior management team has taken significant actions over the last four years, including the following:
  - In 2012, MetLife announced a multi-year $1 billion gross expense savings initiative, which was substantially completed in 2015. This management team delivered approximately $200 million of expense savings with respect to MetLife's former Retail segment under that initiative.
  - The merger of three affiliated life insurance companies and a former offshore, reinsurance company affiliate that mainly reinsured guarantees associated with variable annuity products issued by MetLife affiliates to form our largest operating subsidiary, MetLife USA.
  - The consolidation of MetLife's former Retail segment in Charlotte, North Carolina, which, in addition to generating expense savings noted above, permitted our management to work together collaboratively at the same geographic location.
  - The sale of MetLife's former Retail segment's proprietary distribution channel, MetLife Premier Client Group ("*MPCG*"), to Massachusetts Mutual Life Insurance Company ("*MassMutual*"), completing our transition to a more efficient acquisition cost distribution model through independent, third-party channel partners. As part of the sale, MetLife reduced its former Retail segment employee base by approximately 3,900 advisors and over 2,000 support employees, which we estimate will result in a net reduction in our annual expenses of approximately $125 million. The sale of the proprietary distribution channel will also enable us to pursue a simplified, capital efficient product suite and reduce our fixed expense structure.
  - On July 31, 2016, MetLife entered into a multi-year outsourcing arrangement for the administration of certain in-force policies currently housed on up to 20 systems. Pursuant to this arrangement, at least 13 of such systems will be consolidated down to one. We expect this arrangement to result in a phased net reduction in our overall expenses for policyholder and contract holder maintenance over the next three to five years. We intend to pursue similar opportunities to take advantage of technology and systems improvements and flexible, modular operating models to reduce costs.

Summary Risk Factors

Our business generally and the separation and distribution in particular is subject to a number of risks that could materially and adversely affect our financial condition and results of operations. The following high-level summary of these risks is not exhaustive and should be read in conjunction with the information in the section captioned "Risk Factors," for a more thorough description of these and other risks, and the other sections of this information statement.

- ***Risks related to the separation and distribution***
  - MetLife's plan to separate into two independent publicly traded companies is subject to various risks and uncertainties and may not be completed in accordance with the expected plans or anticipated timeline, or at all, and will involve significant time and expense, which could disrupt or adversely affect our business.
  - Our separation from MetLife could adversely affect our business and profitability due to MetLife's strong brand and reputation.
  - The terms of our arrangements with MetLife may be more favorable than we would be able to obtain from an unaffiliated third party and we may be unable to replace the services MetLife provides to us in a timely manner or on comparable terms.
  - After the distribution, we will have a very large number of shareholders which may impact the efficacy of shareholder votes and will result in increased costs.
  - We have no history of operating as an independent company and we expect to incur increased administrative and other costs following the separation by virtue of our status as an independent public company. Our historical combined financial data are not necessarily representative of the results we would have achieved as a separate company and may not be a reliable indicator of our future results.
  - If the distribution were to fail to qualify for non-recognition treatment for U.S. federal income tax purposes, then MetLife, we and our shareholders could be subject to significant tax liabilities.
  - We may be unable to achieve some or all of the benefits that we expect to achieve from the separation and the cost of achieving such benefits may be more than we estimated.
  - We will incur substantial indebtedness in connection with the separation, and the degree to which we will be leveraged following completion of the distribution and separation may materially and adversely affect our results of operations and financial condition.
  - After the distribution, certain of our directors and officers may have actual or potential conflicts of interest because of their MetLife equity ownership or their former MetLife positions.
- ***Risks related to our business***
  - Differences between actual experience and reserving assumptions may adversely affect our financial results, capitalization and financial condition.
  - Guarantees within certain of our products may decrease our earnings, decrease our capitalization, increase the volatility of our results, result in higher risk management costs and expose us to increased counterparty risk.
  - Our proposed variable annuity exposure management strategy may not be fully implemented prior to the distribution, may not be effective, may result in net income volatility and may negatively affect our statutory capital. Our proposed ULSG asset requirement target may not ensure we have sufficient assets to meet our future ULSG policyholder obligations and may result in net income volatility.

- A sustained period of low equity market prices and interest rates that are lower than those we assumed when we issued our variable annuity products, could have a material adverse effect on our results of operations, capitalization and financial condition.
- Elements of our business strategy are new and may not be effective in accomplishing our objectives.
- A downgrade or a potential downgrade in our financial strength ratings, which are important to maintaining public confidence in our products and our competitive condition, could result in a loss of business and materially adversely affect our financial condition and results of operations.
- Reinsurance may not be available, affordable or adequate to protect us against losses. If the counterparties to our reinsurance or indemnification arrangements or to the derivatives we use to hedge our business risks default or fail to perform, we may be exposed to risks we had sought to mitigate, which could materially adversely affect our financial condition and results of operations.
- We may not be able to take credit for reinsurance, our statutory life insurance reserve financings may be subject to cost increases, new financings may be subject to limited market capacity and we may be unable to successfully complete the restructuring of existing reinsurance subsidiaries and financing facilities into a single reinsurance subsidiary with its own financing.
- Factors affecting our competitiveness may adversely affect our market share and profitability.
- The failure of third parties to provide various services that are important to our operations could have a material adverse effect on our business.
- If difficult conditions in the capital markets and the U.S. economy generally persist or are perceived to persist, they may materially adversely affect our business and results of operations. Adverse capital and credit market conditions may significantly affect our ability to meet liquidity needs and our access to capital. 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 and net income to vary from period to period.
- Our insurance businesses are highly regulated, and changes in regulation and in supervisory and enforcement policies may materially impact our capitalization or cash flows, reduce our profitability and limit our growth. A decrease in the RBC ratio (as a result of a reduction in statutory surplus and/or increase in RBC requirements) of our insurance subsidiaries could result in increased scrutiny by insurance regulators and rating agencies and have a material adverse effect on our results of operations and financial condition.
- We are subject to U.S. federal, state and other securities and state insurance laws and regulations which, among other things, require that we distribute certain of our products through a registered broker-dealer; failure to comply with those laws, including a failure to have a registered broker-dealer, or changes in those laws may have a material adverse effect on our operations and our profitability.
- Litigation and regulatory investigations are increasingly common in our businesses and may result in significant financial losses and/or harm to our reputation.
- As a holding company, Brighthouse Financial, Inc. will depend on the ability of its subsidiaries to pay dividends. We cannot assure you that we will pay dividends on our common stock, and our indebtedness could limit our ability to pay dividends on our common stock.
- Changes in accounting standards issued by the Financial Accounting Standards Board or other standard-setting bodies may adversely affect our financial statements.

Our Business Strategy

Our objective is to leverage our competitive strengths, to distinguish ourselves in the individual life insurance and annuity markets and over time increase the amount of statutory distributable cash generated by our business. We will seek to achieve this by being a focused product manufacturer with an emphasis on independent distribution, while having a competitive expense ratio relative to our competitors. We intend to achieve our goals by executing on the following strategies:

- ***Focus on target market segments***. We intend to focus our sales and marketing efforts on those specific market segments where we believe we will best be able to sell products capable of producing attractive long-term value to our shareholders.
  - In 2015 we conducted a survey of 7,000 U.S. customers with the goal of understanding our different market segments. Ultimately, the study revealed seven distinct segments based on both traditional demographic information including socio-economic information and an analysis of customer needs, attitudes and behaviors. Our review of the customer segmentation data resulted in our focusing product design and marketing on the following target customer segments:
    - **Secure Seniors.** This segment represents approximately 15% of the current U.S. population. Because the customer segments are designed to reflect attitudes and behaviors, in addition to other factors, this segment includes a broad range in age, but is composed primarily of individuals between the ages of 55 to 70 about to retire or already in retirement, of which a majority have investible assets of greater than $500,000. Secure Seniors have higher net worth relative to the other customer segments and exhibit a strong desire to work with financial advisors. The larger share of assets, relative to the other segments, may make Secure Seniors an attractive market for financial security products and solutions.
    - **Middle Aged Strivers**. This segment represents approximately 23% of the current U.S. population and is the largest customer segment of those identified by our survey. There is more diversity in this segment compared to the Secure Seniors in terms of amount of investible assets, age, life stage and potential lifetime value to us. The study indicates that these individuals tend to be in the early to later stages of family formation. Almost half of the population in this segment is between the ages of 40 and 55. They are focused on certain core needs, such as paying bills, reducing debt and protecting family wealth. We believe Middle Aged Strivers are an attractive market for protection products and many of these individuals will graduate to wealth and retirement products in their later years.
    - **Diverse and Protected**. This is the most diverse segment of the population, but is also the smallest constituting only 8% of the current U.S. population. While this segment has lower income and investible assets than Secure Seniors and Middle Aged Strivers, our study indicates that they are active purchasers of insurance products. We believe that a portion of this segment, as they become older and more affluent, may purchase our annuity products in addition to our insurance products.

  We believe that these three customer segments represent a significant portion of the market opportunity, and by focusing our product development and marketing efforts to meeting the needs of these segments we will be able to offer a targeted set of products which will benefit our expense ratio thereby increasing our profitability. Our study also indicates that Secure Seniors, Middle Aged Strivers and Diverse and Protected customer segments are open to financial guidance and, accordingly, will be receptive to the products we intend to sell and we can share our insights about these segments to our distribution partners to increase the targeting efficiency of our sales efforts with them.

- ***Focused manufacturer, with a simpler product suite designed to meet our customers' and distributors' needs.*** We intend to be financially disciplined in terms of the number of products which we offer and their risk-adjusted return profile, while being responsive to the needs of our customers and distribution partners.

- We seek to manage our existing book of annuity business to mitigate the effects of severe market downturns and other economic effects on our statutory capital while preserving the ability to benefit from positive changes in equity markets and interest rates through our selection of derivative instruments.
- We intend to offer products designed to produce statutory distributable cash flows on a more accelerated basis than those of some of our legacy in-force products. We will also focus on offering products which are more capital efficient with lower RBC requirements than our pre-2013 generation of products. Our product design and sales strategies will focus on achieving long-term risk-adjusted distributable cash flows, rather than generating sales volumes or purchasing market share. We believe this approach aligns well with long-term value creation for our shareholders.
- Shield Level Selector and our latest generation universal life insurance product, PAUL, represent two examples of products which we believe are responsive to our customers' and distributors' needs while allowing us to generate statutory distributable cash flows on a more accelerated basis than our pre-2013 generation of products. Shield Level Selector is an individual-customer, single-premium, deferred index-linked annuity that provides contract holders with a specified level of market downside protection, sharing the balance of market downside risk with the contract holder, along with offering the contract holder tax-deferred accumulation. In addition, we believe Shield Level Selector permits us to more effectively manage the market risk exposure inherent in our variable annuities with living benefit riders. Since its state-by-state phased introduction beginning in 2013, Shield Level Selector has received positive market acceptance and has been a meaningful contributor to our sales. In addition, on a smaller scale, we recently received positive market response to PAUL. PAUL is a universal life policy with levelized commissions over time and no secondary guarantees. We expect both products to produce attractive risk-adjusted margins and product level cash flows.

- ***Independent distribution with enhanced support and collaboration with key distributors***. We believe that the completion of our transition from a captive sales force to an independent and diverse distribution network will enhance our distribution focus and improve our profitability and capital efficiency.
  - We have proactively chosen to focus on independent distribution, which we believe aligns with our focus on product manufacturing. We believe distributing our products through only the independent distribution channel will enhance our ability to control our fixed costs, target our resources more appropriately and increase our profitability because we will be better able to leverage our product development and wholesale distribution capabilities.
  - Since 2001 we have successfully built third-party distribution relationships. Following the sale of MPCG to MassMutual, we are dedicated to supporting and expanding these relationships. These relationships have been strengthened by a focus on fulfilling customer needs and better alignment with our distribution partners on product development and sales support. We therefore seek to become a leading provider of insurance and annuity products for our leading distribution partners by leveraging our marketing strengths which include customer segmentation, distribution servicing and sales support as well as our product management competencies. We believe that our distribution strategy will result in deeper relationships with these distribution partners.
  - We will also pursue a collaborative approach with key distributors and leverage our product design expertise to seek to provide white label type product arrangements for their distribution systems. An example of this collaborative approach is the recent agreement with MassMutual pursuant to which we are exploring the joint development of certain annuity products that may be distributed through the thousands of agents in the MassMutual career agency channel, including agents formerly affiliated with MetLife.

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- ***Maintain strong statutory capitalization through an exposure management program intended to be effective across market environments.***
  - The principal objective of our exposure management programs is to manage the risk to our statutory capitalization resulting from changes to equity markets and interest rates. This permits us to focus on the management of the long-term statutory distributable cash flow profile of our business and the underlying long-term returns of our product guarantees. *See* "Business — Description of our Segments, Products and Operations — Variable Annuity Risk Management."
  - Our variable annuity exposure management program has four components:
    - We intend to support our variable annuities with assets consistent with those required at a CTE95 standard. As of September 30, 2016, assuming the transactions to be executed in connection with the separation had occurred on such date, we estimate that we would have held $3.0 billion in assets in excess of CTE95, which would be equivalent to holding assets in excess of CTE98 as of such date. We believe these excess assets will permit us to absorb modest losses, which may be temporary, from changes in equity markets and interest rates without adversely affecting our financial strength ratings.
    - We will continue to enter into derivative instruments to offset the impact on our statutory capital from more significant changes to equity markets and interest rates.
    - We believe the earnings from our large and seasoned block of in-force business will provide an additional means of increasing and regenerating our statutory capital organically to the extent it has been eroded due to periodic changes in equity markets and interest rates.
    - We intend to invest a portion of the assets supporting our variable annuity asset requirements in income-generating investments, which we believe will provide an additional means to increase or regenerate our statutory capital.
  - We have a large in-force block of life insurance policies and annuity contracts that we intend to more actively manage to improve profitability, prudently minimize exposures, grow cash margins and release capital for shareholders in the medium to long-term.
- ***Focus on operating cost and flexibility***. A key element of our strategy is to leverage our infrastructure over time to be a lean, flexible cost competitive operator.
  - We will continue our focus on reducing our cost base while maintaining strong service levels for our policyholders and contract holders. As part of separating our business processes and systems from MetLife, we are taking a phased approach to re-engineering our processes and systems across all functional areas. This phased transition is expected to occur through 2020. We are currently targeting run-rate operating cost reductions as part of this initiative, with the objective of achieving competitive expense ratios.
  - We have identified and are actively pursuing several initiatives that we expect will make our business less complex, more flexible and better able to adapt to changing market conditions. Consistent with this strategy, MetLife recently sold MPCG to MassMutual, completing our transition to a more efficient acquisition cost distribution model and reducing its former Retail segment employee base by approximately 5,900 employees.
  - We intend to leverage emerging technology and outsourcing arrangements to become more profitable. An example of this is our senior management team's recent agreement to outsource the administration of certain in-force policies housed on up to 20 systems. Pursuant to this arrangement at least 13 of such systems will be consolidated down to one.

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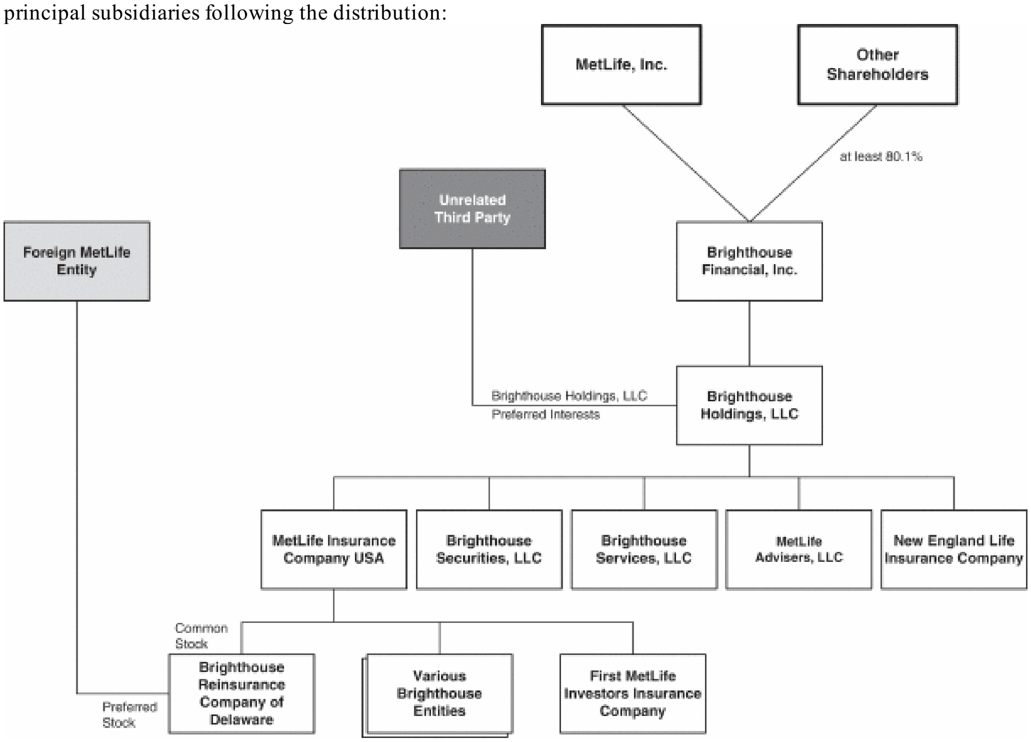
Our Corporate Information

Prior to the distribution, we have been a wholly owned subsidiary of MetLife, Inc., a global provider of life insurance, annuities, employee benefits and asset management. Brighthouse is a holding company incorporated in Delaware on August 1, 2016.

Our principal executive office is located at the Gragg Building, 11225 North Community House Road, Charlotte, North Carolina 28277 and our telephone number is [●]. Our website address is www.brighthousefinancial.com. The information contained on, or that can be accessed through, our website is not part of, and is not incorporated into, this information statement.

We operate our businesses through a number of direct and indirect subsidiaries. The following organizational chart presents the ownership of our principal subsidiaries following the distribution:



The Distribution

Overview

To effect the separation, first, MetLife will undertake the restructuring described under "Formation of Brighthouse and the Restructuring" and "Certain Relationships and Related Person Transactions — Agreements Between Us and MetLife — Master Separation Agreement." Following the restructuring, MetLife, Inc. will distribute at least 80.1% of Brighthouse's common stock to MetLife's shareholders, and Brighthouse will become a separate, publicly traded company.

Prior to the distribution, we intend to enter into a Master Separation Agreement and several other agreements with MetLife related to the distribution. These agreements will govern the relationship between MetLife and us up to and after completion of the distribution and allocate between MetLife and us various assets, liabilities, rights and obligations, including employee benefits, intellectual property and tax-related assets and liabilities. *See* "Certain Relationships and Related Person Transactions" for more detail.

In addition, we will incur substantial indebtedness in connection with the separation, and we will use a significant portion of the proceeds of this indebtedness to pay MetLife a dividend or as partial consideration for MetLife's transfer of assets to Brighthouse. The amount of indebtedness will allow us to achieve the following goals at the time of the distribution: (i) adequate liquidity at the Brighthouse holding company level; (ii) a debt-to-capital ratio of approximately 20%; and (iii) $3.0 billion of assets in excess of CTE95 to support our variable annuity contracts.

The distribution described in this information statement is subject to the satisfaction or waiver of a number of conditions. In addition, MetLife has the right not to complete the distribution if, at any time, MetLife's board of directors (the "*MetLife Board*") determines, in its sole and absolute discretion, that the distribution is not in the best interests of MetLife or its shareholders or is otherwise not advisable. *See* "The Separation and Distribution — Conditions to the Distribution" for more detail.

Questions and answers about the distribution

The following provides only a summary of the terms of the distribution. You should read the section entitled "The Separation and Distribution" in this information statement for a more detailed description of the matters described below.

Q: Why am I receiving this information statement?

A: MetLife is delivering this document to you because you were a holder of MetLife common stock on the record date for the distribution of shares of our common stock. Accordingly, you are entitled to receive [●] shares of our common stock for every [●] shares of MetLife common stock that you held on the record date. No action is required for you to participate in the distribution.

Q: What is the distribution?

A: The distribution is the method by which we will separate from MetLife. In the distribution, MetLife will distribute to its shareholders at least 80.1% of the shares of our common stock. Following the distribution, we will be separate from MetLife and publicly traded. MetLife will retain no more than 19.9% ownership interest in us.

Q: What will be the relationship between MetLife and Brighthouse after the distribution?

A: MetLife and Brighthouse will each be separate, publicly traded companies. MetLife and Brighthouse are entering into several agreements to govern their relationship after separation. *See* "Certain Relationships and Related Person Transactions — Relationship with MetLife Following the Separation."

Q: Will the number of MetLife shares I own change as a result of the distribution?

A: No, the number of shares of MetLife common stock you own will not change as a result of the distribution.

Q: What are the motivations for the separation?

A: The separation is motivated in whole or in substantial part by the following corporate business purposes:

- To facilitate investors' ability to independently value Brighthouse and MetLife based on their respective operational and financial characteristics.
- To enable MetLife to address certain regulatory issues, including MetLife's potential redesignation as a non-bank systemically important financial institution, as well as the DOL Fiduciary Rule.
- To increase the predictability of distributable cash flows for MetLife over time as part of MetLife's Accelerating Value Initiative and allow Brighthouse to make the necessary decisions and investments to serve the U.S. retail marketplace.
- To enable Brighthouse to take advantage of a retail dedicated platform to increase responsiveness to the needs of our customers and distribution partners.

Q: Why is the separation of Brighthouse structured as a spin-off?

A: MetLife believes that a distribution of our shares is the most efficient way to separate our business from MetLife in a manner that will achieve the above objectives and permit MetLife's shareholders to make their own investment decisions going forward as to whether or not they wish to retain their exposure to the retail life and annuity business, independent of their exposure to the continuing operations of MetLife.

Q: What is being distributed in the distribution?

A: MetLife will distribute approximately [●] shares of our common stock in the distribution, based on the approximately [●] shares of MetLife common stock outstanding as of [●]. The actual number of shares of our common stock that MetLife will distribute will depend on the number of shares of MetLife common stock outstanding on the record date. For more information on the shares being distributed in the distribution, *see* "Description of Capital Stock — Authorized Capital Stock — Common Stock."

Q: What will I receive in the distribution?

A: As a holder of MetLife common stock, you will receive [●] shares of our common stock for every [●] shares of MetLife common stock you hold on the record date. The distribution agent will distribute only whole shares of our common stock in the distribution. *See* "— How will fractional shares be treated in the distribution?" for more information on the treatment of the fractional shares you are entitled to receive in the distribution. Your proportionate interest in MetLife will not change as a result of the distribution. For a more detailed description, *see* "The Separation and Distribution — Treatment of Fractional Shares."

Q: What is the record date for the distribution?

A: MetLife will determine record ownership as of the close of business on [●] (the "*record date*").

Q: When will the distribution occur?

A: The distribution will be effective as of 5:00 p.m., New York City time, on [●] (the "*distribution date*"). On or shortly after the distribution date, the whole shares of our common stock will be credited in book-entry accounts for shareholders entitled to receive the shares in the distribution. We expect the distribution agent, acting on behalf of MetLife, to take approximately [●] days after the distribution date to fully distribute to MetLife shareholders any cash in lieu of the fractional shares they are entitled to receive. *See* "— How will MetLife distribute shares of our common stock?" for more information on how to access your book-entry account or your bank, brokerage or other account holding the Brighthouse common stock you receive in the distribution.

Q: Can MetLife decide to cancel the distribution of Brighthouse common stock, even if all the conditions have been satisfied?

A: Yes. Until the distribution has occurred, the MetLife Board has the right, in its sole discretion, to terminate the distribution, even if all the conditions have been satisfied. *See* "The Separation and the Distribution — Conditions to the Distribution" included elsewhere in this information statement.

Q: How will MetLife vote any shares of our common stock it retains?

A: MetLife has agreed to vote any shares of our common stock that it retains in proportion to the votes cast by our other shareholders and will grant us a proxy with respect to such shares. For additional information on these voting arrangements, *see* "Certain Relationships and Related Person Transactions — Relationship with MetLife Following the Separation."

Q: What does MetLife intend to do with any shares of our common stock it retains?

A: MetLife currently plans to dispose of all of our shares as soon as practicable following the distribution, but in no event later than five years after the distribution, while seeking to maximize overall value to its shareholders, pursuant to a dividend distribution or one or more public offerings of its remaining shares of our common stock or an offer to the MetLife shareholders to exchange all or a portion of their MetLife shares for Brighthouse shares.

Q: What do I have to do to participate in the distribution?

A: You are not required to take any action, but we urge you to read this document carefully. Shareholders of MetLife common stock on the record date will not need to pay any cash or deliver any other consideration, including any shares of MetLife common stock, in order to receive shares of our common stock in the distribution. In addition, no shareholder approval of the distribution is required. We are not asking you for a vote and are not requesting that you send us a proxy card.

Q: If I sell my shares of MetLife common stock on or before the distribution date, will I still be entitled to receive shares of Brighthouse common stock in the distribution?

A: If you hold shares of MetLife common stock on the record date and decide to sell them on or before the distribution date, you may choose to sell your MetLife common stock with or without your entitlement to our common stock. You should discuss these alternatives with your bank, broker or other nominee. *See* "The Separation and Distribution — Trading Prior to the Distribution Date" for more information.

Q: How will MetLife distribute shares of our common stock?

A: Registered shareholders: If you are a registered shareholder (meaning you hold physical MetLife stock certificates or you own your shares of MetLife common stock directly through an account with MetLife's transfer agent, Computershare Inc.), the distribution agent will credit the whole shares of our common stock you receive in the distribution to your [●] book-entry account on or shortly after the distribution date. About [●] days after the distribution date, the distribution agent will mail you a [●] book-entry account statement that reflects the number of whole shares of our common stock you own, along with a check for any cash in lieu of fractional shares you are entitled to receive. You will be able to access information regarding your book-entry account holding the Brighthouse shares at [●] using the following website [●] or via our transfer agent's interactive voice response system at [●].

"*Street name*" or beneficial shareholders: If you own your shares of MetLife common stock beneficially through a bank, broker or other nominee, your bank, broker or other nominee will credit your account with the whole shares of our common stock you receive in the distribution on or shortly after the distribution date. Please contact your bank, broker or other nominee for further information about your account.

We will not issue any physical stock certificates to any shareholders, even if requested. *See* "The Separation and Distribution — When and how you will Receive Brighthouse Shares" for a more detailed explanation.

Q: How will fractional shares be treated in the distribution?

A: The distribution agent will not distribute any fractional shares of our common stock in connection with the distribution. Instead, the distribution agent will aggregate all fractional shares into whole shares and sell the whole shares in the open market at prevailing market prices on behalf of MetLife shareholders entitled to receive a fractional share. The distribution agent will then distribute the aggregate cash proceeds of the sales, net of brokerage fees and other costs, *pro rata*, to these holders (net of any required withholding for taxes applicable to each holder). We anticipate that the distribution agent will make these sales on or after the distribution date. *See* "— How will Brighthouse common stock trade?" for additional information regarding when-issued trading and "The Separation and Distribution — Treatment of Fractional Shares" for a more detailed explanation of the treatment of fractional shares.

Q: What are the U.S. federal income tax consequences of the distribution to me?

A: The distribution is conditioned on the receipt and continued validity of (i) a private letter ruling from the U.S. Internal Revenue Service (the "*IRS*"), which MetLife requested, regarding certain significant issues under the Internal Revenue Code of 1986, as amended (the "*Code*"), and (ii) the receipt and continued validity of a tax opinion of a nationally recognized accounting firm ("*tax counsel*") to the effect that, among other things, the distribution will qualify for non-recognition of gain or loss to MetLife and MetLife's shareholders pursuant to Sections 355 and 361 of the Code, except to the extent of cash received in lieu of fractional shares, each subject to the accuracy of and compliance with certain representations, assumptions and covenants.

As described more fully in "The Separation and Distribution — Material U.S. Federal Income Tax Consequences of the Distribution," a U.S. holder (as defined in that section) generally will not recognize any gain or loss, and will not include any amount in income, for U.S. federal income tax purposes, upon receiving our common stock in the distribution, except for any gain or loss recognized with respect to cash the shareholder receives in lieu of fractional shares. In addition, each U.S. holder's aggregate basis in its MetLife common stock and our common stock received in the distribution, including any fractional shares to which the U.S. holder is entitled, will equal the aggregate basis the U.S. holder had in its MetLife common stock immediately prior to the distribution, allocated in proportion to MetLife's and our common stock's fair market value at the time of the distribution. *See* "The Separation and Distribution — Material U.S. Federal Income Tax Consequences of the Distribution" for information regarding the determination of fair market value for purposes of allocating basis.

Tax matters are complicated. The tax consequences to you of the distribution depend on your individual situation. You should consult your own tax advisor regarding those consequences, including the applicability and effect of any U.S. federal, state and local, as well as foreign, tax laws and of changes in applicable tax laws, which may result in the distribution being taxable to you. *See* "Risk Factors — Risks Relating to the Distribution — If the distribution were to fail to qualify for non-recognition treatment for U.S. federal income tax purposes, then MetLife, we and our shareholders could be subject to significant tax liabilities," "Risk Factors —Risks Relating to the Distribution — We could have an indemnification obligation to MetLife if the distribution does not qualify for non-recognition treatment or if certain other steps that are part of the separation do not qualify for their intended tax treatment, which could materially adversely affect our financial condition" and "The Separation and Distribution — Material U.S. Federal Income Tax Consequences of the Distribution."

Q: Does Brighthouse intend to pay cash dividends?

A: As a separate company, we expect to establish a dividend policy and initially we may pay annual cash dividends on our common stock, although the timing, declaration, amount and payment of future dividends to shareholders will fall within the discretion of our Board of Directors. *See* "Dividend Policy" for more information.

Q: How will Brighthouse common stock trade?

A: Currently, there is no public market for our common stock. We intend to list our common stock on the NYSE under the symbol "BHF".

We anticipate that trading in our common stock will begin on a "when-issued" basis as early as two trading days prior to the record date for the distribution and will continue up to and including the distribution date. When-issued trading in the context of a spin-off refers to a sale or purchase made conditionally on or before the distribution date because the securities of the spun-off entity have not yet been distributed. When-issued trades generally settle within four trading days after the distribution date. On the first trading day following the distribution date, any when-issued trading of our common stock will end and "regular-way" trading will begin. Regular-way trading refers to trading after the security has been distributed and typically involves a trade that settles on the third full trading day following the date of the trade. *See* "The Separation and Distribution —Trading Prior to the Distribution Date" for more information. We cannot predict the trading prices for our common stock before, on or after the distribution date.

Q: Will the distribution affect the trading price of my MetLife common stock?

A: Assuming no significant intervening events, we expect the trading price of shares of MetLife common stock immediately following the distribution to be lower than immediately prior to the distribution because the trading price will no longer reflect the value of Brighthouse. Furthermore, until the market has fully analyzed the value of MetLife without Brighthouse, the trading price of shares of MetLife common stock may fluctuate. There can be no assurance that, following the distribution, the combined trading prices of the MetLife common stock and the Brighthouse common stock will equal or exceed what the trading price of MetLife common stock would have been in the absence of the distribution.

It is possible that after the distribution, the combined equity value of MetLife and Brighthouse will be less than MetLife's equity value before the distribution.

Q: Will my shares of MetLife common stock continue to trade following the distribution?

A: Yes. MetLife common stock will continue to be traded on the NYSE under the symbol "MET".

Q: Do I have appraisal rights in connection with the distribution?

A: No. Holders of MetLife common stock are not entitled to appraisal rights in connection with the distribution.

Q: Who is the transfer agent and registrar for Brighthouse common stock?

A: Following the distribution, [●] will serve as transfer agent and registrar for our common stock. [●] has two additional roles in the distribution.

- Computershare Inc. currently serves and will continue to serve as MetLife's transfer agent and registrar.

- In addition, [●] will serve as the distribution agent in the distribution and will assist MetLife in the distribution of our common stock to MetLife's shareholders.

Q: Are there risks associated with owning shares of Brighthouse common stock?

A: Yes. Our business faces both general and specific risks and uncertainties. Our business also faces risks relating to the separation. Following the separation, we will also face risks associated with being a separate, publicly traded company. Accordingly, you should read carefully the information set forth in the section entitled "Risk Factors" in this information statement.

Q: Where can I get more information?

A: If you have any questions relating to the mechanics of the distribution, you should contact the distribution agent at:

Before the separation, if you have any questions relating to the distribution, you should contact MetLife at:

Investor Relations
MetLife, Inc.
200 Park Avenue
New York, New York 10166-0188
Phone: (212) 578-7888
Email: john.a.hall@metlife.com

After the distribution, if you have any questions relating to Brighthouse, you should contact us at:

Investor Relations
Brighthouse Financial, Inc.
Gragg Building, 11225 North Community House Road
Charlotte, North Carolina 28277
Phone: [●]
Email: [●]

After the distribution, if you have any questions relating to MetLife, you should contact MetLife at:

Investor Relations
MetLife, Inc.
200 Park Avenue
New York, New York 10166-0188
Phone: (212) 578-7888
Email: john.a.hall@metlife.com

Summary of the Distribution

Distributing Company	MetLife, Inc., a Delaware corporation that holds all of our common stock issued and outstanding prior to the distribution. After the distribution, MetLife will retain no more than 19.9% of our common stock.
Distributed Company	Brighthouse Financial, Inc., a Delaware corporation and a wholly owned subsidiary of MetLife. At the time of the distribution, we will hold, directly or through our subsidiaries, the assets and liabilities of MetLife's Brighthouse Financial segment. *See* "Formation of Brighthouse and the Restructuring" and "Certain Relationships and Related Person Transactions" for more detail. After the distribution, we will be a separate, publicly traded company.
Distributed Securities	At least 80.1% of the shares of our common stock owned by MetLife. Based on the approximately [●] shares of MetLife common stock outstanding on [●], and applying the distribution ratio of [●] shares of Brighthouse common stock for every [●] shares of MetLife common stock, approximately [●] million shares of Brighthouse common stock will be distributed.
Record Date	The record date is the close of business on [●].
Distribution Date	The distribution date is 5:00 p.m., New York City time, on [●].
Restructuring	Brighthouse will own, directly or indirectly, certain subsidiaries of MetLife including MetLife USA, FMLI, NELICO and MetLife Advisers, LLC ("*MetLife Advisers*"), and an affiliated reinsurance company and other entities. Prior to the distribution, these entities were, directly or indirectly, wholly owned by MetLife, Inc. In order to position Brighthouse to effectively compete as a focused product manufacturer of retail life insurance and annuity products with national distribution, MetLife will undertake several actions including an internal reorganization involving its former Retail segment and certain affiliated reinsurance subsidiaries, predominantly through equity transfers, mergers and the sale or assignment of certain assets and liabilities among applicable companies within Brighthouse and MetLife, as well as the unwinding of several intercompany reinsurance transactions. The objective of these actions is to both create the desired post-distribution structure for Brighthouse as well as reduce ongoing affiliation and interdependencies between MetLife and Brighthouse. *See* "Formation of Brighthouse and the Restructuring" and "Certain Relationships and Related Person Transactions" for a description of the restructuring.

Distribution Ratio	Each holder of MetLife common stock will receive [●] shares of our common stock for every [●] shares of MetLife common stock it holds on the record date. The distribution agent will distribute only whole shares of our common stock in the distribution. *See* "The Separation and Distribution — Treatment of Fractional Shares" for more detail. Please note that if you sell your shares of MetLife common stock on or before the distribution date, the buyer of those shares may in some circumstances be entitled to receive the shares of our common stock issuable in respect of the MetLife shares that you sold. *See* "The Separation and Distribution — Trading Prior to the Distribution Date" for more detail.
The Distribution	On the distribution date, MetLife will release the shares of our common stock to the distribution agent to distribute to MetLife shareholders. The distribution agent will distribute our shares in book-entry form. We will not issue any physical stock certificates. The distribution agent, or your bank, broker or other nominee, will credit your shares of our common stock to your book-entry account, or your bank, brokerage or other account, on or shortly after the distribution date. You will not be required to make any payment, surrender or exchange your shares of MetLife common stock or take any other action to receive your shares of our common stock.
Fractional Shares	The distribution agent will not distribute any fractional shares of our common stock to MetLife shareholders. Instead, the distribution agent will first aggregate fractional shares into whole shares, then sell the whole shares in the open market at prevailing market prices on behalf of MetLife shareholders entitled to receive a fractional share, and finally distribute the aggregate cash proceeds of the sales, net of brokerage fees and other costs, *pro rata*, to these holders (net of any required withholding for taxes applicable to each holder). If you receive cash in lieu of fractional shares, you will not be entitled to any interest on the payments. Your receipt of cash in lieu of fractional shares generally will, for U.S. federal income tax purposes, be taxable as described under "The Separation and Distribution — Material U.S. Federal Income Tax Consequences of the Distribution" and "The Separation and Distribution — Treatment of Fractional Shares."
Conditions to the Distribution	The distribution is subject to the satisfaction of the following conditions or the MetLife Board's waiver of the following conditions. MetLife may waive, subject to applicable law, any of the following conditions, unless otherwise noted: • the MetLife Board will, in its sole and absolute discretion, have authorized and approved (i) the restructuring (as described under "Formation of Brighthouse and the Restructuring" and "Certain Relationships and Related Person Transactions"), (ii) any other transfers of assets and assumptions of liabilities contemplated by the Master Separation Agreement and any related agreements and (iii) the distribution, and will not have withdrawn that authorization and approval;

- the MetLife Board will have declared the distribution of shares of our common stock to MetLife's shareholders;
- the U.S. Securities and Exchange Commission (the "*SEC*") will have declared the registration statement on Form 10, of which this information statement is a part, effective under the Securities Exchange Act of 1934, as amended (the "*Exchange Act*"), no stop order suspending the effectiveness of the registration statement will be in effect, no proceedings for that purpose will be pending before or threatened by the SEC and notice of internet availability of this information statement will have been mailed to MetLife's shareholders; MetLife may not waive this condition;
- the NYSE will have accepted our common stock for listing, subject to official notice of issuance;
- in connection with the restructuring, Brighthouse's acquisition of control of MetLife USA, NELICO and FMLI will have been approved by each insurance company's domiciliary state insurance regulator; MetLife may not waive this condition;
- the restructuring will have been completed;
- MetLife will have received a private letter ruling from the IRS, in form and substance satisfactory to MetLife in its sole and absolute discretion, regarding certain significant issues under the Code, subject to the accuracy of and compliance with certain representations, assumptions and covenants and that the private letter ruling will remain in effect as of the distribution date;
- MetLife will have received an opinion from tax counsel, in form and substance satisfactory to MetLife in its sole and absolute discretion, that, subject to the accuracy of and compliance with certain representations, assumptions and covenants, the distribution will qualify for non-recognition of gain or loss to MetLife and MetLife's shareholders pursuant to Sections 355 and 361 of the Code, except to the extent of cash received in lieu of fractional shares;
- no order, injunction or decree that would prevent the consummation of the distribution will be threatened, pending or issued (and still in effect) by any governmental entity of competent jurisdiction, no other legal restraint or prohibition preventing the consummation of the distribution will be in effect, and no other event outside the control of MetLife will have occurred or failed to occur that would prevent the consummation of the distribution; MetLife may not waive this condition;
- no other events or developments will have occurred prior to the distribution that, in the judgment of the MetLife Board, would result in the distribution having a material adverse effect on MetLife or its shareholders; and

	• MetLife and we will have executed and delivered the Master Separation Agreement, Registration Rights Agreement, Investment Management Agreements, Transition Services Agreements, Transitional Trademark License Agreement, Intellectual Property License Agreement, Continuing Reinsurance Agreements, Tax Receivables Agreement, Tax Separation Agreement (each as defined herein), certain services agreements and all other ancillary agreements related to the distribution. The fulfillment of the above conditions will not create any obligation on MetLife's part to effect the distribution. We are not aware of any material federal, foreign or state regulatory requirements with which we must comply, other than SEC rules and regulations, or any material approvals that we must obtain, other than the approval for listing of our common stock, the SEC's declaration of the effectiveness of the registration statement, in connection with the distribution, and state insurance department approval of the separation and restructuring. MetLife has the right not to complete the distribution if, at any time, the MetLife Board determines, in its sole and absolute discretion, that the distribution is not in the best interests of MetLife or its shareholders or is otherwise not advisable.
Trading Market and Symbol	We intend to file an application to list our common stock on the NYSE under the symbol "BHF". We anticipate that, as early as two trading days prior to the record date, trading of shares of our common stock will begin on a "when-issued" basis and will continue up to and including the distribution date, and we expect that "regular-way" trading of our common stock will begin the first trading day after the distribution date. We also anticipate that, as early as two trading days prior to the record date, there will be two markets in MetLife common stock: (i) a "regular-way" market on which shares of MetLife common stock will trade with an entitlement for the purchaser of MetLife common stock to shares of our common stock to be distributed in the distribution, and (ii) an "ex-distribution" market on which shares of MetLife common stock will trade without an entitlement for the purchaser of MetLife common stock to shares of our common stock to be distributed in the distribution. *See* "The Separation and Distribution — Trading Prior to the Distribution Date."
U.S. Federal Income Tax Consequences of the Distribution	The distribution is conditioned on the receipt and continued validity as of the distribution date of a private letter ruling from the IRS, which MetLife has requested, and an opinion from tax counsel, as described above under "— Conditions to the Distribution." As described more fully in "The Separation and Distribution — Material U.S. Federal Income Tax Consequences of the Distribution," a U.S. holder (as defined in that section) generally will not recognize any gain or loss, and will not include any amount in income, for U.S.

	federal income tax purposes, upon receiving our common stock in the distribution, except for any gain or loss recognized with respect to cash the shareholder receives in lieu of fractional shares. Notwithstanding the receipt of the private letter ruling and an opinion from tax counsel, the IRS could determine that the distribution should be treated as a taxable transaction if it determines that any of the representations, assumptions or covenants on which the private letter ruling is based are untrue or have been violated or if it disagrees with the tax opinion regarding matters not covered by the private letter ruling. *See* "Risk Factors — Risks Relating to the Distribution — If the distribution were to fail to qualify for non-recognition treatment for U.S. federal income tax purposes, then MetLife, we and our shareholders could be subject to significant tax liabilities" and "Risk Factors — Risks Relating to the Distribution — We could have an indemnification obligation to MetLife if the distribution does not qualify for non-recognition treatment or if certain other steps that are part of the separation do not qualify for their intended tax treatment, which could materially adversely affect our financial condition." Tax matters are complicated. The tax consequences to you of the distribution depend on your individual situation. You should consult your own tax advisor as to the specific tax consequences of the distribution to you, including the effect of any U.S. federal, state, local or foreign tax laws and of changes in applicable tax laws. *See* "The Separation and Distribution — Material U.S. Federal Income Tax Consequences of the Distribution."
Relationship with MetLife after the Distribution	We intend to enter into several agreements with MetLife related to the restructuring and distribution, which will govern the relationship between MetLife and us up to and after completion of the distribution and allocate between MetLife and us various assets, liabilities, rights and obligations. These agreements include: • a Master Separation Agreement that will set forth MetLife's and our agreements regarding the principal actions that we will take in connection with the distribution and aspects of our relationship following the distribution, including certain mutual rights with respect to indemnification; • a Registration Rights Agreement providing MetLife with certain rights requiring us to register under the Securities Act the shares of our common stock held by MetLife following the distribution; • a Transition Services Agreement, pursuant to which MetLife and we will provide each other specified services on a transitional basis to help ensure an orderly transition following the distribution and certain service agreements, pursuant to which MetLife and we will provide each other specified services on a go-forward basis;

	• Investment Management Agreements, pursuant to which an affiliate of MetLife, MetLife Investment Advisors, LLC ("*MLIA*"), will manage our and our insurance company subsidiaries' general account investment portfolio, including related derivatives trading, for a period following the distribution; • a Tax Receivables Agreement and a Tax Separation Agreement that will allocate responsibility for taxes incurred before and after the distribution and include indemnification rights with respect to tax matters and restrictions to preserve the tax-free status of the distribution; and • an Intellectual Property License Agreement and Transitional Trademark License Agreement that will provide for ownership, licensing and other arrangements to facilitate MetLife's and our ongoing use of intellectual property.
	We describe these arrangements as well as other agreements between MetLife and us in greater detail under "Certain Relationships and Related Person Transactions," and describe some of the risks related to these arrangements under "Risk Factors — Risks Related to Our Separation from, and Continuing Relationship with, MetLife."
Dividend Policy	As a separate company, we expect to establish a dividend policy and initially we may pay an annual cash dividend on our common stock, although the timing, declaration, amount and payment of future dividends to shareholders will fall within the discretion of the Brighthouse Board. *See* "Risk Factors — Risks Relating to Our Common Stock and the Securities Market — We cannot assure you that we will pay dividends on our common stock, and our indebtedness could limit our ability to pay dividends on our common stock" and "Dividend Policy."
Transfer Agent	[●] will serve as transfer agent for our common stock.
Risk Factors	Our business faces both general and specific risks and uncertainties. Our business also faces risks relating to the distribution. Following the distribution, we will also face risks associated with being a separate, publicly traded company. Accordingly, you should read carefully the information set forth under "Risk Factors."

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SUMMARY HISTORICAL COMBINED FINANCIAL INFORMATION

The following tables set forth summary historical combined financial information for Brighthouse. The summary historical combined financial information as of December 31, 2015 and 2014 and for the years ended December 31, 2015, 2014 and 2013 has been derived from our audited combined financial statements that are included elsewhere in this information statement and should be read in conjunction with, and is qualified by reference to, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the audited combined financial statements and the related notes included herein. The summary historical combined financial information as of September 30, 2016 and for the nine months ended September 30, 2016 and 2015 has been derived from our unaudited interim condensed combined financial statements that are included elsewhere in this information statement and should be read in conjunction with, and is qualified by reference to, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the unaudited interim condensed combined financial statements and the related notes included herein. The following combined statements of operations and combined balance sheet data have been prepared in conformity with accounting principles generally accepted in the United States of America ("*GAAP*").

	Nine Months Ended September 30,		Years Ended December 31,		
	2016	2015	2015	2014	2013
			(In millions)		
Statement of Operations Data					
Total revenues	$ 3,571	$6,774	$8,891	$9,448	$8,788
Fees and other revenues	$ 3,324	$3,318	$4,432	$4,870	$4,871
Premiums	$ 1,021	$1,159	$1,679	$1,500	$1,018
Net investment income	$ 2,422	$2,369	$3,099	$3,090	$3,366
Net investment gains (losses)	$ (15)	$ (3)	$ 7	$ (435)	$ 7
Net derivative gains (losses)	$(3,181)	$ (69)	$ (326)	$ 423	$ (474)
Total expenses	$ 5,499	$5,388	$7,429	$7,920	$7,424
Policyholder benefits and claims	$ 2,948	$2,248	$3,269	$3,334	$3,647
Interest credited to policyholder account balances	$ 871	$ 943	$1,259	$1,278	$1,376
Amortization of DAC and VOBA	$ (45)	$ 649	$ 781	$1,109	$ 123
Other expenses	$ 1,564	$1,548	$2,120	$2,199	$2,278
Net income (loss)	$(1,174)	$1,028	$1,119	$1,159	$1,031

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	September 30, 2016	December 31, 2015	December 31, 2014	December 31, 2013
	(In millions)			
Balance Sheet Data				
Total assets	$ 240,929	$226,725	$231,620	$235,200
Total investments and cash and cash equivalents	$ 102,387	$ 85,199	$ 81,141	$ 84,644
Separate account assets	$ 115,218	$114,447	$122,922	$124,438
Long-term financing obligations:				
Debt (1)	$ 814	$ 836	$ 928	$ 2,326
Reserve financing debt (2)	$ 1,100	$ 1,100	$ 1,100	$ 1,100
Collateral financing arrangement (3)	$ 2,797	$ 2,797	$ 2,797	$ 2,797
Policyholder liabilities (4)	$ 79,259	$ 71,881	$ 69,992	$ 74,751
Variable annuities liabilities:				
Future policy benefits	$ 3,486	$ 2,937	$ 2,346	$ 1,950
Policyholder account balances	$ 12,846	$ 7,379	$ 5,781	$ 4,358
Other policy-related balances	$ 91	$ 99	$ 104	$ 210
Non-variable annuities liabilities:				
Future policy benefits	$ 32,377	$ 28,266	$ 27,296	$ 29,711
Policyholder account balances	$ 27,458	$ 30,142	$ 31,645	$ 35,051
Other policy-related balances	$ 3,001	$ 3,058	$ 2,820	$ 3,471
Total shareholder's net investment	$ 18,170	$ 16,839	$ 17,525	$ 15,436
Shareholder's net investment	$ 15,731	$ 15,316	$ 14,810	$ 14,459
Accumulated other comprehensive income (loss)	$ 2,439	$ 1,523	$ 2,715	$ 977

(1) This balance includes surplus notes in aggregate principal amount of $750 million issued by MetLife USA to a financing trust. In connection with the restructuring (i) the financing trust will be terminated in accordance with its terms, (ii) MetLife, Inc. will become the owner of the surplus notes and (iii) MetLife, Inc. will forgive the obligations of MetLife USA under the surplus notes. *See* "Recapitalization" for further information.

(2) Includes long-term financing of statutory reserves supporting level premium term life and ULSG policies provided by surplus notes issued to MetLife. These surplus notes are expected to be eliminated in connection with the restructuring of existing reserve financing arrangements. *See* "Formation of Brighthouse and the Restructuring — Formation of Brighthouse" and "Certain Relationships and Related Person Transactions" for a discussion of the new affiliated reinsurance structure and arrangements.

(3) Supports statutory reserves relating to level premium term and ULSG policies pursuant to credit facilities entered into by MetLife, Inc. and an unaffiliated financial institution. These facilities are expected to be replaced in connection with the restructuring of existing reserve financing arrangements. *See* "Formation of Brighthouse and the Restructuring — Formation of Brighthouse" and "Certain Relationships and Related Person Transactions" for a discussion of the new affiliated reinsurance structure and arrangements.

(4) Includes future policy benefits, policyholder account balances and other policy-related balances.

RISK FACTORS

You should carefully consider all of the information in this information statement and each of the risks described below, which we believe are the principal risks that we face. Some of the risks relate to our business, others to the separation and distribution. Some risks relate principally to the securities markets and ownership of our common stock.

Any of the following risks could materially and adversely affect our business, financial condition and results of operations and the actual outcome of matters as to which forward-looking statements are made in this information statement. While we believe we have identified and discussed below the material risks affecting our business, there may be additional risks and uncertainties that we do not presently know or that we do not currently believe to be material that may adversely affect our business, financial condition and results of operations in the future.

Risks Related to our Business

Differences between actual experience and reserving assumptions may adversely affect our financial results, capitalization and financial condition

Our earnings significantly depend upon the extent to which our actual claims experience and benefit payments on our products are consistent with the assumptions we use in setting prices for our products and establishing liabilities for future policy benefits and claims. Such amounts are established based on estimates by actuaries of how much we will need to pay for future benefits and claims. To the extent that actual claims and benefits experience is less favorable than the underlying assumptions we used in establishing such liabilities, we could be required to increase our liabilities. We make assumptions regarding policyholder behavior at the time of pricing and in selecting and utilizing the guaranteed options inherent within our products based in part upon expected persistency of the products, which change the probability that a policy or contract will remain in force from one period to the next. Persistency within our annuities business may be significantly affected by the value of guaranteed minimum benefits contained in many of our variable annuities being higher than current account values in light of poor equity market performance or extended periods of low interest rates as well as other factors. Persistency could be adversely affected generally by developments affecting policyholder perception of us, including perceptions arising from adverse publicity. The pricing of certain of our variable annuity products that contain certain living benefit guarantees is also based on assumptions about utilization rates, or the percentage of contracts that will utilize the benefit during the contract duration, including the timing of the first lifetime income withdrawal. Results may vary based on differences between actual and expected benefit utilization. A material increase in the valuation of the liability could result to the extent emerging and actual experience deviates from these policyholder option utilization assumptions.

Due to the nature of the underlying risks and the uncertainty associated with the determination of liabilities for future policy benefits and claims, we cannot determine precisely the amounts which we will ultimately pay to settle our liabilities. Such amounts may vary materially from the estimated amounts, particularly when those payments may not occur until well into the future. We evaluate our liabilities periodically based on accounting requirements, which change from time to time, the assumptions used to establish the liabilities, as well as our actual experience. If the liabilities originally established for future benefit payments and claims prove inadequate, we must increase them. Such increases would adversely affect our earnings and could have a material adverse effect on our results of operations and financial condition including our capitalization and our ability to receive statutory dividends from our operating insurance companies, as well as a material adverse effect on the financial strength ratings which are necessary to support our product sales. *See* "Management's Discussion and Analysis of Financial Condition and Results of Operations — Policyholder Liabilities."

Guarantees within certain of our products may decrease our earnings, decrease our capitalization, increase the volatility of our results, result in higher risk management costs and expose us to increased counterparty risk

Certain of the variable annuity products we offer include guaranteed benefits, including guaranteed minimum death benefits ("*GMDBs*"), guaranteed minimum withdrawal benefits (*"GMWBs*") and guaranteed minimum accumulation benefits ("*GMABs*"). While we continue to have GMIBs in force with respect to which we are obligated to perform, we no longer offer GMIBs. We also offer an index-linked annuities with guarantees against a defined floor on losses. These guarantees are designed to protect contract holders against significant changes in equity markets and interest rates. Any such periods of significant and sustained downturns in equity markets, increased equity volatility, or reduced interest rates could result in an increase in the valuation of our liabilities associated with those products. In addition, if the separate account assets consisting of fixed income securities, which support the guaranteed index-linked return feature are insufficient to reflect a period of sustained growth in the equity-index on which the product is based, we may be required to support such separate accounts with assets from our general account and increase our liabilities. An increase in these liabilities would result in a decrease in our net income and depending on the magnitude of any such increase, could materially and adversely affect our financial condition, capitalization and the financial strength ratings which are necessary to support our product sales. *See* "Business — Description of our Segments, Products and Operations — Variable Annuity Risk Management."

Additionally, we make assumptions regarding policyholder behavior at the time of pricing and in selecting and utilizing the guaranteed options inherent within our products (*e.g*., utilization of option to annuitize within a GMIB product). An increase in the valuation of the liability could result to the extent emerging and actual experience deviates from these policyholder option utilization assumptions. MetLife generally conducts an annual actuarial assumption review, including those assumptions relating to policyholder behavior, in the third quarter of each year. MetLife accelerated its 2016 annual variable annuity actuarial assumption review from the third quarter to the second quarter of 2016. As a result of this review, we recorded a non-cash charge to net income of $1.7 billion, net of DAC and income tax. Approximately $1.0 billion of this charge was attributable to changes in policyholder behavior assumptions and the remainder was related to changes in economic and other actuarial assumptions. Consistent with MetLife's past practice, we conducted the remainder of our annual actuarial assumption review, which related to products that we issue other than variable annuities, in the third quarter of 2016. The impact resulting from the remainder of this review was not material. If we update our assumptions based on our annual actuarial assumption review in future years, we could be required to increase the liabilities we record for future policy benefits and claims to a level that may materially and adversely affect our results of operations and financial condition which, in certain circumstances, could impair our solvency. *See* "Management's Discussion and Analysis of Financial Condition and Results of Operations — Executive Summary — Actuarial Assumption Review."

We also use hedging and other risk management strategies to mitigate the liability exposure primarily related to capital market risks. These strategies involve the use of reinsurance and derivatives, which may not be completely effective. For example, in the event that reinsurers, derivative counterparties or central clearinghouses are unable or unwilling to pay, we remain liable for the guaranteed benefits. *See* "— Our proposed variable annuity exposure management strategy may not be fully implemented prior to the distribution, may not be effective, may result in net income volatility and may negatively affect our statutory capital."

In addition, capital markets hedging instruments may not effectively offset the costs of guarantees or may otherwise be insufficient in relation to our obligations. Furthermore, we are subject to the risk that changes in policyholder behavior or mortality, combined with adverse market events, could produce economic losses not addressed by the risk management techniques employed. These, individually or collectively, may have a material adverse effect on our results of operations, including net income, capitalization, financial condition or liquidity including our ability to receive dividends from our insurance operating companies. *See* "Business — Description of our Segments, Products and Operations — Annuities — Variable Annuities" for further consideration of the risks associated with guaranteed benefits.

Our proposed variable annuity exposure management strategy may not be fully implemented prior to the distribution, may not be effective, may result in net income volatility and may negatively affect our statutory capital

We intend to modify our variable annuity exposure management strategy to emphasize as an objective the mitigation of the potential adverse effects of changes in equity markets and interest rates on our statutory capitalization and statutory distributable cash flows. The principal focus of our proposed exposure risk management program will be to maintain assets supporting our variable annuity contract guarantees at the variable annuity target funding level, which we intend to be CTE95 (the "*Variable Annuity Target Funding Level*"). As of September 30, 2016, assuming the transactions to be executed in connection with the separation had occurred as of such date, we estimate that we would have held $3.0 billion of assets in excess of CTE95.

We have begun the transition to our proposed exposure risk management program by increasing the amount of capital supporting our variable annuity contracts and entering into certain derivative transactions intended to support our Variable Annuity Target Funding Level. We anticipate the transition from our current strategy to our proposed strategy will continue throughout the separation process. Our goal is to have entered into a portfolio of derivative instruments consistent with our hedge strategy within nine to twelve months of the distribution. The ultimate timing and manner of the final implementation of our hedge strategy will be determined by MetLife and Brighthouse and will be subject to conditions in the capital markets as well as regulatory requirements, including potential changes to regulatory requirements. Although we intend to select and acquire OTC and exchange traded derivatives which are generally available in the capital markets, the derivative instruments we require may not be available when we seek to enter into them and, if available, may not be obtainable on economically attractive terms and conditions.

We intend to hold assets supporting our variable annuity contracts at our Variable Annuity Target Funding Level to sustain asset adequacy during modest market downturns without the use of derivative instruments and, accordingly, reduce the need for hedging the daily or weekly fluctuations from small movements in capital markets. We intend to focus our hedging activities primarily on mitigating the risk from larger movements in capital markets, which may deplete contract holder account values and may increase long-term guarantee claims. We also intend to make greater use of longer dated derivative instruments. We believe this will result in our being less exposed to the risk that we will be unable to roll-over expiring derivative instruments into new derivative instruments consistent with our hedge strategy on economically attractive terms and conditions. We also believe this strategy may allow us to reduce net hedge costs over time and increase long-term value for our shareholders. However, our proposed hedging strategy will not be fully effective and implemented prior to the distribution. In connection with our exposure risk management program we may determine to seek the approval of applicable regulatory authorities to permit us to increase our hedge limits consistent with those contemplated by the program. Although we expect to receive any such approvals, if requested, no assurance can be given that the approvals will be obtained prior to the distribution, or at all, and whether any such approvals would be subject to qualifications, limitations or conditions. Furthermore, we do not currently have the in-house capability to manage and execute our existing and proposed hedge programs and will continue to rely on the operational support of MetLife to enter into derivative trades on our behalf, recalibrate exposures periodically and otherwise manage the execution of our hedge strategy until such time as we develop such capabilities or obtain them from other sources. In addition, the hedging instruments we enter into may not effectively offset the costs of variable annuity contract guarantees or may otherwise be insufficient in relation to our obligations. If our capital is depleted in the event of persistent market downturns, we will need to replenish it by holding additional capital, which we may have allocated for other uses, or purchasing additional hedging protection through the use of more expensive derivatives with strike levels at the current market level. Under our intended new hedging strategy, changes from period to period in the valuation of our policyholder benefits and claims and net derivative gains (losses) will result in more significant volatility, which in certain circumstances could be material, to our results of operations and financial condition under GAAP and the statutory capital levels of our insurance subsidiaries than has been the case historically.

In addition, estimates and assumptions we make in connection with hedging activities may fail to reflect or correspond to our actual long-term exposure in respect of our guarantees. Further, the risk of increases in the costs of our guarantees not covered by our hedging and other capital and risk management strategies may become more significant due to changes in policyholder behavior driven by market conditions or other factors. The use of assets and derivative instruments may not effectively mitigate the effect of changes in policyholder behavior.

Finally, the cost of our proposed hedging program may be greater than anticipated because adverse market conditions can limit the availability and increase the costs of the derivatives we intend to employ and such costs may not be recovered in the pricing of the underlying products we offer. The above factors, individually or collectively, may have a material adverse effect on our results of operations, financial condition, capitalization and liquidity. *See* "— Guarantees within certain of our products may decrease our earnings, decrease our capitalization, increase the volatility of our results, result in higher risk management costs and expose us to increased counterparty risk" and "Business — Description of our Segments, Products and Operations — Variable Annuity Risk Management."

Our proposed ULSG asset requirement target may not ensure we have sufficient assets to meet our future ULSG policyholder obligations and may result in net income volatility

We intend to more actively manage the market risk sensitivity related to our in-force ULSG exposure specifically to adapt to changes in interest rates.

We have utilized our NY Regulation 126 Cash Flow Testing ("*ULSG CFT*") modeling approach as the basis for setting our ULSG asset requirement target ("*ULSG Target*"). Under this approach we assume that interest rates remain flat or decline as compared to current levels and our actuarial assumptions include a provision for adverse deviation ("*PAD*").

We seek to mitigate exposure to interest rate risk associated with these liabilities by maintaining ULSG Assets at or in excess of our ULSG Target in different interest rate environments. We define "*ULSG Assets*" as (i) total general account assets supporting statutory reserves and capital, and (ii) interest rate derivative instruments dedicated to mitigate ULSG interest rate exposures.

Our ULSG Target is sensitive to the actual and future expected level of long-term U.S. interest rates. If interest rates fall, our ULSG Target increases, and if interest rates rise, our ULSG Target declines. We use primarily interest rate swaps to better protect statutory capitalization from potential losses due to an increase in reserves to achieve our ULSG Target in lower interest rate environments. We implemented a dedicated interest rate risk mitigation program for our ULSG business in the third quarter of 2016 and we intend to maintain adequate liquid investments in our investment portfolio supporting our ULSG business to support the contingent collateral posting requirement in our interest rate swaps. This risk mitigation strategy may negatively impact the statutory capitalization of MetLife USA in circumstances in which interest rates are rising, until we form a new affiliated reinsurance company, Brighthouse Reinsurance Company of Delaware ("*BRCD*"), and we develop and implement mechanisms to transfer assets in excess of our ULSG Target between MetLife USA and BRCD.

While we intend this risk mitigation strategy to reduce our risk to statutory capitalization and long-term economic exposures from sustained levels of low interest rates, it will likely result in higher net income volatility due to the insensitivity of GAAP liabilities to changes in interest rates. Our interest rate derivative instruments may not effectively offset the costs of our ULSG policyholder obligations or may otherwise be insufficient in relation to our objectives. In addition, the assumptions we make in connection with our risk mitigation strategy may fail to reflect or correspond to actual long-term exposure to our ULSG policyholder obligations. If our liquid investments are depleted we will need to replenish our liquid portfolio by selling higher-yielding less liquid assets, which we may have allocated for other uses. The above factors, individually or collectively, may have a material adverse effect on our results of operations, financial condition, capitalization or liquidity. *See* “Business — Description of our Segments, Products and Operations — Life — Products — ULSG Market Risk Exposure Management.”

A sustained period of low equity market prices and interest rates that are lower than those we assumed when we issued our variable annuity products could have a material adverse effect on our results of operations, capitalization and financial condition

Future policy benefit liabilities for guaranteed minimum death benefits and guaranteed minimum living benefits under our variable annuity contracts are based on the value of the benefits we expect to be payable under such contracts in excess of the contract holders’ projected account balances. We determine the fees we charge for providing these guarantees in substantial part on the basis of assumptions we make with respect to the growth of the account values relating to these contracts, including assumptions with respect to investment performance. If the actual growth in account values differs from our initial assumptions we may need to increase or decrease the amount of future benefit liabilities we record to the extent that other factors we consider in estimating the expected value of benefits payable, including policyholder behavior, do not offset the impact of changes in our assumptions with respect to investment performance. Although extreme declines or shocks in equity markets and interest rates can increase the level of reserves we need to hold to fund guarantees, other types of economic scenarios can also impact the adequacy of our reserves. For example, certain scenarios involving sustained stagnation in equity markets and low interest rates would adversely affect growth in account values and could require us to materially increase our benefit liabilities. As a result, in the absence of incremental management actions and not taking into account the effects of new business, our ability to retain the ratings necessary to market and sell our products, as well as our ability to repay or refinance indebtedness for borrowed money, could be materially adversely affected and our solvency could be impaired.

Elements of our business strategy are new and may not be effective in accomplishing our objectives

Our objective is to leverage our competitive strengths to distinguish ourselves in the individual life insurance and annuity markets and, over the longer term, to generate more distributable cash from our business. We will seek to achieve this by being a focused product manufacturer with an emphasis on independent distribution, while having the goal of achieving a competitive expense ratio through financial discipline. We intend to achieve our goals by focusing on target market segments, concentrating on product manufacturing, maintaining a strong balance sheet and using the scale of our seasoned in-force business to support the effectiveness of our risk management program, and focusing on operating cost and flexibility. *See* “Business —Our Business Strategy.”

This strategy is different than that of our ultimate parent company, MetLife, Inc., and has not yet been fully implemented. Our initial product offering is expected to include products currently sold by MetLife that we believe are consistent with our business strategy. We may experience delays in obtaining the necessary regulatory approvals to include some or all of these products in our initial product offering, which could adversely impact the success of our business strategy. There can be no assurance that our strategy will be successful as it may not adequately alleviate the risks relating to less diverse product offerings; volatility of, and capital requirements with respect to, variable annuities; risk of loss with respect to use of derivatives in hedging transactions; and greater dependence on a relatively small number of independent distributors to market our products and generate most of our sales. Furthermore, such distributions may be subject to differing commission structures depending on the product sold and there can be no assurance that these new commission structures will be acceptable. *See* “— General Risks — We may experience difficulty in marketing and distributing products through our distribution channels.” We may also be unable to reduce operating costs and enhance efficiencies, at least initially, due to the increased costs related to our separation from MetLife, as well as the cost and duration of transitional services agreements. *See* “Certain Relationships and Related Person Transactions.” Furthermore, many of our employees, including management, will be former employees of MetLife. As a result, we will need to provide training to all employees regarding our new strategy, which may not be successful and may divert management time and attention from other matters. For these reasons no assurances can be given that we will be able to execute our strategy or that our strategy will achieve our objectives.

We will incur significant indebtedness in connection with the separation that for a period of time will not provide us with liquidity or interest-expense tax deductions and the terms of which could restrict our operations and use of funds that may result in a material adverse effect on our results of operations and financial condition

We expect to borrow a significant amount of funds in connection with the separation in the form of bank debt or debt securities issued to third-party lenders or investors. These initial borrowings may reduce our capacity to access credit markets for additional liquidity until such time as our equity and credit position are strengthened. We intend to use a significant portion of the proceeds of these initial borrowings to pay to MetLife either a dividend or as partial consideration for MetLife's transfer of assets to Brighthouse and, accordingly, we will be required to service the initial borrowings with cash at Brighthouse and dividends from our insurance companies and other operating company subsidiaries. The amount of borrowing will allow us to achieve the following goals at the time of the distribution: (i) adequate liquidity at the Brighthouse holding company level; (ii) a debt-to-capital ratio of approximately 20%; and (iii) $3.0 billion of assets in excess of CTE95 to support our variable annuity contracts. The funds needed to service these initial borrowings will not be available to meet any short-term liquidity needs we may have, invest in our business or pay dividends on our common stock. Furthermore, Brighthouse Financial, Inc. was incorporated in 2016 and our life insurance subsidiaries will not be transferred to it until the completion of the restructuring. Therefore, pursuant to current IRS regulations, Brighthouse Financial, Inc. will not be permitted to join in the filing of a U.S. consolidated federal income tax return with our insurance subsidiaries for a period of five taxable years following the distribution. As a result, during such time we will not be able to deduct the interest payments on certain initial debt we incur at the Brighthouse Financial, Inc. level in connection with the separation or certain other borrowings from the taxable income of our insurance subsidiaries during such five-year period. *See* "— Risks Relating to the Distribution — We will incur substantial indebtedness in connection with the separation, and the degree to which we will be leveraged following completion of the distribution and separation may materially and adversely affect our results of operations and financial condition."

We have entered into a senior unsecured term loan agreement and a revolving credit facility (collectively the "*Brighthouse Credit Facilities*"), which may provide significant support to our liquidity position at the holding company when alternative sources of credit are limited. The Brighthouse Credit Facilities contain certain administrative, reporting, legal and financial covenants, including requirements to maintain a specified minimum consolidated net worth and to maintain a ratio of indebtedness to total capitalization not in excess of a specified percentage, and limitations on the dollar amount of indebtedness that may be incurred by our subsidiaries, which could restrict our operations and use of funds. Borrowings under the term loan agreement may be accessed only prior to the separation, and, subject to exceptions, we must use the net proceeds in excess of $500 million from debt issuances to third party investors to prepay amounts outstanding under the term loan agreement and reduce the term loan agreement commitments. *See* "Recapitalization" and "Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — Parent Company — Capital."

The right to borrow funds under the Brighthouse Credit Facilities will be subject to the fulfillment of certain conditions, including compliance with all covenants, and the ability to borrow thereunder will also be subject to the continued willingness and ability of the lenders that will be parties to the Brighthouse Credit Facilities to provide funds. Failure to comply with the covenants in the Brighthouse Credit Facilities or fulfill the conditions to borrowings, or the failure of lenders to fund their lending commitments (whether due to insolvency, illiquidity or other reasons) in the amounts provided for under the terms of the Brighthouse Credit Facilities, would restrict the ability to access the Brighthouse Credit Facilities when needed and, consequently, could have a material adverse effect on our liquidity, results of operations and financial condition.

A downgrade or a potential downgrade in our financial strength or credit ratings could result in a loss of business and materially adversely affect our financial condition and results of operations

Financial strength ratings are published by various nationally recognized statistical rating organizations ("*NRSROs*") and similar entities not formally recognized as NRSROs. They indicate the NRSROs' opinions regarding an insurance company's ability to meet contract holder and policyholder obligations, and are important to maintaining public confidence in our products and our competitive position. *See* "Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — The Company — Rating Agencies" for additional information regarding our financial strength ratings.

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

- reducing new sales of insurance products and annuity products;
- adversely affecting our relationships with independent sales intermediaries;
- increasing the number or amount of policy surrenders and withdrawals by contract holders and policyholders;
- requiring us to reduce prices for many of our products and services to remain competitive;
- providing termination rights for the benefit of our derivative instrument counterparties;
- triggering termination and recapture rights under certain of our ceded reinsurance agreements;
- adversely affecting our ability to obtain reinsurance at reasonable prices, if at all; and
- subjecting us to potentially increased regulatory scrutiny.

In response to the filing of the registration statement on Form 10, in which this information statement forms a part, on October 5, 2016, the following rating agencies announced the following rating actions.

- On October 5, 2016 Moody's Investor Service ("*Moody's*") downgraded the insurance financial strength ratings of MetLife USA and NELICO from "Aa3" to "A3." The ratings outlook was revised to stable from negative. Moody's does not currently rate FMLI.
- On October 5, 2016 S&P Global Ratings affirmed its "A+" insurance financial strength ratings on MetLife USA, NELICO and FMLI. The ratings outlook remains negative.
- On October 6, 2016 Fitch Ratings downgraded the insurance financial strength ratings of MetLife USA and NELICO from "AA-" to "A+." The ratings outlook was revised to stable from negative. Fitch Ratings does not currently rate FMLI.
- On October 7, 2016 A.M. Best downgraded the insurance financial strength ratings of MetLife USA, NELICO and FMLI from "A+" to "A." The ratings outlook was revised to stable from negative.

In addition to the financial strength ratings of our insurance subsidiaries, we anticipate that various NRSROs will also publish credit ratings for Brighthouse Financial, Inc. and certain of its subsidiaries. Credit ratings are opinions of each agency with respect to specific securities and contractual financial obligations and the issuer's ability and willingness to meet those obligations when due, and are important factors in our overall financial profile, including funding profiles, and our ability to access certain types of liquidity. Downgrades in our credit or financial strength ratings or changes to our rating outlook could have a material adverse effect on our financial condition and results of operations in many ways, including limiting our access to distributors, restricting our ability to generate new sales because our products depend on strong financial strength ratings to compete effectively, limiting our access to capital markets, and potentially increasing the cost of debt, which could adversely affect our liquidity.

In view of the difficulties experienced by many financial institutions as a result of the financial crisis and ensuing global recession, including our competitors in the insurance industry, we believe it is possible that the NRSROs will continue to heighten the level of scrutiny that they apply to insurance companies, will continue to increase the frequency and scope of their credit reviews, will continue to request additional information from the companies that they rate, and may adjust upward the capital and other requirements employed in the models for maintenance of certain ratings levels. Our ratings could be downgraded at any time and without notice by any NRSRO.

Reinsurance may not be available, affordable or adequate to protect us against losses

As part of our overall risk management strategy, our insurance subsidiaries purchase reinsurance from third-party reinsurers for certain risks we underwrite. While reinsurance agreements generally bind the reinsurer for the life of the business reinsured at generally fixed pricing, market conditions beyond our control determine the availability and cost of the reinsurance protection for new business. In certain circumstances, the price of reinsurance for business already reinsured may also increase. Also, under certain of our reinsurance arrangements, it is common for the reinsurer to have a right to increase reinsurance rates on in-force business if there is a systematic deterioration of mortality in the market as a whole. Any decrease in the amount of reinsurance will increase our risk of loss and any increase in the cost of reinsurance will, absent a decrease in the amount of reinsurance, reduce our earnings. Accordingly, we may be forced to incur additional expenses for reinsurance or may not be able to obtain sufficient reinsurance on acceptable terms, which could adversely affect our ability to write future business or result in the assumption of more risk with respect to those policies we issue. *See* "Business — Annuity and Life Reinsurance."

If the counterparties to our reinsurance or indemnification arrangements or to the derivatives we use to hedge our business risks default or fail to perform, we may be exposed to risks we had sought to mitigate, which could materially adversely affect our financial condition and results of operations

We use reinsurance, indemnification and derivatives to mitigate our risks in various circumstances. In general, reinsurance, indemnification and derivatives do not relieve us of our direct liability to our policyholders, even when the reinsurer is liable to us. Accordingly, we bear credit risk with respect to our reinsurers, indemnitors, counterparties and central clearinghouses. A reinsurer's, indemnitor's, counterparty's or central clearinghouse's insolvency, inability or unwillingness to make payments under the terms of reinsurance agreements, indemnity agreements or derivatives agreements with us or inability or unwillingness to return collateral could have a material adverse effect on our financial condition and results of operations. *See* "Business — Annuity and Life Reinsurance."

In addition, we use derivatives to hedge various business risks. We enter into a variety of derivatives, including options, forwards, interest rate, credit default and currency swaps with a number of counterparties on a bilateral basis for uncleared OTC derivatives and with clearing brokers and central clearinghouses for OTC-cleared derivatives. *See* "Management's Discussion and Analysis of Financial Condition and Results of Operations — Derivatives." If our counterparties, clearing brokers or central clearinghouses fail or refuse to honor their obligations under these derivatives, our hedges of the related risk will be ineffective. This risk is more pronounced in light of the stresses recently suffered by financial institutions. Such failure could have a material adverse effect on our financial condition and results of operations.

Extreme mortality events resulting from catastrophes may adversely impact liabilities for policyholder claims and reinsurance availability

Our life insurance operations are exposed to the risk of catastrophic mortality, such as a pandemic or other event that causes a large number of deaths. For example, significant influenza pandemics have occurred three times in the last century. The likelihood, timing, and severity of a future pandemic cannot be predicted. A significant pandemic could have a major impact on the global economy or the economies of particular countries or regions, including travel, trade, tourism, the health system, food supply, consumption, overall economic output and, eventually, on the financial markets. In addition, a pandemic that affected our employees or the employees of our distributors or of other companies with which we do business could disrupt our business operations. The effectiveness of external parties, including governmental and non-governmental organizations, in combating the spread and severity of such a pandemic could have a material impact on the losses we experience. These events could cause a material adverse effect on our results of operations in any period and, depending on their severity, could also materially and adversely affect our financial condition.

Consistent with industry practice and accounting standards, we establish liabilities for claims arising from a catastrophe only after assessing the probable losses arising from the event. We cannot be certain that the liabilities we have established will be adequate to cover actual claim liabilities. While we attempt to limit our exposure to acceptable levels, a catastrophic event or multiple catastrophic events could have a material adverse effect on our results of operations and financial condition. Conversely, improvements in medical care and other developments which positively affect life expectancy can cause our assumptions with respect to longevity, which we use when we price our products, to become incorrect and, accordingly, can adversely affect our results of operations and financial condition.

We may not be able to take credit for reinsurance, our statutory life insurance reserve financings may be subject to cost increases, new financings may be subject to limited market capacity and we may be unable to successfully complete the restructuring of existing reinsurance subsidiaries and financing facilities into a single reinsurance subsidiary with its own financing

We currently utilize capital markets solutions to finance a portion of our statutory reserve requirements for several products, including, but not limited to, our level premium term life products subject to the NAIC Valuation of Life Insurance Policies Model Regulation ("*Regulation XXX*"), and ULSG subject to NAIC Actuarial Guideline 38 ("*Guideline AXXX*"). We are currently restructuring our financing facilities for certain previously written products, which are subject to cost increases upon the occurrence of specified ratings downgrades of MetLife or are subject to periodic repricing. Any resulting cost increases could negatively impact our financial results. Subject to the approval of applicable regulators, we intend to merge certain of our affiliate reinsurance subsidiaries into a single newly formed reinsurance subsidiary of Brighthouse. There can be no assurance that MetLife will be able to complete such restructuring and mergers on a timely basis, because they are subject to regulatory and counterparty approvals and other conditions that are beyond MetLife's and our control. We expect that a single, larger reinsurance subsidiary will provide certain benefits to Brighthouse, including (i) enhancing the ability to hedge the interest rate risk of the reinsured liabilities, (ii) allowing increased allocation flexibility in managing an investment portfolio, and (iii) improving operating flexibility and administrative cost efficiency, but there can be no assurance that such benefits will materialize. We expect that the new reinsurance subsidiary will obtain statutory reserve financing through a new funding structure involving a single financing arrangment supported by a pool of highly rated third-party reinsurers. While we anticipate this financing will be at a lower cost than existing financing arrangements there can be no assurance that will be the case. We anticipate that the restructured financing facility will have a term of approximately 20 years, but the liabilities being supported by such facilities have a duration, in some cases, of more than 30 years. Therefore, we may need to refinance those facilities in the future and any such refinancing may not be at costs attractive to us or may not be available at all. If such financing cannot be obtained on favorable terms, our results of operations and financial condition, as well as our competitiveness, could be adversely affected. *See* "Formation of Brighthouse and the Restructuring — Formation of Brighthouse — Certain Affiliated Reinsurance Subsidiaries."

Future capacity for these statutory reserve funding structures in the marketplace is not guaranteed. During 2014, the NAIC approved a new regulatory framework applicable to the use of captive insurers in connection with Regulation XXX and Guideline AXXX transactions. Among other things, the framework calls for more disclosure of an insurer's use of captives in its statutory financial statements, and narrows the types of assets permitted to back statutory reserves that are required to support the insurer's future obligations. The NAIC has implemented the framework through a new actuarial guideline ("*AG 48*"), which requires the actuary of the ceding insurer that opines on the insurer's reserves to issue a qualified opinion if the framework is not followed. The requirements of AG 48 became effective as of January 1, 2015 in all states, without any further action necessary by state legislatures or insurance regulators to implement them, and apply prospectively to new policies issued and new reinsurance transactions entered into on or after January 1, 2015. AG 48 does not affect pre-existing reinsurance arrangements. The NAIC is currently developing a model regulation to be adopted by the states that is intended to codify the requirements of the adopted AG 48. To the extent the types of assets permitted under AG 48 and/or under the new model regulation to back statutory reserves relating to these captive transactions are not available in the future to back such transactions, we would not be able to take some or all statutory reserve credit for such transactions, and could consequently be required to materially increase our capital in MetLife USA, which would adversely affect our financial condition. If we are unable to access the capital markets, we may not be able to increase capital, which would restrict our ability to write new business without increasing product fees or insurance premiums. This could impact our competitiveness and have a material adverse effect on our results of operations and financial condition.

Factors affecting our competitiveness may adversely affect our market share and profitability

We believe competition among insurance companies is based on a number of factors, including service, product features, scale, price, actual or perceived financial strength, claims-paying ratings, credit ratings, e-business capabilities and name recognition. We compete with a large number of other insurance companies, as well as non-insurance financial services companies, such as banks, broker-dealers and asset managers. Some of these companies offer a broader array of products, have more competitive pricing or, with respect to other insurance companies, have higher claims paying ability ratings. Some may also have greater financial resources with which to compete. In some circumstances, national banks that sell annuity products of life insurers may also have a pre-existing customer base for financial services products. These competitive pressures may adversely affect the persistency of our products, as well as our ability to sell our products in the future. If, as a result of competitive factors or otherwise, we are unable to generate a sufficient return on insurance policies and annuity products we sell in the future, we may stop selling such policies and products, which could have a material adverse effect on our financial condition and results of operations. *See* "Business — Annuity and Life Competition."

We believe becoming cost-competitive will be one of our primary competitive advantages. However, we have limited control over many of our costs. For example, we have limited control over the cost of third-party reinsurance, the cost of meeting changing regulatory requirements, and our cost to access capital or financing. There can be no assurance that we will be able to achieve or maintain a cost advantage over our competitors. If our cost structure increases and we are not able to achieve or maintain a cost advantage over our competitors, it could have a material adverse effect on our ability to execute our strategy, as well as on our results of operations and financial condition.

In addition, since numerous aspects of our business are subject to regulation, legislative and other changes affecting the regulatory environment for our business may have, over time, the effect of supporting or burdening some aspects of the financial services industry. This can affect our competitive position within the life insurance industry and within the broader financial services industry. *See* "Regulation."

The failure of third parties to provide various services that are important to our operations could have a material adverse effect on our business

A key part of our operating strategy is to outsource certain services important to our business. In July 2016, we entered into a multi-year outsourcing arrangement for the administration of certain in-force policies currently housed on up to 20 systems. Pursuant to this arrangement, at least 13 of such systems will be consolidated down to one. We may further reduce the remaining seven in-scope systems in the future. We intend to focus on further outsourcing opportunities with third-party vendors after the Transition Services Agreement, Investment Management Agreements and other agreements with MetLife companies expire. *See* "— Risks Related to Our Separation from, and Continuing Relationship with, MetLife —The terms of our arrangements with MetLife may be more favorable than we would be able to obtain from an unaffiliated third party. We may be unable to replace the services MetLife provides to us in a timely manner or on comparable terms" for information regarding the potential effect that the separation of our business from MetLife will have on the pricing of such services. It may be difficult and disruptive for us to replace some of our third-party vendors in a timely manner if they were unwilling or unable to provide us with these services in the future (as a result of their financial or business conditions or otherwise), and our business and operations likely could be materially adversely affected. In addition, if a third-party provider fails to provide the core administrative, operational, financial, and actuarial services we require, fails to meet contractual requirements, such as compliance with applicable laws and regulations, or suffers a cyber-attack or other security breach, our business could suffer economic and reputational harm that could have a material adverse effect on our business and results of operations. *See* "— Operational Risks — The failure in cyber- or other information security systems, as well as the occurrence of events unanticipated in Brighthouse's and MetLife's disaster recovery systems and management continuity planning could result in a loss or disclosure of confidential information, damage to our reputation and impairment of our ability to conduct business effectively."

If our business does not perform well, we may be required to recognize an impairment of our goodwill or other long-lived assets or to establish a valuation allowance against the deferred income tax asset, which could adversely affect our results of operations or financial condition

We perform our goodwill impairment testing using the fair value approach, which requires the use of estimates and judgment, at the "reporting unit" level. A reporting unit is the operating segment or a component of an operating segment if the segment manager reviews operating results of the component.

The estimated fair value of the reporting unit is impacted by the performance of the business, which may be adversely impacted by prolonged market declines. If it is determined that the goodwill has been impaired, we must write down the goodwill by the amount of the impairment, with a corresponding charge to net income. Such writedowns could have an adverse effect on our results of operations or financial position. *See* "Management's Discussion and Analysis of Financial Condition and Results of Operations — Summary of Critical Accounting Estimates — Goodwill."

Long-lived assets, including assets such as real estate, also require impairment testing. This testing is done to determine whether changes in circumstances indicate that we will be unable to recover the carrying amount of the asset group. Such writedowns could have a material adverse effect on our results of operations or financial position.

Deferred income tax represents the tax effect of the differences between the book and tax bases of assets and liabilities. Deferred tax assets are assessed periodically by management to determine whether they are realizable. Factors in management's determination include the performance of the business including the ability to generate future taxable income. If, based on available information, it is more likely than not that the deferred income tax asset will not be realized, then a valuation allowance must be established with a corresponding charge to net income. Such charges could have a material adverse effect on our results of operations or financial position. In addition, changes in the corporate tax rates could affect the value of our deferred tax assets and may require a write-off of some of those assets. *See* "Management's Discussion and Analysis of Financial Condition and Results of Operations — Summary of Critical Accounting Estimates."

If our business does not perform well or if actual experience versus estimates used in valuing and amortizing DAC and VOBA vary significantly, we may be required to accelerate the amortization and/or impair the DAC and VOBA, which could adversely affect our results of operations or financial condition

We incur significant costs in connection with acquiring new and renewal insurance business. Costs that are related directly to the successful acquisition of new and renewal insurance business are deferred and referred to as DAC. VOBA represents the excess of book value over the estimated fair value of acquired insurance and annuity contracts in-force at the acquisition date. The estimated fair value of the acquired liabilities is based on actuarially determined 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. DAC and VOBA related to fixed and variable life and deferred annuity contracts are amortized in proportion to actual and expected future gross profits and for most participating contracts in proportion to actual and expected future gross margins. The amount of future gross profit or margin is dependent principally on investment returns in excess of the amounts credited to policyholders, mortality, morbidity, persistency, interest crediting rates, dividends paid to policyholders, expenses to administer the business, creditworthiness of reinsurance counterparties and certain economic variables, such as inflation. Of these factors, we anticipate that investment returns are most likely to impact the rate of amortization of DAC for the aforementioned contracts.

If actual gross profits or margins are less than originally expected, then the amortization of such costs would be accelerated in the period the actual experience is known and would result in a charge to net income. Significant or sustained equity market declines could result in an acceleration of amortization of DAC and VOBA related to variable annuity and variable life contracts, resulting in a charge to net income. Such adjustments could have a material adverse effect on our results of operations or financial condition. *See* "Management's Discussion and Analysis of Financial Condition and Results of Operations — Summary of Critical Accounting Estimates —Deferred Policy Acquisition Costs and Value of Business Acquired" for a discussion of how significantly lower net investment spreads may cause us to accelerate amortization, thereby reducing net income in the affected reporting period.

Economic Environment and Capital Markets-Related Risks

If difficult conditions in the capital markets and the U.S. economy generally persist or are perceived to persist, they may materially adversely affect our business and results of operations

Our business and results of operations are materially affected by conditions in the capital markets and the U.S. economy generally, as well as by the global economy to the extent it affects the U.S. economy. In addition, while our operations are entirely in the United States, we have foreign investments in our general and separate accounts and, accordingly, conditions in the global capital markets can affect the value of our general account and separate account assets, as well as our financial results. Stressed conditions, volatility and disruptions in financial asset classes or various capital markets can have an adverse effect on us, both because we have a large investment portfolio and our benefit and claim liabilities are sensitive to changing market factors. In addition, perceived difficult conditions in the capital markets may discourage individuals from making investment decisions and purchasing our products. Market factors include interest rates, credit spreads, equity and commodity prices, derivative prices and availability, real estate markets, foreign exchange rates and the volatility and the returns of capital markets. Our business operations and results may also be affected by the level of economic activity, such as the level of employment, business investment and spending, consumer spending and savings; monetary and fiscal policies and their resulting impact on economic activity and conditions like inflation and credit formation. Accordingly, both market and economic factors may affect our business results by adversely affecting our business volumes, profitability, cash flow, capitalization and overall financial condition, our ability to receive dividends from our insurance subsidiaries and meet our obligations at our holding company. Disruptions in one market or asset class can also spread to other markets or asset classes. Upheavals and stagnation in the financial markets can also affect our financial condition (including our liquidity and capital levels) as a result of the impact of such events on our assets and liabilities.

At times throughout the past several years, volatile conditions have characterized financial markets. Significant market volatility, and government actions taken in response, may exacerbate some of the risks we face. Continued unconventional easing of monetary policy from the major central banks, continued impact of weakness in the energy, metal and mining sectors, uncertainties associated with the United Kingdom's (the "*U.K.*") proposed withdrawal from the European Union (the "*EU*") and concerns about the political and/or economic stability of Puerto Rico and certain countries outside the EU have contributed to market volatility in the United States. This market volatility has affected, and may continue to affect the performance of the various asset classes in which we invest, as well as separate account values. *See* "Management's Discussion and Analysis of Financial Condition and Results of Operations — Investments — Current Environment" and "Management's Discussion and Analysis of Financial Condition and Results of Operations — Industry Trends and Uncertainties — Financial and Economic Environment."

To the extent these uncertain financial market conditions persist, our revenues, reserves and net investment income, as well as the demand for certain of our products, are likely to come under pressure. Similarly, sustained periods of low interest rates and risk asset returns could reduce income from our investment portfolio, increase our liabilities for claims and future benefits, and increase the cost of risk transfer measures such as hedging, causing our profit margins to erode as a result of reduced income from our investment portfolio and increase in insurance liabilities. Extreme declines in equity markets could cause us to incur significant capital and/or operating losses due to, among other reasons, the impact on us of guarantees related to our annuity products, including from increases in liabilities, increased capital requirements, and/or collateral requirements associated with our risk transfer arrangements. Even in the absence of a financial market downturn, sustained periods of low market returns and/or low level of U.S. interest rates and/or heightened market volatility may increase the cost of our insurance liabilities, which could have a material adverse effect on the statutory capital and earnings of our insurance subsidiaries as well as impair our financial strength ratings.

Variable annuity products issued through separate accounts are a significant portion of our in-force business. The account values of these products decrease as a result of declining equity markets. Lower interest rates generally increase account values in the near term, as life insurance and annuity products may be relatively more attractive to consumers. However, lower interest rates may result in lower returns in the future due to lower returns on our investments. Decreases in account values reduce certain fees generated by these products, cause the amortization of DAC to accelerate, could increase the level of insurance liabilities we must carry to support such products issued with any associated guarantees and could require us to provide additional funding to our affiliated reinsurer. Even absent declining equity and bond markets, periods of sustained stagnation in these markets, which are characterized by multiple years of low annualized total returns impacting the growth in separate accounts and/or low level of U.S. interest rates, may materially increase our liabilities for claims and future benefits due to inherent market return guarantees in these liabilities. In an economic downturn characterized by higher unemployment, lower family income, lower corporate earnings, lower business investment and lower consumer spending, the demand for our annuity and insurance products could be adversely affected as customers are unwilling or unable to purchase our products. In addition, we may experience an elevated incidence of claims, adverse utilization of benefits relative to our best estimate expectations and lapses or surrenders of policies. Furthermore, our policyholders may choose to defer paying insurance premiums or stop paying insurance premiums altogether. Such adverse changes in the economy could negatively affect our earnings and capitalization and have a material adverse effect on our results of operations and financial condition.

Difficult conditions in the U.S. capital markets and the economy generally may also continue to raise the possibility of legislative, judicial, regulatory and other governmental actions. *See* "— Regulatory and Legal Risks — Our insurance businesses are highly regulated, and changes in regulation and in supervisory and enforcement policies may materially impact our capitalization or cash flows, reduce our profitability and limit our growth" and "— Risks Related to our Business — Factors affecting our competitiveness may adversely affect our market share and profitability."

Adverse capital and credit market conditions may significantly affect our ability to meet liquidity needs and our access to capital

The capital and credit markets may be subject to periods of extreme volatility. Disruptions in capital markets could adversely affect our liquidity and credit capacity or limit our access to capital which may in the future be needed to operate our business and meet policyholder obligations.

We need liquidity at our holding company to pay our operating expenses, pay interest on debt we may incur as of or following completion of the distribution and dividends on our capital stock, provide our subsidiaries with cash or collateral, maintain our securities lending activities and replace certain maturing liabilities. Without sufficient liquidity, we could be forced to curtail our operations and limit the investments necessary to grow our business.

For our insurance company subsidiaries, the principal sources of liquidity are insurance premiums and fees paid in connection with annuity products, and cash flow from our investment portfolio to the extent consisting of cash and readily marketable securities.

In the event capital market or other conditions have an adverse impact on our capital and liquidity, or our stress-testing indicates that such conditions could have such an impact beyond expectations and our current resources do not satisfy our needs or regulatory requirements, we may have to seek additional financing to enhance our capital and liquidity position. The availability of additional financing will depend on a variety of factors such as the then current market conditions, regulatory capital requirements, availability of credit to us and the financial services industry generally, our credit ratings and credit capacity, and the perception of our customers and lenders regarding our long- or short-term financial prospects if we incur large operating or investment losses or if the level of our business activity decreases due to a market downturn. Similarly, our access to funds may be impaired if regulatory authorities or rating agencies take negative actions against us. Our internal sources of liquidity may prove to be insufficient and, in such case, we may not be able to successfully obtain additional financing on favorable terms, or at all.

In addition, our liquidity requirements may change if, among other things, we are required to return significant amounts of cash collateral on short notice under securities lending agreements or other collateral requirements. *See* "— Investments-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 that not all assets are liquid," "Management's Discussion and Analysis of Financial Condition and Results of Operations — Off-Balance Sheet Arrangements — Collateral for Securities Lending, Repurchase Agreement Transactions and Derivatives" and "Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — The Company — Liquidity."

Such conditions may limit our ability to replace, in a timely manner, maturing liabilities, satisfy regulatory capital requirements, and access the capital necessary to grow our business. *See* "— Regulatory and Legal Risks — Our insurance businesses are highly regulated, and changes in regulation and in supervisory and enforcement policies may materially impact our capitalization or cash flows, reduce our profitability and limit our growth." As a result, we may be forced to delay raising capital, issue different types of securities than we would have otherwise, less effectively deploy such capital, issue shorter tenor securities than we prefer, or bear an unattractive cost of capital, which could decrease our profitability and significantly reduce our financial flexibility. Our results of operations, financial condition, cash flows and statutory capital position could be materially adversely affected by disruptions in the financial markets.

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 and net income to vary from period to period

We are exposed to significant financial and capital markets risks both in the United States and in global markets generally to the extent they influence U.S. financial and capital markets, including changes in interest rates, credit spreads, equity markets, real estate markets, the performance of specific obligors, including governments, included in our investment portfolio, derivatives and other factors outside our control. From time to time we may also have exposure through our investment portfolio to foreign currency and commodity price volatility.

Interest rate risk

Some of our products, principally traditional life, universal life and fixed annuities, as well as guaranteed interest contracts (included in our Run-off segment), expose us to the risk that changes in interest rates will reduce our investment margin or "net investment spread," or the difference between the amounts that we are required to pay under the contracts in our general account and the rate of return we earn on general account investments intended to support obligations under such contracts. Our net investment spread is a key component of our net income.

We are affected by the monetary policies of the Board of Governors of the Federal Reserve System ("*Federal Reserve Board*") and the Federal Reserve Bank of New York (collectively, with the Federal Reserve Board, the "*Federal Reserve*") and other major central banks, as such policies may adversely impact the level of interest rates and, as discussed below, the income we earn on our investments or the level of product sales.

In a low interest rate environment, we may be forced to reinvest proceeds from investments that have matured or have been prepaid or sold at lower yields, which will reduce our net investment spread. Moreover, borrowers may prepay or redeem the fixed income securities and commercial, agricultural or residential mortgage loans in our investment portfolio with greater frequency in order to borrow at lower market rates, thereby exacerbating this risk. Although reducing interest crediting rates can help offset decreases in net investment spreads on some products, our ability to reduce these rates is limited to the portion of our in-force product portfolio that has adjustable interest crediting rates, and could be limited by the actions of our competitors or contractually guaranteed minimum rates and may not match the timing or magnitude of changes in asset yields. As a result, our net investment spread would decrease or potentially become negative, which could have a material adverse effect on our results of operations and financial condition. *See* "Management's Discussion and Analysis of Financial Condition and Results of Operations — Policyholder Liabilities."

Our estimation of future net investment spreads is an important component in the amortization of DAC and VOBA. Significantly lower than anticipated net investment spreads reduce our net income and may cause us to accelerate amortization, thereby reducing net income in the affected reporting period and thereby potentially negatively affecting our credit instrument covenants or rating agency assessment of our financial condition.

During periods of declining interest rates, life insurance and annuity products may be relatively more attractive investments to consumers. This could result in increased premium payments on products with flexible premium features, repayment of policy loans and increased persistency, or a higher percentage of insurance policies remaining in-force from year to year, during a period when our new investments carry lower returns. A decline in market interest rates could also reduce our return on investments that do not support particular policy obligations. During periods of sustained lower interest rates, our reserves for policy liabilities may not be sufficient to meet future policy obligations and may need to be strengthened. Accordingly, declining and sustained lower interest rates may materially adversely affect our results of operations and financial condition, ability to take dividends from operating insurance companies and significantly reduce our profitability.

Increases in interest rates could also negatively affect our profitability. In periods of rapidly increasing interest rates, we may not be able to replace, in a timely manner, the investments in our general account with higher yielding investments needed to fund the higher crediting rates necessary to keep interest rate sensitive products competitive. We, therefore, may have to accept a lower credit spread and, thus, lower profitability or face a decline in sales and greater loss of existing contracts and related assets. In addition, policy loans, surrenders and withdrawals may tend to increase as policyholders seek investments with higher perceived returns as interest rates rise. This process may result in cash outflows requiring that we sell investments at a time when the prices of those investments are adversely affected by the increase in interest rates, which may result in realized investment losses. Unanticipated withdrawals, terminations and substantial policy amendments may cause us to accelerate the amortization of DAC and VOBA, which reduces net income and potentially negatively affects our credit instrument covenants and rating agency assessment of our financial condition. An increase in interest rates could also have a material adverse effect on the value of our investment portfolio, for example, by decreasing the estimated fair values of the fixed income securities and mortgage loans that comprise a significant portion of our investment portfolio. Finally, an increase in interest rates could result in decreased fee revenue associated with a decline in the value of variable annuity account balances invested in fixed income funds. However, this increase in interest rates would typically cause any guaranteed living benefits to decline in value to the contract holder.

We manage interest rate risk as part of our asset and liability management strategies, which include (i) 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 (ii) a hedging program. For certain of our liability portfolios, it is not possible to invest assets to the full liability duration, thereby creating some asset/liability mismatch. Where a liability cash flow may exceed the maturity of available assets, as is the case with certain retirement products, we may support such liabilities with equity investments, derivatives or interest rate mismatch strategies. We also use derivatives to mitigate interest rate risk. Although we take measures to manage the economic risks of investing in a changing interest rate environment, we may not be able to mitigate the interest rate risk of our fixed income investments relative to our interest sensitive liabilities. The level of interest rates also affects our liabilities for benefits under our annuity contracts. As interest rates decline we may need to increase our reserves for future benefits under our annuity contracts, which would adversely affect our results of operations and financial condition. *See* “Quantitative and Qualitative Disclosures About Market Risk.”

In addition, while we use a risk mitigation strategy relating to our ULSG portfolio intended to reduce our risk to statutory capitalization and long-term economic exposures from sustained low levels of interest rates, this strategy will likely result in higher net income volatility due to the insensitivity of GAAP liabilities, under current GAAP insurance accounting, to the change in interest rate levels. This strategy may adversely affect our results of operations and financial condition. *See* “Business — Description of our Segments, Products and Operations — Life — Products — ULSG Market Risk Exposure Management.”

Significant volatility in the markets could cause changes in the risks set forth above which, individually or in tandem, could have a material adverse effect on our results of operations, financial condition, liquidity or cash flows through realized investment losses, derivative losses, change in insurance liabilities, impairments, increased valuation allowances, increases in reserves for future policyholder benefits, reduced net investment income and changes in unrealized gain or loss positions.

Credit spread risk

Our exposure to credit spreads primarily relates to market price volatility. Market price volatility can make it difficult to value certain of our securities if trading becomes less frequent, as was the case, for example, during the financial crisis commencing in 2008. In such case, valuations may include assumptions or estimates that may have significant period-to-period changes, which could have a material adverse effect on our results of operations or financial condition and may require additional reserves. If there is a resumption of significant volatility in the markets, it could cause changes in credit spreads and defaults and a lack of pricing transparency which, individually or in tandem, could have a material adverse effect on our results of operations, financial condition or liquidity. *See* “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Investments — Investment Risks.” An increase in credit spreads relative to U.S. Treasury benchmarks can also adversely affect the cost of our borrowing if we need to access credit markets.

Equity risk

While we have a limited exposure to equity securities issued by third parties in our general account, our primary exposure to equity relates to the potential for lower earnings associated with certain of our businesses where fee income is earned based upon the estimated market value of the separate account assets and other assets related to our variable annuity business. Because these products generate fees related primarily to the value of separate account assets and other assets under management, a decline in the equity markets could reduce our revenues as a result of the reduction in the value of the investments supporting those products and services. The variable annuity business in particular is highly sensitive to equity markets, and a sustained weakness or stagnation in the equity markets could decrease revenues and earnings with respect to those products. Furthermore, certain of our variable annuity products offer guaranteed benefits which increase our potential benefit exposure should equity markets decline or stagnate. We seek to mitigate the impact of such increased potential benefit exposures from market declines through the use of derivatives, reinsurance and capital management. However, such derivatives and reinsurance may become less available and, to the extent available, their price could materially increase in a period characterized by volatile equity markets. The risk of stagnation in equity market returns cannot be addressed by hedging; however, it is monitored and addressed through asset adequacy and capital management. *See* “Business — Description of our Segments, Products and Operations — Annuities — Variable Annuities” for details regarding sensitivity of our variable annuity business to capital markets.

In addition, a portion of our investments are in leveraged buy-out funds, hedge funds and other private equity funds. The amount and timing of net investment income from such funds tends to be uneven as a result of the performance of the underlying investments. The timing of distributions from such funds, which depends on particular events relating to the underlying investments, as well as the funds' schedules for making distributions and their needs for cash, can be difficult to predict. As a result, the amount of net investment income from these investments can vary substantially from period to period. Significant volatility could adversely impact returns and net investment income on these alternative investments. In addition, the estimated fair value of such investments may be impacted by downturns or volatility in equity markets. *See* "— Investments-Related Risks — Our valuation of securities and investments and the determination of the amount of allowances and impairments taken on our investments are subjective and, if changed, could materially adversely affect our results of operations or financial condition." In addition, we will rely on MetLife Investment Advisors for a period following the separation to provide the services required to manage the portfolio.

Real estate risk

A portion of our investment portfolio consists of mortgage loans on commercial, agricultural and residential real estate. Our exposure to this risk stems from various factors, including the supply and demand of leasable commercial space, creditworthiness of tenants and partners, capital markets volatility, interest rate fluctuations, agricultural prices and farm incomes, which have recently been declining. Although we manage credit risk and market valuation risk for our commercial, agricultural and residential real estate assets through geographic, property type and product type diversification and asset allocation, general economic conditions in the commercial, agricultural and residential real estate sectors will continue to influence the performance of these investments. These factors, which are beyond our control, could have a material adverse effect on our results of operations, financial condition, liquidity or cash flows. In addition, we will rely on MetLife Investment Advisors for a period following the separation to provide the services required to manage the portfolio.

Obligor-related risk

Fixed income securities and mortgage loans represent a significant portion of our investment portfolio. We are subject to the risk that the issuers, or guarantors, of fixed income securities and mortgage loans we own may default on principal and interest payments they owe us. We are also subject to the risk that the underlying collateral within asset-backed securities, including mortgage-backed securities, may default on principal and interest payments causing an adverse change in cash flows. The occurrence of a major economic downturn, acts of corporate malfeasance, widening mortgage or credit spreads, or other events that adversely affect the issuers, guarantors or underlying collateral of these securities and mortgage loans could cause the estimated fair value of our portfolio of fixed income securities and mortgage loans and our earnings to decline and the default rate of the fixed income securities and mortgage loans in our investment portfolio to increase.

Derivatives risk

We use the payments we receive from counterparties pursuant to derivative instruments we have entered into to offset future changes in the fair value of our assets and liabilities and current or future changes in cash flows. We enter into a variety of derivative instruments, including options, futures, forwards, and interest rate and credit default swaps with a number of counterparties. Amounts that we expect to collect under current and future derivatives are subject to counterparty risk. Our obligations under our products are not changed by our hedging activities and we are liable for our obligations even if our derivative counterparties do not pay us. Such defaults could have a material adverse effect on our financial condition and results of operations. Substantially all of our derivatives require us to pledge or receive collateral or make payments related to any decline in the net estimated fair value of such derivatives executed through a specific broker at a clearinghouse or entered into with a specific counterparty on a bilateral basis. In addition, ratings downgrades or financial difficulties of derivative counterparties may require us to utilize additional capital with respect to the impacted businesses.

Summary

In addition to the economic or counterparty risks set forth above which, individually or in tandem, could have a material adverse effect on our results of operations, financial condition, liquidity or cash flows through realized investment losses, derivative losses, change in insurance liabilities, impairments, increased valuation allowances, increases in reserves for future policyholder benefits, reduced net investment income and changes in unrealized gain or loss positions, we are also exposed to volatility risk with respect to any one or more of these economic risks. Significant volatility in the markets could cause changes in the risks set forth above which, individually or in tandem, could have a material adverse effect on our results of operations, financial condition, liquidity or cash flows through realized investment losses, derivative losses, change in insurance liabilities, impairments, increased valuation allowances, increases in reserves for future policyholder benefits, reduced net investment income and changes in unrealized gain or loss positions.

Regulatory and Legal Risks

Our insurance businesses are highly regulated, and changes in regulation and in supervisory and enforcement policies may materially impact our capitalization or cash flows, reduce our profitability and limit our growth

Our insurance operations are subject to a wide variety of insurance and other laws and regulations. *See* "Regulation." Our insurance company operating subsidiaries are domiciled in Delaware, Massachusetts and New York. Each entity is subject to regulation by its primary state regulator, and is also subject to other regulation in states in which it operates.

NAIC - Existing and proposed insurance regulation

The NAIC is an organization whose mission is to assist state insurance regulatory authorities in serving the public interest and achieving the insurance regulatory goals of its members, the state insurance regulatory officials. State insurance regulators may act independently or adopt regulations proposed by the NAIC. State insurance regulators and the NAIC regularly re-examine existing laws and regulations applicable to insurance companies and their products. Some NAIC pronouncements take effect automatically in the various states, particularly with respect to accounting issues. Statutes, regulations and interpretations may be applied with retroactive impact, particularly in areas such as accounting and reserve requirements. Changes in existing laws and regulations, or in interpretations thereof, can sometimes lead to additional expense for the insurer and, thus, could have a material adverse effect on our financial condition and results of operations.

During 2014, the NAIC approved a new regulatory framework applicable to the use of captive insurers in connection with Regulation XXX and Guideline AXXX transactions. This could impact our competitiveness and have a material adverse effect on our results of operations and financial condition. *See* "— Risks Related to our Business — We may not be able to take credit for reinsurance, our statutory life insurance reserve financings may be subject to cost increases, new financings may be subject to limited market capacity and we may be unable to successfully complete the restructuring of existing reinsurance subsidiaries and financing facilities into a single reinsurance subsidiary with its own financing."

In 2015, the NAIC commissioned an initiative to identify changes to the statutory framework for variable annuities that can remove or mitigate the motivation for insurers to engage in captive reinsurance transactions. In September 2015, a third-party consultant engaged by the NAIC provided the NAIC with a preliminary report covering several sets of recommendations regarding Actuarial Guideline 43 and C3 Phase II reserve requirements. These recommendations generally focus on (1) mitigating the asset-liability accounting mismatch between hedge instruments and statutory instruments and statutory liabilities, (2) removing the non-economic volatility in statutory capital charges and the resulting solvency ratios and (3) facilitating greater harmonization across insurers and products for greater comparability. An updated variable annuity reserve and capital framework proposal was presented at the August 2016 NAIC meeting, followed by a 90-day comment period on the proposal. This updated proposal included the initial recommendations from 2015, but also some new aspects. The standard scenario floor for reserves may incorporate multiple paths. The stochastic calculations may include alternative calibration criteria for equities and other market risk factors, and the C3 Phase II component may reflect a new level of capitalization. The NAIC is continuing its consideration of these recommendations. These recommendations, if adopted, would apply to all existing business and may materially change the sensitivity of reserve and capital requirements to capital markets including interest rate, equity markets and volatility as well as prescribed assumptions for policyholder behavior. It is not possible at this time to predict whether the amount of reserves or capital required to support our variable annuity contracts would increase or decrease if such recommendations were adopted, nor is it possible to predict the materiality of any such increase or decrease. It is also not possible to predict the extent to which any such recommendations would affect the effectiveness and design of our risk mitigation and hedging programs. Furthermore, no assurances can be given to whether any such recommendations will be adopted or to the timing of any such adoption.

The NAIC has also been working on reforms relating to the calculation of life insurance reserves, including principle-based reserving, which will become operative on January 1, 2017 in those states where it has been adopted, to be followed by a three-year phase-in period for new business. With respect to the states in which our insurance subsidiaries are domiciled, the Delaware Insurance Department will implement principle-based reserving on January 1, 2017, the New York State Department of Financial Services ("*NYDFS*") has publicly stated its intention to implement this approach beginning in January 2018, subject to a working group of the NYDFS establishing the necessary reserves safeguards, and the Massachusetts legislature is considering legislation in this area. We cannot predict how principle-based reserving will impact the reserves or compliance costs, if any, of our insurance subsidiaries domiciled in Delaware and New York. *See* "Regulation — Insurance Regulation — NAIC."

State insurance guaranty associations

Most of the jurisdictions in which we transact business require life insurers doing business within the jurisdiction to participate in guaranty associations. These associations are organized to pay contractual benefits owed pursuant to insurance policies issued by impaired, insolvent or failed insurers, or those that may become impaired, insolvent or fail, for example, following the occurrence of one or more catastrophic events. These associations levy assessments, up to prescribed limits, on all member insurers in a particular state on the basis of the proportionate share of the premiums written by member insurers in the lines of business in which the impaired, insolvent or failed insurer is engaged. In addition, certain states have government owned or controlled organizations providing life insurance to their citizens. The activities of such organizations could also place additional stress on the adequacy of guaranty fund assessments. Many of these organizations also have the power to levy assessments similar to those of the guaranty associations described above. Some states permit member insurers to recover assessments paid through full or partial premium tax offsets. *See* "Regulation — Insurance Regulation — Guaranty Associations and Similar Arrangements."

While in the past five years, the aggregate assessments levied against us have not been material, it is possible that a large catastrophic event could render such guaranty funds inadequate and we may be called upon to contribute additional amounts, which may have a material impact on our financial condition or results of operations in a particular period. We have established liabilities for guaranty fund assessments that we consider adequate, but additional liabilities may be necessary. *See* "Regulation — Insurance Regulation — Guaranty Associations and Similar Arrangements."

Federal - Insurance regulation

Currently, the U.S. federal government does not directly regulate the business of insurance. However, the Dodd-Frank Wall Street Reform and Consumer Protection Act ("*Dodd-Frank*") established the Federal Insurance Office ("*FIO*") within the Department of the Treasury, which has the authority to, among other things, collect information about the insurance industry and recommend prudential standards. On December 12, 2013, the FIO issued a report, mandated by Dodd-Frank, which, among other things, urged the states to modernize and promote greater uniformity in insurance regulation. The report raised the possibility of a greater role for the federal government if states do not achieve greater uniformity in their laws and regulations. We cannot predict whether any such legislation or regulatory changes will be adopted, or what impact they will have on our business, financial condition or results of operations. *See* "Regulation — Insurance Regulation — Federal Initiatives."

Federal legislation and administrative policies can significantly and adversely affect insurance companies, including policies regarding financial services regulation, securities regulation, derivatives regulation, pension regulation, privacy, tort reform legislation and taxation. In addition, various forms of direct and indirect federal regulation of insurance have been proposed from time to time, including proposals for the establishment of an optional federal charter for insurance companies.

MetLife had been designated by the Federal Stability Oversight Council ("*FSOC*") as a non-bank systemically important financial institution ("*non-bank SIFI*") subject to regulation by the Federal Reserve and the Federal Deposit Insurance Corporation ("*FDIC*"), as well as to enhanced supervision and prudential standards, by the FSOC. Although the D.C. District Court ordered that the designation of MetLife as a non-bank SIFI by the FSOC be rescinded, the FSOC has appealed the D.C. District Court's order to the D.C. Circuit Court of Appeals, and oral argument was heard on October 24, 2016. If the FSOC prevails on appeal or the FSOC re-designates MetLife as a non-bank SIFI, MetLife could once again be subject to such regulations, enhanced supervision and prudential standards. If MetLife were re-designated as a non-bank SIFI prior to the distribution or while MetLife is deemed to control us, our business and competitive position could be materially and adversely affected by any requirement of the Federal Reserve Board requiring insurers that are non-bank SIFIs to comply with capital standards or regimes that do not take into account the insurance business model and the differences between banks and insurers. Enhanced capital requirements could adversely affect our ability to compete with other insurers that are not subject to those requirements, and our ability to issue guarantees could be constrained. We could have to raise the price of the products we offer, reduce the amount of risk we take on, or stop offering certain products altogether. Brighthouse, because of its size, could be separately evaluated by the FSOC and designated as a non-bank SIFI. There can be no assurance that Brighthouse will not be so designated by the FSOC or that any actions taken in furtherance of the separation of Brighthouse will affect any decision the FSOC may make to re-designate MetLife as a non-bank SIFI.

MetLife may consider further structural and other business alternatives that may be available to it in response to any re-designation of MetLife as a non-bank SIFI, and we cannot predict the impact that any such alternatives, if implemented, may have on Brighthouse or its security holders prior to the distribution. *See* "Regulation — Potential Regulation as a Non-Bank SIFI: Enhanced Prudential Standards and Other Regulatory Requirements Under Dodd-Frank" for additional information regarding potential regulation of MetLife as a non-bank SIFI and the potential impact of such regulation on Brighthouse.

In 2015, the Financial Stability Board ("*FSB*"), with input from the International Association of Insurance Supervisors ("*IAIS*"), again designated MetLife as a global systemically important insurer ("*G-SII*") as part of the FSB's initiative to identify and manage global systemically important financial institutions. However, MetLife will not be subject to G-SII policy measures adopted by the FSB and IAIS unless such policy measures are implemented by a regulator with appropriate jurisdiction over MetLife and we believe that following the distribution any implementing regulations will not directly or indirectly impose obligations or restrictions on us, as we will no longer be controlled by MetLife.

Department of Labor and ERISA considerations

We manufacture life insurance products for third parties to sell to tax-qualified pension and retirement plans and Individual Retirement Accounts or Annuities ("*IRAs*") to individuals that are subject to ERISA or the Code. While we currently believe manufacturers do not have as much exposure to ERISA and the Code as distributors, certain activities are subject to the restrictions imposed by ERISA and the Code, including the requirement under ERISA that fiduciaries must perform their duties solely in the interests of ERISA plan participants and beneficiaries, and those fiduciaries may not cause a covered plan to engage in certain prohibited transactions. The prohibited transaction rules of ERISA and the Code generally restrict the provision of investment advice to ERISA plans and participants and IRAs if the investment recommendation results in fees paid to the individual advisor, the firm that employs the advisor or their affiliates that vary according to the investment recommendation chosen. Similarly, without an exemption, fiduciary advisors are prohibited from receiving compensation from third parties in connection with their advice. ERISA also affects certain of our in-force insurance policies and annuity contracts as well as insurance policies and annuity contracts we may sell in the future.

The DOL issued new regulations on April 6, 2016 with an effective date for most provisions of April 10, 2017. These rules substantially expand the definition of "investment advice" and thereby broaden the circumstances under which distributors and even manufacturers can be considered fiduciaries under ERISA or the Code. Pursuant to the final rule, certain communications with plans, plan participants and IRA holders, including the marketing of products, and marketing of investment management or advisory services, could be deemed fiduciary investment advice, thus causing increased exposure to fiduciary liability if the distributor does not recommend what is in the client's best interests. While the final rule also provides that, to a limited extent, contracts sold and advice provided prior to April 10, 2017 do not have to be modified to comply with the new investment advice regulations, there is lack of clarity surrounding some of the conditions for qualifying for this limited exception. There can be no assurance that the DOL will agree with our interpretation of these provisions, in which case the DOL and IRS could assess significant penalties against a portion of products sold prior to April 10, 2017. The assessment of such penalties could also trigger substantial litigation risk. Any such penalties and related litigation could adversely affect our results of operations and financial condition.

The DOL also issued amendments to certain of its prohibited transaction exemptions, and issued a new exemption, that applies more onerous disclosure and contact requirements to, and increase fiduciary requirements and fiduciary liability exposure in respect of, transactions involving ERISA plans, plan participants and IRAs.

While we continue to analyze the impact of the final regulation on our business, we believe it could have an adverse effect on sales of annuity products to ERISA qualified plans such as IRAs through our independent distribution partners. A significant portion of our annuity sales are to IRAs. The new regulation deems advisors, including independent distributors, who sell fixed index-linked annuities to IRAs, IRA rollovers or 401(k) plans, fiduciaries and prohibits them from receiving compensation unless they comply with a prohibited transaction exemption. The exemption requires advisors to comply with impartial conduct standards and may require us to exercise additional oversight of the sales process. Compliance with the prohibited transaction exemptions will likely result in increased regulatory burdens on us and our independent distribution partners, changes to our compensation practices and product offerings and increased litigation risk, which could adversely affect our results of operations and financial condition. *See* "Regulation — Insurance Regulation — Department of Labor and ERISA Considerations."

Other

From time to time, regulators raise issues during examinations or audits of us that could, if determined adversely, have a material adverse effect on us. In addition, the interpretations of regulations by regulators may change and statutes may be enacted with retroactive impact, particularly in areas such as accounting or statutory reserve requirements. Compliance with applicable laws and regulations is time consuming and personnel-intensive, and changes in these laws and regulations may materially increase our direct and indirect compliance and other expenses of doing business, thus having a material adverse effect on our financial condition and results of operations.

A decrease in the RBC ratio (as a result of a reduction in statutory surplus and/or increase in RBC requirements) of our insurance subsidiaries could result in increased scrutiny by insurance regulators and rating agencies and have a material adverse effect on our results of operations and financial condition

The NAIC has established model regulations that provide minimum capitalization requirements based on RBC formulas for insurance companies. The RBC formula for life insurance companies establishes capital requirements relating to asset, insurance, interest rate, market and business risks, including equity, interest rate and expense recovery risks associated with variable annuities that contain certain guaranteed minimum death and living benefits. Each of our insurance subsidiaries is subject to RBC standards and/or other minimum statutory capital and surplus requirements imposed under the laws of its respective jurisdiction of domicile. *See* "Regulation — Insurance Regulation — Surplus and Capital; Risk-Based Capital."

In any particular year, statutory surplus amounts and RBC ratios may increase or decrease depending on a variety of factors, including the amount of statutory income or losses generated by the insurance subsidiary (which itself is sensitive to equity market and credit market conditions), the amount of additional capital such insurer must hold to support business growth, changes in equity market levels, the value and credit ratings of certain fixed-income and equity securities in its investment portfolio, the value of certain derivative instruments that do not receive hedge accounting and changes in interest rates, as well as changes to the RBC formulas and the interpretation of the NAIC's instructions with respect to RBC calculation methodologies. Our financial strength and credit ratings are significantly influenced by statutory surplus amounts and RBC ratios. In addition, rating agencies may implement changes to their own internal models, which differ from the RBC capital model, that have the effect of increasing or decreasing the amount of statutory capital we or our insurance subsidiaries should hold relative to the rating agencies' expectations. In extreme scenarios of equity market declines, sustained periods of low interest rates, rapidly rising interest rates or credit spread widening, the amount of additional statutory reserves that an insurance subsidiary is required to hold for certain types of guaranteed investment contracts, variable annuity guarantees and stable value contracts may materially increase. This increase in reserves would decrease the statutory surplus available for use in calculating the subsidiary's RBC ratios. To the extent that an insurance subsidiary's RBC ratio is deemed to be insufficient, we may seek to take actions either to increase the capitalization of the insurer or to reduce the capitalization requirements. If we were unable to accomplish such actions, the rating agencies may view this as a reason for a ratings downgrade.

The failure of any of our insurance subsidiaries to meet its applicable RBC requirements or minimum capital and surplus requirements could subject it to further examination or corrective action imposed by insurance regulators, including limitations on its ability to write additional business, supervision by regulators or seizure or liquidation. Any corrective action imposed could have a material adverse effect on our business, results of operations and financial condition. A decline in RBC ratios, whether or not it results in a failure to meet applicable RBC requirements, may still limit the ability of an insurance subsidiary to make dividends or distributions to us, could result in a loss of customers or new business, and could be a factor in causing ratings agencies to downgrade the insurer's financial strength ratings, each of which could have a material adverse effect on our business, results of operations and financial condition.

The Dodd-Frank provisions compelling the liquidation of certain types of financial institutions could materially and adversely affect us, as such a financial institution and as an investor in or counterparty to other such financial institutions, as well as our respective investors

Under provisions of Dodd-Frank, if we or another financial institution were to become insolvent or were in danger of defaulting on our or its respective obligations and it was determined that such default would have serious effects on financial stability in the United States, we or such other financial institution could be compelled to undergo liquidation with the FDIC as receiver. Under this new regime an insurance company such as MetLife USA, FMLI or NELICO would be resolved in accordance with state insurance law. If the FDIC were to be appointed as the receiver for another type of company (including an insurance holding company such as Brighthouse), the liquidation of that company would occur under the provisions of the new liquidation authority, and not under the Bankruptcy Code, which ordinarily governs liquidations. In an FDIC-managed liquidation, holders of a company's debt could in certain respects be treated differently than they would be under the Bankruptcy Code and similarly situated creditors could be treated differently. In particular, unsecured creditors and shareholders are intended to bear the losses of the company being liquidated. These provisions could apply to some financial institutions whose debt securities Brighthouse holds in its investment portfolios and could adversely affect their respective positions as creditors and the value of their respective holdings.

Dodd-Frank also provides for the assessment of charges against certain financial institutions, including non-bank SIFIs and bank holding companies, to cover the costs of liquidating any financial company subject to the new liquidation authority. The liquidation authority could increase the funding charges assessed against Brighthouse.

We are subject to U.S. federal, state and other securities and state insurance laws and regulations which, among other things, require that we distribute certain of our products through a registered broker-dealer; failure to comply with those laws, including a failure to have a registered broker-dealer, or changes in those laws may have a material adverse effect on our operations and our profitability

Federal and state securities laws and regulations apply to insurance products that are also "securities," including variable annuity contracts and variable life insurance policies, to the separate accounts that issue them, and to certain fixed interest rate or index-linked contracts ("*registered fixed annuity contracts*"). Such laws and regulations require that we distribute these products through a broker-dealer that is registered with the SEC and certain state securities regulators and is a member of the Financial Industry Regulatory Authority, Inc. ("*FINRA*"). Accordingly, our offering and selling of variable annuity contracts, variable life insurance policies and registered fixed annuity contracts, and in managing certain proprietary mutual funds associated with those products, are subject to extensive regulation under federal and state securities laws as well as FINRA rules. Costs related to compliance with these securities laws will be greater than for our unregistered products. Due to the increased operating and compliance costs, the profitability of issuing these products is uncertain.

While we currently rely on a MetLife-affiliated broker-dealer to distribute our variable and registered fixed products, following the distribution we plan to utilize a Brighthouse-affiliated registered broker-dealer to distribute such products. Brighthouse Securities, a subsidiary we will acquire from MetLife in the distribution, has become registered as a broker-dealer with the SEC and approved as a member of FINRA. We also intend that Brighthouse Securities will become registered as a broker-dealer with certain state regulators prior to the effectiveness of the distribution, but no assurances can be given that it will receive the applicable regulatory approvals.

Securities laws and regulations are primarily intended to ensure the integrity of the financial markets, to protect investors in the securities markets, and to protect investment advisory or brokerage clients. These laws and regulations generally grant regulatory and self-regulatory agencies broad rulemaking and enforcement powers, including the power to adopt new rules impacting new and/or existing products, regulate the issuance, sale and distribution of our products and limit or restrict the conduct of business for failure to comply with securities laws and regulations. As a result of Dodd-Frank, there have been a number of proposed or adopted changes to the laws and regulations that govern the conduct of our variable and registered fixed insurance products business and the firms that distribute these products. The future impact of recently adopted revisions to laws and regulations, as well as revisions that are still in the proposal stage, on the way we conduct our business and the products we sell is unclear. Such impact could adversely affect our operations and profitability, including increasing the regulatory and compliance burden upon us, resulting in increased costs. *See* "Regulation — Insurance Regulation — Federal Initiatives."

The global credit crisis and recession that commenced in 2008 has led to significant changes in economic and financial markets and a prolonged period of low interest rates that have, in turn, materially altered the competitive landscape for variable and registered fixed product issuers. Our ability to react to rapidly changing market and economic conditions will depend on the continued efficacy of provisions we have incorporated into our product design allowing frequent and contemporaneous revisions of key pricing elements and our ability to work collaboratively with federal securities regulators. Changes in regulatory approval processes, rules and other dynamics in the regulatory process could adversely impact our ability to react to such changing conditions.

Changes in tax laws or interpretations of such laws could reduce our earnings and materially impact our operations by increasing our corporate taxes and making some of our products less attractive to consumers

Changes in federal or state tax laws could have a material adverse effect on our profitability and financial condition, and could result in our incurring materially higher corporate taxes. Higher tax rates may adversely affect our business, financial condition, results of operations and liquidity. Conversely, if income tax rates decline it could adversely affect the desirability of our products.

In addition, we anticipate that we will derive tax benefits from certain items, including but not limited to tax exempt investment income, dividends received deductions, various tax credits and insurance reserve deductions. There is a risk that, in the context of deficit reduction or overall tax reform, federal and/or state tax legislation could modify or eliminate these or other items, impacting us, our investments, investment strategies, and/or our policyholders. Although the specific form of any such legislation is uncertain, modification to the dividends received deduction or changes to the taxation of reserving methodologies for insurance companies could increase our actual tax rate, thereby reducing earnings. We may also be impacted by changes to the deduction for insurance reserves that may be required under current tax law to conform to the introduction of principle-based reserves ("*PBR*"). As detailed guidance has not been issued by the IRS on PBR, we are not able to evaluate the potential impact of PBR on our insurance reserves tax deduction.

Moreover, many of the products that we sell benefit from one or more forms of tax-favored status under current federal and state income tax regimes. For example, annuity contracts allow policyholders to defer the recognition of taxable income earned within the contract. Additionally, changes in the taxation of life insurance and/or annuity contracts may impact future sales. However, if the treatment of earnings accrued inside an annuity contract was changed prospectively, and the tax-favored status of existing contracts was grandfathered, holders of existing contracts would be less likely to surrender or rollover their contracts, which would impact our business in ways that are difficult to predict. Conversely, we expect the taxation of earnings from annuity or similar contracts would reduce demand for our products.

Litigation and regulatory investigations are increasingly common in our businesses and may result in significant financial losses and/or harm to our reputation

We face a significant risk of litigation and regulatory investigations and actions in the ordinary course of operating our businesses, including the risk of class action lawsuits. Our pending legal and regulatory actions include proceedings specific to us, as well as other proceedings that raise issues that are generally applicable to business practices in the industries in which we operate. In connection with our insurance operations, plaintiffs' lawyers may bring or are bringing class actions and individual suits alleging, among other things, issues relating to sales or underwriting practices, claims payments and procedures, product design, disclosure, administration, investments, denial or delay of benefits and breaches of fiduciary or other duties to customers. Plaintiffs in class action and other lawsuits against us may seek very large and/or indeterminate amounts, including punitive and treble damages. Due to the vagaries of litigation, the outcome of a litigation matter and the amount or range of potential loss at particular points in time may normally be difficult to ascertain. Uncertainties can include how fact finders will evaluate documentary evidence and the credibility and effectiveness of witness testimony, and how trial and appellate courts will apply the law in the context of the pleadings or evidence presented, whether by motion practice, or at trial or on appeal. Disposition valuations are also subject to the uncertainty of how opposing parties and their counsel will themselves view the relevant evidence and applicable law. Material pending litigation and regulatory matters affecting us and risks to our business presented by these proceedings are discussed in Note 16 of the notes to the combined financial statements.

A substantial legal liability or a significant federal, state or other regulatory action against us, as well as regulatory inquiries or investigations, could harm our reputation, result in material fines or penalties, result in significant legal costs and otherwise have a material adverse effect on our business, financial condition and results of operations. Even if we ultimately prevail in the litigation, regulatory action or investigation, our ability to attract new customers, retain our current customers and recruit and retain employees could be materially and adversely impacted. Regulatory inquiries and litigation may also cause volatility in the price of stocks of companies in our industry.

Current claims, litigation, unasserted claims probable of assertion, investigations and other proceedings against us could have a material adverse effect on our business, financial condition or results of operations. It is also possible that related or unrelated claims, litigation, unasserted claims probable of assertion, investigations and proceedings may be commenced in the future, and we could become subject to further investigations and have lawsuits filed or enforcement actions initiated against us. Increased regulatory scrutiny and any resulting investigations or proceedings in any of the jurisdictions where we operate could result in new legal actions and precedents and industry-wide regulations that could adversely affect our business, financial condition and results of operations.

Investments-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 that not all assets are liquid

There may be a limited market for certain investments we hold in our investment portfolio, making them relatively illiquid. These include privately-placed fixed maturity securities, derivative instruments such as options, mortgage loans, policy loans, leveraged leases, other limited partnership interests, and real estate equity, such as real estate joint ventures and funds. In the past, even some of our very high quality investments experienced reduced liquidity during periods of market volatility or disruption. If we were forced to sell certain of our investments during periods of market volatility or disruption, market prices may be lower than our carrying value in such investments. This could result in realized losses which could have a material adverse effect on our results of operations and financial condition, as well as our financial ratios, which could affect compliance with our credit instruments and rating agency capital adequacy measures.

Similarly, we loan blocks of our securities to third parties (primarily brokerage firms and commercial banks) through our securities lending program, including fixed maturity securities and short-term investments. Under this program, we obtain collateral, usually cash, at the inception of a loan and typically purchase securities with the cash collateral. Upon the return to us of these loaned securities, we must return to the third-party the cash collateral we received. If the cash collateral has been invested in securities, we need to sell the securities. However, in some cases, the maturity of those securities may exceed the term of the related securities on loan and the estimated fair value of the securities we need to sell may fall below the amount of cash received.

If we are required to return significant amounts of cash collateral in connection with our securities lending or otherwise need significant amounts of cash on short notice and we are forced to sell securities, we may have difficulty selling such collateral that is invested in securities in a timely manner, be forced to sell securities in a volatile or illiquid market for less than we otherwise would have been able to realize under normal market conditions, or both. In the event of a forced sale, accounting guidance requires the recognition of a loss for securities in an unrealized loss position and may require the impairment of other securities based on our ability to hold those securities, which would negatively impact our financial condition, as well as our financial ratios, which could affect compliance with our credit instruments and rating agency capital adequacy measures. In addition, under stressful capital market and economic conditions, liquidity broadly deteriorates, which may further restrict our ability to sell securities. Furthermore, if we decrease the amount of our securities lending activities over time, the amount of net investment income generated by these activities will also likely decline. *See* "Management's Discussion and Analysis of Financial Condition and Results of Operations — Investments — Securities Lending."

Our requirements to pledge collateral or make payments related to declines in estimated fair value of derivatives transactions or specified assets in connection with OTC-cleared, OTC-bilateral transactions and exchange traded derivatives may adversely affect our liquidity, expose us to central clearinghouse and counterparty credit risk, and increase our costs of hedging

Many of our derivatives transactions require us to pledge collateral related to any decline in the net estimated fair value of such derivatives transactions executed through a specific broker at a clearinghouse or entered into with a specific counterparty on a bilateral basis. The amount of collateral we may be required to pledge and the payments we may be required to make under our derivatives transactions may increase under certain circumstances and will increase as a result of the requirement to pledge initial margin for OTC-cleared transactions entered into after June 10, 2013 and for OTC-bilateral transactions entered into after the phase-in period, which would be applicable to us in 2020 as a result of the adoption by the Prudential Regulators and the U.S. Commodity Futures Trading Commission ("*CFTC*") of final margin requirements for non-centrally cleared derivatives. Although the final rules allow us to pledge a broad range of non-cash collateral as initial and variation margin, the Prudential Regulators, CFTC, central clearinghouses and counterparties may restrict or eliminate certain types of previously eligible collateral, or charge us to pledge such non-cash collateral, which would increase our costs and could adversely affect our liquidity and the composition of our investment portfolio. *See* "Regulation — Regulation of Over-the-Counter Derivatives."

Gross unrealized losses on fixed maturity and equity securities and defaults, downgrades or other events may result in future impairments to the carrying value of such securities, resulting in a reduction in our net income

Fixed maturity and equity securities classified as available-for-sale ("*AFS*") securities are reported at their estimated fair value. Unrealized gains or losses on AFS securities are recognized as a component of other comprehensive income (loss) ("*OCI*") and are, therefore, excluded from net income. In recent periods, as a result of low interest rates, the unrealized gains on our fixed maturity securities have exceeded the unrealized losses. However, if interest rates rise, our unrealized gains would decrease and our unrealized losses would increase, perhaps substantially. The accumulated change in estimated fair value of these AFS securities is recognized in net income when the gain or loss is realized upon the sale of the security or in the event that the decline in estimated fair value is determined to be other-than-temporary and impairment charges to earnings are taken. *See* "Management's Discussion and Analysis of Financial Condition and Results of Operations — Investments —Fixed Maturity and Equity Securities AFS."

The occurrence of a major economic downturn, acts of corporate malfeasance, widening credit risk spreads, or other events that adversely affect the issuers or guarantors of securities or the underlying collateral of structured securities could cause the estimated fair value of our fixed maturity securities portfolio and corresponding earnings to decline and cause the default rate of the fixed maturity securities in our investment portfolio to increase. A ratings downgrade affecting issuers or guarantors of particular securities, or similar trends that could worsen the credit quality of issuers, such as the corporate issuers of securities in our investment portfolio, could also have a similar effect. With economic uncertainty, credit quality of issuers or guarantors could be adversely affected. Similarly, a ratings downgrade affecting a security we hold could indicate the credit quality of that security has deteriorated and could increase the capital we must hold to support that security to maintain our RBC levels. Levels of write-downs or impairments are impacted by intent to sell, or our assessment of the likelihood that we will be required to sell, fixed maturity securities, as well as our intent and ability to hold equity securities which have declined in value until recovery. Realized losses or impairments on these securities may have a material adverse effect on our results of operations and financial condition in, or at the end of, any quarterly or annual period.

Our valuation of securities and investments and the determination of the amount of allowances and impairments taken on our investments are subjective and, if changed, could materially adversely affect our results of operations or financial condition

Fixed maturity and equity securities, as well as short-term investments that are reported at estimated fair value, represent the majority of our total cash and investments. We define fair value generally as the price that would be received to sell an asset or paid to transfer a liability. Considerable judgment is often required in interpreting market data to develop estimates of fair value, and the use of different assumptions or valuation methodologies may have a material effect of the estimated fair value amounts. During periods of market disruption, including periods of significantly rising or high interest rates, rapidly widening credit spreads or illiquidity, it may be difficult to value certain of our securities if trading becomes less frequent and/or market data becomes less observable. In addition, in times of financial market disruption, certain asset classes that were in active markets with significant observable data may become illiquid. In those cases, the valuation process includes inputs that are less observable and require more subjectivity and management judgment. Valuations may result in estimated fair values which vary significantly from the amount at which the investments may ultimately be sold. Further, rapidly changing and unprecedented credit and equity market conditions could materially impact the valuation of securities as reported within our combined financial statements and the period-to-period changes in estimated fair value could vary significantly. Decreases in the estimated fair value of securities we hold may have a material adverse effect on our financial condition. *See* "Management's Discussion and Analysis of Financial Condition and Results of Operations — Summary of Critical Accounting Estimates — Estimated Fair Value of Investments."

The determination of the amount of allowances and impairments varies by investment type 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. We reflect any changes in allowances and impairments in earnings as such evaluations are revised. However, historical trends may not be indicative of future impairments or allowances. In addition, any such future impairments or allowances could have a materially adverse effect on our earnings and financial position. *See* "Management's Discussion and Analysis of Financial Condition and Results of Operations — Summary of Critical Accounting Estimates — Investment Impairments."

Defaults on our mortgage loans and volatility in performance may adversely affect our profitability

Our mortgage loans face default risk and are principally collateralized by commercial, agricultural and residential properties. We establish valuation allowances for estimated impairments, which are based on loan risk characteristics, historical default rates and loss severities, real estate market fundamentals, such as housing prices and unemployment, and outlooks, as well as other relevant factors (for example, local economic conditions). In addition, substantially all of our commercial and agricultural mortgage loans held-for-investment have balloon payment maturities. An increase in the default rate of our mortgage loan investments or fluctuations in their performance could have a material adverse effect on our results of operations and financial condition.

Further, any geographic or property type concentration of our mortgage loans may have adverse effects on our investment portfolio and consequently on our results of operations or financial condition. While we seek to mitigate this risk by having a broadly diversified portfolio, events or developments that have a negative effect on any particular geographic region or sector may have a greater adverse effect on our investment portfolio to the extent that the portfolio is concentrated. Moreover, our ability to sell assets relating to a group of related assets may be limited if other market participants are seeking to sell at the same time. In addition, scrutiny of the mortgage industry continues and there may be legislative proposals that would allow or require modifications to the terms of mortgage loans could be enacted. We cannot predict whether any such proposals will be adopted, or what impact, if any, such proposals or, if enacted, such laws, could have on our business or investments. *See* "Management's Discussion and Analysis of Financial Condition and Results of Operations — Investments —Mortgage Loans."

The defaults or deteriorating credit of other financial institutions could adversely affect us

We have exposure to many different industries and counterparties, and routinely execute transactions with counterparties in the financial services industry, including brokers and dealers, central clearinghouses, commercial banks, investment banks, hedge funds and investment funds and other financial institutions. Many of these transactions expose us to credit risk in the event of the default of our counterparty. In addition, with respect to secured transactions, our credit risk may be exacerbated when the collateral held by us cannot be realized or is liquidated at prices not sufficient to recover the full amount of the loan or derivative exposure due to us. We also have exposure to these financial institutions in the form of unsecured debt instruments, non-redeemable and redeemable preferred securities, derivatives and joint venture, hedge fund and equity investments. Further, potential action by governments and regulatory bodies in response to the financial crisis affecting the global banking system and financial markets, such as investment, nationalization, conservatorship, receivership and other intervention, whether under existing legal authority or any new authority that may be created, or lack of action by governments and central banks, as well as deterioration in the banks' credit standing, could negatively impact these instruments, securities, transactions and investments or limit our ability to trade with them. Any such losses or impairments to the carrying value of these investments or other changes may materially and adversely affect our results of operations and financial condition.

The continued threat of terrorism and ongoing military actions may adversely affect the value of our investment portfolio and the level of claim losses we incur

The continued threat of terrorism, both within the United States and abroad, ongoing military and other actions and heightened security measures in response to these types of threats may cause significant volatility in global financial markets and result in loss of life, property damage, additional disruptions to commerce and reduced economic activity. The value of assets in our investment portfolio may be adversely affected by declines in the credit and equity markets and reduced economic activity caused by the continued threat of terrorism. Companies in which we maintain investments may suffer losses as a result of financial, commercial or economic disruptions and such disruptions might affect the ability of those companies to pay interest or principal on their securities or mortgage loans. Terrorist actions also could disrupt our operations centers in the U.S. and result in higher than anticipated claims under our insurance policies. *See* "Management's Discussion and Analysis of Financial Condition and Results of Operations — Policyholder Liabilities."

Capital-Related Risks

As a holding company, Brighthouse Financial, Inc. depends on the ability of its subsidiaries to pay dividends

Brighthouse Financial, Inc. is a holding company for its insurance subsidiaries and does not have any significant operations of its own. We will depend on the cash at the holding company on the date of the distribution plus dividends from our subsidiaries to meet our obligations and to pay common stock dividends, if any. *See* "Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — The Company — Capital — Restrictions on Dividends and Returns of Capital from Insurance Company Subsidiaries."

If the cash Brighthouse Financial, Inc. receives from its subsidiaries is insufficient for it to fund its debt service and other holding company obligations, Brighthouse Financial, Inc. may be required to raise cash through the incurrence of debt, the issuance of additional equity or the sale of assets. Our ability to access funds through such methods is subject to prevailing market conditions and there can be no assurance that we will be able to do so. *See* "— Economic Environment and Capital Markets-Related Risks — Adverse capital and credit market conditions may significantly affect our ability to meet liquidity needs and our access to capital."

The payment of dividends and other distributions to Brighthouse Financial, Inc. by its insurance subsidiaries is regulated by insurance laws and regulations. In general, dividends in excess of prescribed limits require insurance regulatory approval. In addition, insurance regulators may prohibit the payment of dividends or other payments by its insurance subsidiaries to Brighthouse Financial, Inc. if they determine that the payment could be adverse to the interests of our policyholders or contract holders. In connection with our reinsurance subsidiary restructuring, we have been granted approval from the Delaware Insurance Department to pay a dividend from a new affiliated reinsurance company, which we expect to be named Brighthouse Reinsurance Company of Delaware, to its parent, MetLife USA. Any requested payment of dividends by MetLife USA to Brighthouse Financial, Inc. in excess of its 2016 ordinary dividend capacity would be considered an extraordinary dividend subject to prior approval by the Delaware Insurance Department. The payment of dividends and other distributions by insurance companies is also influenced by business conditions including the Risk Factors listed above and rating agency considerations. *See* "Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — The Company — Capital — Restrictions on Dividends and Returns of Capital from Insurance Company Subsidiaries" and "Regulation — Insurance Regulation" and "— Regulatory and Legal Risks — A decrease in the RBC ratio (as a result of a reduction in statutory surplus and/or increase in RBC requirements) of our insurance subsidiaries could result in increased scrutiny by insurance regulators and rating agencies and have a material adverse effect on our results of operations and financial condition."

Operational Risks

Gaps in our risk management policies and procedures may leave us exposed to unidentified or unanticipated risk, which could negatively affect our business

Our enterprise risk management program is designed to mitigate material risks and loss to us. We have developed and continue to develop risk management policies and procedures to reflect the ongoing review of our risks and expect to continue to do so in the future. Nonetheless, our policies and procedures may not be comprehensive and may not identify every risk to which we are exposed. Many of our methods for managing risk and exposures are based upon the use of observed historical market behavior to model or project potential future exposure. Models used by our business are based on assumptions and projections. These models may not operate properly or our inputs and assumptions may be inaccurate. As a result, these methods may not fully predict future exposures, which can be significantly greater than historical measures indicate. Other risk management methods depend upon the evaluation of information regarding markets, clients, catastrophe occurrence or other matters that are publicly available or otherwise accessible to us. This information may not always be accurate, complete, up-to-date or properly evaluated. Furthermore, there can be no assurance that we can effectively review and monitor all risks or that all of our employees will follow our risk management policies and procedures, nor can there be any assurance that our risk management policies and procedures will enable us to accurately identify all risks and limit our exposures based on our assessments. In addition, we may have to implement more extensive and perhaps different risk management policies and procedures under pending regulations. *See* "— Risks Related to our Business — Our proposed variable annuity exposure management strategy may not be fully implemented prior to the distribution, may not be effective, may result in net income volatility and may negatively affect our statutory capital."

The failure in cyber- or other information security systems, as well as the occurrence of events unanticipated in Brighthouse's and MetLife's disaster recovery systems and management continuity planning could result in a loss or disclosure of confidential information, damage to our reputation and impairment of our ability to conduct business effectively

Our business is highly dependent upon the effective operation of our computer systems and, for the duration of the Transition Services Agreement and other agreements with MetLife companies, MetLife's computer systems. We rely on these systems throughout our business for a variety of functions, including processing claims, transactions and applications, providing information to customers and distributors, performing actuarial analyses and maintaining financial records. We also retain confidential and proprietary information on such computer systems and we rely on sophisticated technologies to maintain the security of that information. Such computer systems have been, and will likely continue to be, subject to computer viruses or other malicious codes, unauthorized access, cyber-attacks or other computer-related penetrations. While, to date, neither Brighthouse nor MetLife has experienced a material breach of cybersecurity, administrative and technical controls and other preventive actions taken to reduce the risk of cyber-incidents and protect our information technology may be insufficient to prevent physical and electronic break-ins, cyber-attacks or other security breaches to such computer systems. In some cases, such physical and electronic break-ins, cyber-attacks or other security breaches may not be immediately detected. This may impede or interrupt our business operations and could adversely affect our business, financial condition and results of operations. In addition, the availability and cost of insurance for operational and other risks relating to our business and systems may change and any such change may affect our results of operations.

In the event of a disaster such as a natural catastrophe, epidemic, industrial accident, blackout, computer virus, terrorist attack, cyberattack or war, unanticipated problems with our disaster recovery systems or, for the duration of the Transition Services Agreement and other agreements with MetLife companies, MetLife's disaster recovery systems, could have a material adverse impact on our ability to conduct business and on our results of operations and financial position, particularly if those problems affect our computer-based data processing, transmission, storage and retrieval systems and destroy valuable data. In addition, in the event that a significant number of our or MetLife's managers were unavailable following a disaster, our ability to effectively conduct business could be severely compromised. These interruptions also may interfere with our suppliers' ability to provide goods and services and our employees' ability to perform their job responsibilities.

The failure of our computer systems or, for the duration of the Transition Services Agreement and other agreements with MetLife companies, MetLife's, and/or our respective disaster recovery plans for any reason could cause significant interruptions in our operations and result in a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information relating to our customers. Such a failure could harm our reputation, subject us to regulatory sanctions and legal claims, lead to a loss of customers and revenues and otherwise adversely affect our business and financial results. Although we conduct due diligence, negotiate contractual provisions and, in many cases, conduct periodic reviews of our vendors, distributors, and other third parties, including MetLife, that provide operational or information technology services to us to confirm compliance with our information security standards, the failure of such third parties' or MetLife's computer systems and/or their disaster recovery plans for any reason might cause significant interruptions in our operations and result in a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information relating to our customers. Such a failure could harm our reputation, subject us to regulatory sanctions and legal claims, lead to a loss of customers and revenues and otherwise adversely affect our business and financial results. While we maintain cyber liability insurance that provides both third-party liability and first-party liability coverages, this insurance may not be sufficient to protect us against all losses. There can be no assurance that our information security policies and systems in place can prevent unauthorized use or disclosure of confidential information, including nonpublic personal information. Any failure to protect the confidentiality of customer information could adversely affect our reputation and have a material adverse effect on our business, financial condition and results of operations.

Our associates and those of MetLife may take excessive risks which could negatively affect our financial condition and business

As an insurance enterprise, we are in the business of accepting certain risks. The associates who conduct our business, including executive officers and other members of management, sales intermediaries, investment professionals, product managers, and other associates, as well as associates of MetLife who provide services to Brighthouse in connection with the Transition Services Agreement, the Third-Party Administrative Services Agreement or the Investment Management Agreements do so in part by making decisions and choices that involve exposing us to risk. *See* "Certain Relationships and Related Person Transactions — Agreements Between Us and MetLife" for information regarding such agreements. These include decisions such as setting underwriting guidelines and standards, product design and pricing, determining what assets to purchase for investment and when to sell them, which business opportunities to pursue, and other decisions. Both we and MetLife endeavor, in the design and implementation of our respective compensation programs and practices, to avoid giving our respective associates incentives to take excessive risks; however, associates may take such risks regardless of the structure of our compensation programs and practices. Similarly, although we employ controls and procedures designed to monitor associates' business decisions and prevent them from taking excessive risks, and to prevent employee misconduct, these controls and procedures may not be effective. If our associates take excessive risks, the impact of those risks could harm our reputation and have a material adverse effect on our financial condition and business operations.

General Risks

Changes in accounting standards issued by the Financial Accounting Standards Board or other standard-setting bodies may adversely affect our financial statements

Our financial statements are subject to the application of GAAP, which is periodically revised. Accordingly, from time to time we are required to adopt new or revised accounting standards issued by recognized authoritative bodies, including the Financial Accounting Standards Board ("*FASB*"). The impact of accounting pronouncements that have been issued but not yet implemented will be disclosed in our reports filed with the

SEC. *See* "Management's Discussion and Analysis of Financial Condition and Results of Operations — Future Adoption of New Accounting Pronouncements." The FASB issued several proposed amendments to the accounting for long duration insurance contracts on September 29, 2016. One of the proposed amendments, in particular, would require all guarantees associated with our variable annuity business to be accounted for at fair value, with changes in fair value reported in net income (excluding the change in fair value attributable to nonperformance risk, which would be reported in other comprehensive income). Any of the proposed amendments to the accounting for long duration insurance contracts, if adopted, would not be expected to be effective for several years after issuance of a final standard. An assessment of the potential impact of proposed FASB standards, including the proposed changes to long duration insurance accounting, is not provided as such proposals are subject to change through the exposure process and official positions of the FASB are determined only after extensive due process and deliberations. Therefore, the effects on our financial statements cannot be meaningfully assessed. The required adoption of future accounting standards could have a material adverse effect on our GAAP basis equity and results of operations, including on our net income.

We may not be able to protect our intellectual property and may be subject to infringement claims

We rely on a combination of contractual rights with third parties and copyright, trademark, patent and trade secret laws to establish and protect our intellectual property. Although we endeavor to protect our rights, third parties may infringe or misappropriate our intellectual property. We may have to litigate to enforce and protect our copyrights, trademarks, patents, trade secrets and know-how or to determine their scope, validity or enforceability. This would represent a diversion of resources that may be significant and our efforts may not prove successful. The inability to secure or protect our intellectual property assets could harm our reputation and have a material adverse effect on our business and our ability to compete with other insurance companies and financial institutions. *See* "—Risks Related to Our Separation from, and Continuing Relationship with, MetLife — Our separation from MetLife could adversely affect our business and profitability due to MetLife's strong brand and reputation."

In addition, we may be subject to claims by third parties for (i) patent, trademark or copyright infringement, (ii) breach of patent, trademark or copyright license usage rights, or (iii) misappropriation of trade secrets. Any such claims or resulting litigation could result in significant expense and liability for damages. If we were found to have infringed or misappropriated a third-party patent or other intellectual property right, we could in some circumstances be enjoined from providing certain products or services to our customers or from utilizing and benefiting from certain patents, copyrights, trademarks, trade secrets or licenses. Alternatively, we could be required to enter into costly licensing arrangements with third parties or implement a costly alternative. Any of these scenarios could harm our reputation and have a material adverse effect on our business and results of operations.

We may experience difficulty in marketing and distributing products through our distribution channels

Following completion in July 2016 of the sale of MetLife's retail career agency distributional channel, including MetLife's affiliated broker-dealer, MetLife Securities, Inc. ("*MetLife Securities*") and other assets associated with MPCG, we distribute our products exclusively through a variety of third-party distribution channels. We may periodically negotiate the terms of these relationships, and there can be no assurance that such terms will remain acceptable to us or such third parties. Such distributors will be subject to differing commission structures, depending on the product sold, one of which is a level/asset-based commission structure; other products are subject to a more traditional commission structure. If a particular commission structure is not acceptable to these distributors, or if we are unsuccessful in attracting and retaining key employees, including wholesalers, our sales of individual insurance, annuities and investment products could decline and our results of operations and financial condition could be materially adversely affected. *See* "— Risks Related to our Business — Elements of our business strategy are new and may not be effective in accomplishing our objectives."

Furthermore, an interruption in certain key relationships could materially affect our ability to market our products and could have a material adverse effect on our results of operations and financial condition. Our separation from MetLife could prompt some third parties to re-price, modify or terminate their distribution or vendor relationships with us. An interruption or significant change in certain key relationships could materially affect our ability to market our products and could have a material adverse effect on our results of operations and financial condition. In February 2016, a significant distributor, which was responsible for $209 million or 36% of the annualized new premium ("*ANP*") for our annuity products for the year ended December 31, 2015, elected to suspend its distribution relationship with us following the announcement of the planned separation from MetLife. The suspension of sales by such significant distributor was the primary cause of a significant reduction in our sales of variable annuities year-over-year in the nine months ended September 30, 2016 and, there are no plans by such significant distributor to resume this distribution relationship for new sales. Other distributors may elect to suspend, alter, reduce or terminate their distribution relationships with us for various reasons, including uncertainty related to our separation from MetLife, changes in our distribution strategy, adverse developments in our business, adverse rating agency actions or concerns about market-related risks. We are also at risk that key distribution partners may merge, change their business models in ways that affect how our products are sold, or terminate their distribution contracts with us, or that new distribution channels could emerge and adversely impact the effectiveness of our distribution efforts. In addition, we rely on a limited number of our distributors to produce the majority of our sales. If any one of such distributors were to terminate its relationship with us or reduce the amount of sales which it produces for us our results of operations could be adversely affected. An increase in bank and broker-dealer consolidation activity could increase competition for access to distributors, result in greater distribution expenses and impair our ability to market products through these channels. Consolidation of distributors and/or other industry changes may also increase the likelihood that distributors will try to renegotiate the terms of any existing selling agreements to terms less favorable to us.

Because our products are distributed through unaffiliated firms, we may not be able to monitor or control the manner of their distribution despite our training and compliance programs. If our products are distributed by such firms in an inappropriate manner, or to customers for whom they are unsuitable, we may suffer reputational and other harm to our business.

In addition, our distributors may also sell our competitors' products. If our competitors offer products that are more attractive than ours, or pay higher commission rates to the sales representatives than we do, these representatives may concentrate their efforts in selling our competitors' products instead of ours. Prior to the sale of MPCG to MassMutual we distributed a significant portion of our annuity products and insurance policies through MPCG. In connection with the sale we entered into an agreement which would permit us to serve as the exclusive manufacturer for certain proprietary products which would be offered through MassMutual's career agent channel. We are working with MassMutual to develop the initial product to be distributed under this arrangement, which will be a fixed indexed annuity, and to agree on the terms of the related reinsurance. While the agreement has a term of 10 years, it is possible that MassMutual may terminate our exclusivity or the agreement itself in specified circumstances, such as our inability or failure to provide product designs that reasonably meet MassMutual requirements. Although we expect MassMutual to be an important distribution partner with respect to certain of our products, we believe that the level of sales, if any, produced through this channel will be materially less than the levels produced historically through MPCG.

We may be unable to attract and retain key people to support our business

Our success depends, in large part, on our ability to attract and retain key people. We compete with other financial services companies for people primarily on the basis of compensation, support services and financial position. Intense competition exists for key employees with demonstrated ability, and we may be unable to hire or retain such employees. The unexpected loss of services of one or more of our key personnel could have a material adverse effect on our business due to loss of their skills, knowledge of our business, their years of industry experience and the potential difficulty of promptly finding qualified replacement employees in North Carolina or elsewhere who are prepared to relocate. We do not currently anticipate any significant changes to our senior management team following the completion of the distribution and separation. However, there are a significant number of open positions which we need to fill in order to operate consistent with our strategy going forward. We may not be able to attract and retain qualified people to fill these open positions or replace or succeed members of our senior management team or other key personnel following the completion of the distribution or the separation of our business from MetLife or at any other time. Proposed rules implementing the executive compensation provisions of the Dodd-Frank Act may limit the type and structure of compensation arrangements into which we may enter with certain of our employees and officers. In addition, proposed rules under the Dodd-Frank Act would prohibit the payment of "excessive compensation" to our executives. These restrictions could negatively impact our ability to compete with other companies in recruiting and retaining key personnel.

Our ability to attract and retain highly qualified independent sales intermediaries for our products may also be negatively affected by our separation from MetLife. We may be required to lower the prices of our products, increase our sales commissions and fees, change long-term selling and marketing agreements and take other actions to maintain our relationship with our sales intermediaries and distribution partners, all of which could have an adverse effect on our financial condition and results of operations. We cannot accurately predict the effect that our separation from MetLife will have on our business, sales intermediaries, customers, distributors or employees. In addition, we may agree in the Master Separation Agreement with MetLife that for a certain period following the date of the Master Separation Agreement, subject to customary exceptions regarding prior employees, general solicitation and employees who contact us without being solicited, we will not solicit for employment certain current employees of MetLife or any of its affiliates. We cannot predict how this potential agreement not to solicit employees will impact our ability to attract and recruit employees necessary to the operation of our business.

Any failure to protect the confidentiality of client information could adversely affect our reputation and have a material adverse effect on our business, financial condition and results of operations

Pursuant to federal and state laws, various government agencies have established rules protecting the privacy and security of personal information. In addition, most states have enacted laws, which vary significantly from jurisdiction to jurisdiction, to safeguard the privacy and security of personal information. Many of our employees have access to, and routinely process, personal information of clients through a variety of media, including information technology systems. We rely on various internal processes and controls to protect the confidentiality of client information that is accessible to, or in the possession of, our company and our employees. It is possible that an employee could, intentionally or unintentionally, disclose or misappropriate confidential client information or our data could be the subject of a cybersecurity attack. If we fail to maintain adequate internal controls or if our employees fail to comply with our policies and procedures, misappropriation or intentional or unintentional inappropriate disclosure or misuse of client information could occur. Such internal control inadequacies or non-compliance could materially damage our reputation or lead to civil or criminal penalties, which, in turn, could have a material adverse effect on our business, financial condition and results of operations. In addition, we analyze customer data to better manage our business. There has been increased scrutiny, including from state regulators, regarding the use of "big data" techniques such as price optimization. We cannot predict what, if any, actions may be taken with regard to "big data," but any inquiries could cause reputational harm and any limitations could have a material impact on our business, financial condition and results of operations.

Risks Related to Our Separation from, and Continuing Relationship with, MetLife

MetLife may not complete the ultimate separation of our business as planned and may retain a significant ownership stake in Brighthouse for a period of time

On January 12, 2016, MetLife announced its plan to pursue the separation of our business as part of its Accelerating Value Initiative. We, therefore, expect that MetLife will ultimately dispose of its remaining ownership interest in Brighthouse, representing no more than 19.9% of our outstanding common stock, as soon as practicable following the distribution, but in no event later than five years after the distribution. There can be no assurance regarding the method by which MetLife will dispose of its interest in us, as we expect it to seek to maximize overall value to its shareholders. Alternatives include a dividend distribution, one or more public offerings of its remaining shares of our common stock, or an offer to MetLife shareholders to exchange all or a portion of their MetLife shares for Brighthouse shares.

The disposition by MetLife of its remaining ownership interest in us may be subject to various conditions, including receipt of any necessary regulatory and other approvals, the existence of satisfactory market conditions, and the confirmation of credit and financial strength ratings. These conditions may not be satisfied or MetLife may decide for any other reason not to consummate the separation of our business and instead retain a significant ownership interest in Brighthouse for a period of time, not exceeding five years. Satisfying the conditions relating to such separation may require actions that MetLife has not anticipated. Any delay by MetLife in completing the separation could have a material adverse effect on our business and the market price for our common stock.

Our separation from MetLife could adversely affect our business and profitability due to MetLife's strong brand and reputation

Prior to the completion of the distribution, as a wholly owned subsidiary of MetLife, we have marketed our products and services using the "MetLife" brand name and logo. We have also benefited from trademarks licensed in connection with the MetLife brand. We believe the association with MetLife has provided us with preferred status among our customers, vendors and other persons due to MetLife's globally recognized brand, reputation for high quality products and services and strong capital base and financial strength.

Our separation from MetLife could adversely affect our ability to attract and retain customers, which could result in reduced sales of our products. In connection with the distribution, we expect to enter into an intellectual property licensing agreement with MetLife, pursuant to which we will have a license to use certain trademarks (possibly including the "MetLife" name and logo) or otherwise referring to our historic affiliation with MetLife on selected materials for a limited period of time following the completion of the distribution. *See* "Certain Relationships and Related Person Transactions — Agreements Between Us and MetLife — Intellectual Property Arrangements." In connection with and following the consummation of the distribution, we intend to begin operational and legal work to rebrand to "Brighthouse."

We recently filed trademark applications to protect our new name and logo in the United States, and intend to file additional trademark applications in connection with our products. However, the registrations of these trademarks are not complete and they may ultimately not become registered. Our use of our new name for the company or for our existing or any new products in the United States has been challenged by third parties, and we have become involved in legal proceedings to protect or defend our rights with respect to our new name and trademarks, all of which could have a material adverse effect on our business and results of operations. As a result of our separation from MetLife, some of our existing policyholders, contract owners and other customers may choose to stop doing business with us, which could increase the rate of surrenders and withdrawals in our policies and contracts. In addition, other potential policyholders and contract owners may decide not to purchase our products because we no longer will be a part of MetLife.

The risks relating to our separation from MetLife could materialize or evolve at any time, including:

- immediately upon the completion of the distribution, when MetLife's beneficial ownership in our common stock will decrease to no more than 19.9%; and
- when we cease using the "MetLife" name and logo in our sales and marketing materials, which may occur when we deliver notices to our distributors and customers that the names of some of our insurance subsidiaries will change.

The terms of our arrangements with MetLife may be more favorable than we would be able to obtain from an unaffiliated third party. We may be unable to replace the services MetLife provides to us in a timely manner or on comparable terms

We have, and after the distribution will continue to have, contractual arrangements, such as the Transition Services Agreement, Investment Management Agreements, the Intellectual Property License Agreement, the investment finance service agreements entered into in connection with the Investment Management Agreements and other agreements that require MetLife affiliates to provide certain services to us, including the receipt of certain IT services pursuant to software license agreements that MetLife affiliates have with certain third-party software vendors, and the provision of investment management and related accounting and reporting services by MetLife Investment Advisors LLC with respect to Brighthouse's general and separate account investment portfolios. *See* "Certain Relationships and Related Person Transactions." There can be no assurance that the services to be provided by the MetLife affiliates will be sufficient to meet our operational and business needs, that the MetLife affiliates will be able to perform such functions in a manner satisfactory to us or that any remedies available under these arrangements will be sufficient to us in the event of a dispute or non-performance. Upon termination or expiration of any agreement between us and MetLife affiliates, there can be no assurance that these services will be sustained at the same levels as they were when we were receiving such services from MetLife or that we will be able to obtain the same benefits from another provider or our indemnity rights from such third parties may be limited. We may not be able to replace services and arrangements in a timely manner or on terms and conditions, including cost, as favorable as those we have previously received from MetLife. The agreements with the MetLife affiliates were entered into in the context of intercompany relationships that arose from enterprise-wide agreements with vendors, and we may have to pay higher prices for similar services from MetLife or unaffiliated third parties in the future.

The Brighthouse Board and its directors and officers may have limited liability to us and you for breach of fiduciary duty

We expect that our amended and restated certificate of incorporation will provide that none of our directors will be personally liable to us or our shareholders for monetary damages for breach of fiduciary duty, except for liability for breach of a director's duty of loyalty, acts or omissions by a director not in good faith or which involve intentional misconduct or a knowing violation of law, dividend payments or stock repurchases that are unlawful under Delaware law or any transaction in which a director has derived an improper personal benefit. *See* "Description of Capital Stock — Limitation of Liability and Indemnification of Directors and Officers."

We expect to incur incremental costs as a separate, public company

Following the distribution, and once we cease to be a subsidiary of MetLife, we will need to replicate or replace certain functions, systems and infrastructure to which we will no longer have the same access. We will also need to make infrastructure investments in order to operate without the same access to MetLife's existing operational and administrative infrastructure. These initiatives will involve substantial costs, the hiring and integration of a large number of new employees, and integration of the new and expanded operations and infrastructure with our existing operations and infrastructure and, in some cases, the operations and infrastructure of our partners and other third parties. It will also require significant time and attention from our senior management and others throughout the Company, in addition to their day-to-day responsibilities running the business. We expect that our operations and infrastructure will need to be developed to support functions that were previously provided at the enterprise level. There can be no assurance that we will be able to establish and expand the operations and infrastructure to the extent required, in the time, or at the costs anticipated, and without disrupting our ongoing business operations in a material way, all of which could have a material adverse effect on our business and results of operations.

MetLife currently performs or supports many important corporate functions for our operations, including investor relations, public relations, advertising and brand management, corporate audit, certain risk management functions, corporate insurance, corporate governance and other services. Our combined financial statements reflect charges for these services. There is no assurance that, following the completion of the distribution, these services will be sustained at the same levels as when we were receiving such services from MetLife or that we will be able to obtain the same benefits. When we begin to operate these functions independently, if we do not have our own adequate systems and business functions in place, or are unable to obtain them from other providers, we may not be able to operate our business effectively or at comparable costs and our profitability may decline. In addition, our business has benefited from MetLife's purchasing power when procuring goods and services. As a standalone company, we may be unable to obtain such goods and services at comparable prices or on terms as favorable as those obtained prior to the distribution, which could decrease our overall profitability. *See* "— The terms of our arrangements with MetLife may be more favorable than we would be able to obtain from an unaffiliated third party. We may be unable to replace the services MetLife provides to us in a timely manner or on comparable terms."

After the distribution, we will have a very large number of shareholders which may impact the efficacy of shareholder votes and will result in increased costs

Under the plan of reorganization of MLIC, a trust was established to hold the shares of MetLife common stock allocated to eligible policyholders not receiving cash or policy credits under the plan. As of October 31, 2016, 164,466,416, or 15.0%, of the outstanding shares of MetLife common stock were held in the trust for the benefit of approximately three million holders ("*trust beneficiaries*"). These trust beneficiaries are eligible to vote only on certain fundamental corporate actions of MetLife. The trustee of the trust votes on their behalf on all other matters in accordance with the recommendation of the MetLife Board.

Brighthouse will not have such a trust structure and, therefore, after the separation of our business from MetLife, all three million trust beneficiaries will become stockholders of Brighthouse, except to the extent they receive cash in lieu of fractional shares. The addition of this large number of additional shareholders with full voting rights to our shareholder base may have a significant impact on matters brought to a shareholder vote and other aspects of our corporate governance. We will also incur increased costs in connection with a larger shareholder base. These costs may include mailing costs and vendor fees related to servicing the needs of these shareholders.

As a separate, public company, we expect to expend additional time and resources to comply with rules and regulations that do not currently apply to us

As a separate, public company, the various rules and regulations of the SEC, as well as the rules of the exchange on which we intend to list our common stock, will require us to implement additional corporate governance practices and adhere to a variety of reporting requirements. Compliance with these public company obligations will increase our legal and financial compliance costs and could place additional demands on our finance, legal and accounting staff and on our financial, accounting and information systems.

In particular, as a separate, public company, our management will be required to conduct an annual evaluation of our internal controls over financial reporting and include a report of management on our internal controls in our Annual Reports on Form 10-K. In addition, we will be required to have our independent registered public accounting firm attest to the effectiveness of our internal controls over financial reporting pursuant to Auditing Standard No. 5. Under current rules, we would be subject to these requirements beginning with our annual report on Form 10-K for the year ending December 31, [●]. If we are unable to conclude that we have effective internal controls over financial reporting, investors could lose confidence in the reliability of our financial statements, which could result in a decrease in the value of our common stock.

Our historical combined financial data are not necessarily representative of the results we would have achieved as a separate company and may not be a reliable indicator of our future results

Our historical combined financial data included in this information statement do not necessarily reflect the financial condition, results of operations or cash flows we would have achieved as a standalone company during the periods presented or those we will achieve in the future. For example, as described in "Recapitalization," we are in the process of adjusting our capital structure to more closely align with U.S. public companies. As a result, financial metrics that are influenced by our capital structure, such as interest expense and return on equity, will not necessarily be indicative for historical periods of the performance we may achieve as a separate company following the distribution. In addition, significant increases may occur in our cost structure as a result of the distribution, including costs related to public company reporting, investor relations and compliance with the Sarbanes-Oxley Act of 2002. Also, as described in "Business — Our Brand," we anticipate incurring substantial expenses in connection with rebranding our business following the distribution.

As a result of these matters, among others, it may be difficult for investors to compare our future results to historical results or to evaluate our relative performance or trends in our business.

We have agreed under the Master Separation Agreement with MetLife to indemnify MetLife, its directors, officers and employees and certain of its agents for liabilities relating to, arising out of or resulting from certain events relating to our business

The Master Separation Agreement will provide that, subject to certain exceptions, we will indemnify, hold harmless and defend MetLife (excluding any member of Brighthouse) and certain related individuals (generally including MetLife's directors, officers and employees and certain agents), from and against all liabilities relating to, arising out of or resulting from certain events relating to our business. We cannot predict whether any event triggering this indemnity will occur or the extent to which we may be obligated to indemnify MetLife or such related individuals. In addition, the Master Separation Agreement will provide that, subject to certain exceptions, MetLife will indemnify, hold harmless and defend us and certain related individuals (generally including our directors, officers and employees and certain agents), from and against all liabilities relating to, arising out of or resulting from certain events relating to its business. *See* "Certain Relationships and Related Person Transactions — Agreements Between Us and MetLife — Master Separation Agreement — Provisions relating to indemnification and liability insurance."

Risks Relating to the Distribution

If the distribution were to fail to qualify for non-recognition treatment for U.S. federal income tax purposes, then MetLife, we and our shareholders could be subject to significant tax liabilities

The distribution is conditioned on the receipt and continued validity as of the distribution date of the private letter ruling that MetLife has requested from the IRS regarding certain significant issues under the Code, and the receipt and continued validity of an opinion from tax counsel that the distribution will qualify for non-recognition of gain or loss to MetLife and MetLife's shareholders pursuant to Sections 355 and 361 of the Code, except to the extent of cash received in lieu of fractional shares, each subject to the accuracy of and compliance with certain representations, assumptions and covenants therein.

Notwithstanding the receipt of the private letter ruling and the tax opinion, the IRS could determine that the distribution should be treated as a taxable transaction if it determines that any of the representations, assumptions or covenants on which the private letter ruling is based are untrue or have been violated. Furthermore, as part of the IRS's policy, the IRS did not determine whether the distribution satisfies certain conditions that are necessary to qualify for non-recognition treatment. Rather, the private letter ruling is based on representations by MetLife and us that these conditions have been satisfied. The tax opinion will address the satisfaction of these conditions.

The tax opinion is not binding on the IRS or the courts, and there can be no assurance that the IRS or a court will not take a contrary position. In addition, the tax counsel will rely on certain representations and covenants to be delivered by MetLife and us.

If the IRS ultimately determines that the distribution is taxable, the distribution could be treated as a taxable dividend or capital gain to you for U.S. federal income tax purposes, and you could incur significant U.S. federal income tax liabilities. In addition, if the IRS ultimately determines that the distribution is taxable, MetLife and we could incur significant U.S. federal income tax liabilities, and we could have an indemnification obligation to MetLife. For a more detailed discussion, *see* "— We could have an indemnification obligation to MetLife if the distribution does not qualify for non-recognition treatment or if certain other steps that are part of the separation do not qualify for their intended tax treatment, which could materially adversely affect our financial condition" and "The Separation and Distribution — Material U.S. Federal Income Tax Consequences of the Distribution."

We could have an indemnification obligation to MetLife if the distribution does not qualify for non-recognition treatment or if certain other steps that are part of the separation do not qualify for their intended tax treatment, which could materially adversely affect our financial condition

Generally, taxes resulting from the failure of the distribution to qualify for non-recognition treatment for U.S. federal income tax purposes would be imposed on MetLife or MetLife's shareholders and, under the Tax Separation Agreement, MetLife is generally obligated to indemnify us against such taxes. In addition, MetLife will generally bear tax-related losses due to the failure of certain steps that are part of the separation to qualify for their intended tax treatment. However, under the Tax Separation Agreement, we could be required, under certain circumstances, to indemnify MetLife and its affiliates against all tax-related liabilities caused by those failures, to the extent those liabilities result from an action we or our affiliates take or from any breach of our or our affiliates' representations, covenants or obligations under the Tax Separation Agreement or any other agreement we enter into in connection with the distribution. Events triggering an indemnification obligation under the Tax Separation Agreement include events occurring after the distribution that cause MetLife to recognize a gain under Section 355(e) of the Code. *See* "Certain Relationships and Related Person Transactions — Agreements Between Us and MetLife — Tax Agreements — Tax Separation Agreement."

We intend to agree to numerous restrictions to preserve the non-recognition treatment of the transactions, which may reduce our strategic and operating flexibility

Even if the distribution otherwise qualifies for non-recognition of gain or loss under Section 355 of the Code, it may be taxable to MetLife, but not MetLife's shareholders, under Section 355(e) of the Code if 50% or more (by vote or value) of our common stock or MetLife's common stock is acquired as part of a plan or series of related transactions that include the distribution. For this purpose, any acquisitions of MetLife's or our common stock within two years before or after the distribution are presumed to be part of such a plan, although MetLife or we may be able to rebut that presumption based on either applicable facts and circumstances or a "safe harbor" described in the tax regulations. Consequently, we intend to agree in the Tax Separation Agreement to covenants and indemnity obligations that address compliance with Section 355(e) of the Code. These covenants and indemnity obligations may limit our ability to pursue strategic transactions or engage in new business or other transactions that may maximize the value of our business, and might discourage or delay a strategic transaction that our shareholders may consider favorable. *See* "Certain Relationships and Related Person Transactions — Agreements Between Us and MetLife — Tax Agreements — Tax Separation Agreement."

We may be unable to achieve some or all of the benefits that we expect to achieve from the separation and the cost of achieving such benefits may be more than we estimated

We believe that, as a separate, public company, we will be able to, among other matters, better focus our financial and operational resources on our specific business, growth profile and strategic priorities, design and implement corporate strategies and policies targeted to our operational focus and strategic priorities, streamline our processes and infrastructure to focus on our core manufacturing strengths, implement and maintain a capital structure designed to meet our specific needs and more effectively respond to industry dynamics. However, we may be unable to achieve some or all of these benefits. For example, in order to position ourselves for the distribution, we are undertaking a series of strategic, structural and process realignment and restructuring actions within our operations, including significant cost-cutting initiatives. These actions may not provide the cost benefits we currently expect, may cost more to achieve than we have estimated, and could lead to disruption of our operations, loss of, or inability to recruit, key personnel needed to operate and grow our businesses following the distribution weakening of our internal standards, controls or procedures and impairment of our key customer and supplier relationships. In addition, completion of the proposed distribution will require significant amounts of management's time and effort, which may divert management's attention from operating and growing our businesses. If we fail to achieve some or all of the benefits that we expect to achieve as a separate company, or do not achieve them in the time we expect, our business, financial condition and results of operations could be materially and adversely affected.

We will incur substantial indebtedness in connection with the separation, and the degree to which we will be leveraged following completion of the distribution and separation may materially and adversely affect our results of operations and financial condition

We are incurring substantial indebtedness in connection with the separation and we will use a significant portion of the proceeds of this indebtedness to pay a dividend to MetLife or as partial consideration for MetLife's transfer of assets to Brighthouse. The amount of indebtedness will allow us to achieve the following goals at the time of the distribution: (i) adequate liquidity at the Brighthouse holding company level; (ii) a debt-to-capital ratio of approximately 20%; and (iii) $3.0 billion of assets in excess of CTE95 to support our variable annuity contracts. We have historically relied upon MetLife for working capital requirements on a short-term basis and for other financial support functions. After the separation and the distribution, we will not be able to rely on MetLife's earnings, assets or cash flow, and we will be responsible for servicing our own debt, obtaining and maintaining sufficient working capital and paying dividends.

Our ability to make payments on and to refinance our indebtedness, including the debt retained or incurred pursuant to the distribution as well as any future debt that we may incur, will depend on our ability to generate cash in the future from operations, financings or asset sales. Our ability to generate cash to meet our debt obligations in the future is sensitive to capital market returns, primarily due to our variable annuity business. *See* "Quantitative and Qualitative Disclosures About Market Risk — Market Risk - Fair Value Exposures" and "Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — Parent Company — Capital." Overall, our ability to generate cash is subject to general economic, financial market, competitive, legislative, regulatory and other factors that are beyond our control. We may not generate sufficient funds to service our debt and meet our business needs, such as funding working capital or the expansion of our operations. If we are not able to repay or refinance our debt as it becomes due, we may be forced to take disadvantageous actions, including raising product fees and policy premiums, which would reduce their competitiveness, reducing spending on marketing, advertising and new product innovation, reducing financing in the future for working capital, capital expenditures and general corporate purposes, selling assets or dedicating an unsustainable level of our cash flow from operations to the payment of principal and interest on our indebtedness. In addition, our ability to withstand competitive pressures and to react to changes in the insurance industry could be impaired. The lenders who hold our debt could also accelerate amounts due in the event that we default, which could potentially trigger a default or acceleration of the maturity of our other debt.

In addition, our substantial leverage could put us at a competitive disadvantage compared to our competitors that are less leveraged. These competitors could have greater financial flexibility to pursue strategic acquisitions and secure additional financing for their operations. Our substantial leverage could also impede our ability to withstand downturns in our industry or the economy in general. *See* "— Risks Related to our Business — We will incur significant indebtedness in connection with the separation that for a period of time will not provide us with liquidity or interest-expense tax deductions and the terms of which could restrict our operations and use of funds that may result in a material adverse effect on our results of operations and financial condition."

After the distribution, certain of our directors and officers may have actual or potential conflicts of interest because of their MetLife equity ownership or their former MetLife positions

Certain of the persons we expect to become our executive officers and directors have been, and will be until the distribution, MetLife officers, directors or employees and, thus, will have professional relationships with

MetLife's executive officers, directors or employees. In addition, because of their former MetLife positions, following the distribution, certain of our directors and executive officers may own MetLife common stock, restricted stock or options to acquire shares of MetLife common stock, and, for some of these individuals, their individual holdings may be significant for some of these individuals compared to their total assets. These relationships and financial interests may create, or may create the appearance of, conflicts of interest when these directors and officers are faced with decisions that could have different implications for MetLife and us. For example, potential conflicts of interest could arise in connection with the resolution of any dispute that may arise between MetLife and us regarding the terms of the agreements governing the distribution and the separation, and the relationship thereafter between the companies.

Risks Relating to Our Common Stock and the Securities Market

No market for our common stock currently exists and an active trading market may not develop or be sustained after the distribution

There is currently no public market for our common stock. We intend to apply to list our common stock on the NYSE. We anticipate that before the distribution date, trading of shares of our common stock will begin on a "when-issued" basis and that trading will continue up to and including the distribution date. However, an active trading market for our common stock may not develop as a result of the distribution or may not be sustained in the future. The lack of an active market may make it more difficult for you to sell our shares and could lead to our share price being depressed or volatile. An inactive market may also impair our ability to raise capital by selling our common stock, motivate our employees and sales representatives through equity incentive awards, and acquire other companies, products or technologies by using our common stock as consideration.

Following the distribution, our stock price may fluctuate significantly

We cannot predict the prices at which our common stock may trade after the distribution. The market price of our common stock may fluctuate widely, depending on many factors, some of which may be beyond our control, including:

- actual or anticipated fluctuations in our operating results due to factors related to our business;
- success or failure of our business strategies;
- our quarterly or annual earnings, or those of other companies in our industry;
- our ability to obtain financing as needed;
- our announcements or our competitors' announcements regarding new products or services, enhancements, significant contracts, acquisitions or strategic investments;
- changes in accounting standards, policies, guidance, interpretations or principles;
- the failure of securities analysts to cover our common stock after the distribution;
- changes in earnings estimates by securities analysts;
- the operating and stock price performance of other comparable companies;
- investor perception of our company and the insurance industry;
- our business profile, dividend policy or market capitalization may not fit the investment objectives of MetLife's current shareholders;
- overall market fluctuations;
- results from any material litigation or government investigation;
- changes in laws, rules and regulations, including insurance laws and regulations, affecting our business;

- changes in capital gains taxes and taxes on dividends affecting shareholders; and
- general economic conditions and other external factors.

Furthermore, our business profile and market capitalization may not fit the investment objectives of some MetLife shareholders and, as a result, these MetLife shareholders may sell our shares after the distribution. *See* "— Future sales could adversely affect the trading price of our common stock following the distribution." Low trading volume for our stock, which may occur if an active trading market does not develop, among other reasons, would amplify the effect of the above factors on our stock price volatility.

Stock markets in general have experienced volatility that has often been unrelated to the operating performance of a particular company. These broad market fluctuations could also adversely affect the trading price of our common stock.

We cannot assure you that we will pay dividends on our common stock, and our indebtedness could limit our ability to pay dividends on our common stock

As a separate company, we expect to establish a dividend policy and initially we may pay an annual cash dividend, although the timing, declaration, amount and payment of future dividends to shareholders will fall within the discretion of the Brighthouse Board. The Brighthouse Board's decisions regarding the timing of establishing a dividend policy and the payment of future dividends will depend on many factors, including our financial condition, earnings, capital requirements and debt service obligations, as well as legal requirements, regulatory constraints, industry practice and other factors that the Brighthouse Board deems relevant. In addition, the terms of the agreements governing the debt we have and expect to incur prior to, or debt that we may incur following, the distribution may limit or prohibit the payment of dividends. For more information, *see* "Dividend Policy." There can be no assurance that we will establish a dividend or pay a dividend in the future or that we will continue to pay any dividend if we do commence paying dividends. There can also be no assurance that, in the future, the combined annual dividends on MetLife common stock, if any, and our common stock, if any, after the distribution will equal the annual dividends on MetLife common stock prior to the distribution.

Future sales could adversely affect the trading price of our common stock following the distribution

All of the shares of our common stock will be freely tradable without restriction or further registration under the Securities Act of 1933, as amended (the "*Securities Act*"), unless the shares are owned by our "affiliates" as that term is defined in the rules under the Securities Act. Shares held by "affiliates" may be sold in the public market if registered or if they qualify for an exemption from registration under Rule 144 which is summarized under "Shares Eligible for Future Sale — Rule 144." Further, we plan to file one or more registration statements to cover the shares issuable under our equity-based benefit plans. The common stock of MetLife is listed on the NYSE and included as a component of various indices, including the S&P 500 stock market index. After the separation, it is possible that some MetLife shareholders, including possibly some of MetLife's large shareholders, will sell our common stock received in the distribution for various reasons, for example, if our business profile or market capitalization as a separate company does not fit their investment objectives, or — in the case of index funds — we are not a participant in the index in which they are investing.

In addition, after completion of the distribution, MetLife will retain no more than 19.9% of our total shares outstanding for a limited period of time. MetLife will dispose of such shares of our common stock that it owns no later than five years after the distribution. We will agree that, upon the request of MetLife, we will use our reasonable best efforts to effect a registration under applicable federal and state securities laws of any shares of our common stock retained by MetLife to the extent that MetLife wishes to sell the shares of our common stock it retains. We will also have a large shareholder base of former MetLife policyholder trust beneficiaries, and it is not possible to predict whether or not those shareholders will wish to sell their shares of our common stock following the distribution.

The sales of significant amounts of shares our common stock or the perception in the market that this will occur may result in the lowering of the market price of our common stock.

Your percentage ownership in Brighthouse may be diluted in the future

Your percentage ownership in Brighthouse may be diluted in the future because of equity awards that we expect to grant to our directors, officers and employees. Prior to the distribution, we expect to approve equity incentive plans that will provide for the grant of common stock-based equity awards to our directors, officers and other employees. In addition, we may issue equity as all or part of the consideration paid for acquisitions and strategic investments we may make in the future.

State insurance laws and Delaware corporate law, may prevent or delay an acquisition of us, which could decrease the trading price of our common stock

State laws may delay, deter, prevent or render more difficult a takeover attempt that our shareholders might consider in their best interests. For example, such laws may prevent our shareholders from receiving the benefit from any premium to the market price of our common stock offered by a bidder in a takeover context.

The insurance laws and regulations of the various states in which our insurance subsidiaries are organized may delay or impede a business combination involving the Company. State insurance laws prohibit an entity from acquiring control of an insurance company without the prior approval of the domestic insurance regulator. Under most states' statutes, an entity is presumed to have control of an insurance company if it owns, directly or indirectly, 10% or more of the voting stock of that insurance company or its parent company. These regulatory restrictions may delay, deter or prevent a potential merger or sale of our company, even if the Brighthouse Board decides that it is in the best interests of stockholders for us to merge or be sold. These restrictions also may delay sales by us or acquisitions by third parties of our insurance subsidiaries. In addition, the Investment Company Act of 1940, as amended (the "*Investment Company Act*"), would require approval by the contract owners of our variable contracts in order to effectuate a change of control of any affiliated investment advisor to a mutual fund underlying our variable contracts, including MetLife Advisers LLC, ("*MetLife Advisers*"). Further, FINRA approval would be necessary for a change of control of any broker-dealer that is a direct or indirect subsidiary of Brighthouse.

Section 203 of the Delaware General Corporation Law (the "*DGCL*") may affect the ability of an "interested stockholder" to engage in certain business combinations, including mergers, consolidations or acquisitions of additional shares, for a period of three years following the time that the stockholder becomes an "interested stockholder." An "interested stockholder" is defined to include persons owning directly or indirectly 15% or more of the outstanding voting stock of a corporation.

THE SEPARATION AND DISTRIBUTION

Background

Prior to MetLife's distribution of the shares of our common stock to its shareholders, MetLife will undertake a series of internal transactions described under "Formation of Brighthouse and the Restructuring" and "Certain Relationships and Related Person Transactions" (the "*restructuring*"). In the third quarter of 2016, MetLife reorganized its businesses into six segments: U.S.; Asia; Latin America; Europe, the Middle East and Africa ("*EMEA*"); MetLife Holdings; and Brighthouse Financial. In addition, MetLife will continue to report certain of its results of operations in Corporate & Other. Following the restructuring, MetLife will conduct the following businesses:

- the remaining portions of MetLife's former Retail segment, which MetLife does not plan to separate and include in Brighthouse, which will include the life and annuity business sold through MLIC, GALIC and MTL, including the MLIC pre-demutualization closed block. These businesses are reflected in its MetLife Holdings segment that consists of operations relating to products and businesses no longer actively marketed by MetLife in the United States. This segment also includes the long-term care business, formerly reported as part of the GVWB segment, and the reinsurance treaty relating to MetLife's former Japan joint venture, previously reported in Corporate & Other;
- the Property & Casualty business, the Retirement & Income Solutions business (formerly known as Corporate Benefit Funding) and the Group Benefits business (consisting of the remaining components of the GVWB business, including the individual disability insurance business previously reported in MetLife's former Retail segment), which are reflected in its U.S. segment;
- the U.S. Direct business, previously reported as part of the Latin America segment, which was disaggregated and is reported in its U.S. segment and in Corporate & Other; and
- its Asia and EMEA segments.

Following the restructuring, we will conduct our business principally through the following life insurance company subsidiaries of MetLife as well as several other legal entities which support the issuance, sale and marketing of our life insurance and annuity products:

- MetLife USA, our largest insurance operating entity, which is domiciled in Delaware and licensed to write business in 49 states;
- NELICO, which is domiciled in Massachusetts and licensed to write business in all 50 states; and
- FMLI, which is domiciled in New York and licensed to write business in New York, and which is expected to be a subsidiary of MetLife USA.

In addition, certain specified assets and liabilities will be allocated between MetLife and us as described under "Formation of Brighthouse and the Restructuring" and "Certain Relationships and Related Person Transactions."

Reasons for the Distribution

The separation is motivated in whole or in substantial part by the following corporate business purposes:

- To facilitate investors' ability to independently value Brighthouse and MetLife based on their respective operational and financial characteristics.
- To enable MetLife to address certain regulatory issues, including MetLife's potential redesignation as a non-bank systemically important financial institution, as well as the new DOL Fiduciary Rule.
- To increase the predictability of distributable cash flows for MetLife over time as part of MetLife's Accelerating Value Initiative and allow Brighthouse to make the necessary decisions and investments to serve the U.S. retail marketplace.
- To enable Brighthouse to take advantage of a retail dedicated platform to increase responsiveness to the needs of our customers and distribution partners.

When and how you will Receive Brighthouse Shares

MetLife will distribute to its shareholders, *pro rata*, [●] shares of our common stock for every [●] shares of MetLife common stock outstanding as of [●], the record date of the distribution.

Prior to the distribution, MetLife will deliver all of the issued and outstanding shares of our common stock to the distribution agent. [●] will serve as distribution agent in connection with the distribution of our common stock and as transfer agent and registrar for our common stock.

If you own MetLife common stock as of the close of business on [●], the shares of our common stock that you are entitled to receive in the distribution will be issued to your account as follows:

- *Registered shareholders.* If you own your shares of MetLife common stock directly, either through an account with MetLife's transfer agent or if you hold physical stock certificates, you are a registered shareholder. In this case, the distribution agent will credit the whole shares of our common stock you receive in the distribution by way of direct registration in book-entry form to your [●] account on or shortly after the distribution date. Registration in book-entry form refers to a method of recording share ownership where no physical stock certificates are issued to shareholders, as is the case in the distribution. You will be able to access information regarding your book-entry account holding the Brighthouse shares at [●] using the following website [●] or via our transfer agent's interactive voice response system at [●].
- About [●] days after the distribution date, the distribution agent will mail to you a [●] account statement and a check for any cash in lieu of fractional shares you are entitled to receive. *See* "— Treatment of Fractional Shares." The [●] account statement will indicate the number of whole shares of our common stock that have been registered in book-entry form in your name.
- "*Street name" or beneficial shareholders*. Most MetLife shareholders own their shares of MetLife common stock beneficially through a bank, broker or other nominee. In these cases, the bank, broker or other nominee holds the shares in "street name" and records your ownership on its books. If you own your shares of MetLife common stock through a bank, broker or other nominee, your bank, broker or other nominee will credit your account with the whole shares of our common stock that you receive in the distribution on or shortly after the distribution date. We encourage you to contact your bank, broker or other nominee if you have any questions concerning the mechanics of having shares held in street name.

If you sell any of your shares of MetLife common stock on or before the distribution date, the buyer of those shares, and not you, may in some circumstances be entitled to receive the shares of our common stock issuable in respect of the shares sold. *See* "— Trading Prior to the Distribution Date" for more information.

We are not asking MetLife shareholders to take any action in connection with the distribution. No shareholder approval of the distribution is required. We are not asking you for a proxy and request that you not send us a proxy. We are also not asking you to surrender any of your shares of MetLife common stock for shares of our common stock. The number of outstanding shares of MetLife common stock will not change as a result of the distribution.

Number of Shares You Will Receive

On the distribution date, you will receive [●] shares of our common stock for every [●] shares of MetLife common stock you owned as of the record date.

Treatment of Fractional Shares

The distribution agent will not distribute any fractional shares of our common stock in connection with the distribution. Instead, the distribution agent will aggregate all fractional shares into whole shares and sell the whole shares in the open market at prevailing market prices on behalf of MetLife shareholders entitled to receive a fractional share. The distribution agent will then distribute the aggregate cash proceeds of the sales, net of brokerage fees and other costs, *pro rata* to these holders (net of any required withholding for taxes applicable to each holder). We anticipate that the distribution agent will make these sales on or after the distribution date. *See* "— Trading Prior to the Distribution Date" for additional information regarding when-issued trading. The distribution agent will, in its sole discretion, without any influence by MetLife or us, determine when, how, through which broker-dealer and at what price to sell the whole shares. The distribution agent is not, and any broker-dealer used by the distribution agent will not be, an affiliate of either MetLife or us.

The distribution agent will send to each registered holder of MetLife common stock entitled to a fractional share a check in the cash amount deliverable in lieu of that holder's fractional share as soon as practicable following the distribution date. We expect the distribution agent to take about [●] days after the distribution date to complete the distribution of cash in lieu of fractional shares to MetLife shareholders. If you hold your shares through a bank, broker or other nominee, your bank, broker or nominee will receive, on your behalf, your *pro rata* share of the aggregate net cash proceeds of the sales. No interest will be paid on any cash you receive in lieu of fractional shares. The cash you receive in lieu of fractional shares will generally be taxable to you. *See* "— Material U.S. Federal Income Tax Consequences of the Distribution" below for more information.

Results of the Distribution

After the distribution, we will be a separate, publicly traded company. Immediately following the distribution, we expect to have approximately [●] holders of shares of our common stock and approximately [●] million shares of our common stock outstanding, based on the number of MetLife shareholders and shares of MetLife common stock outstanding on [●]. The actual number of shares of our common stock MetLife will distribute in the distribution will depend on the actual number of shares of MetLife common stock outstanding on the record date, and will reflect any issuance of new shares or exercises of outstanding options pursuant to MetLife's equity plans on or prior to the record date. The distribution will not affect the number of outstanding shares of MetLife common stock or any rights of MetLife shareholders, although, assuming no significant intervening events, we expect the trading price of shares of MetLife common stock immediately following the distribution to be lower than immediately prior to the distribution because MetLife's trading price will no longer reflect the value of Brighthouse. Furthermore, until the market has fully analyzed the value of MetLife without Brighthouse, the price of shares of MetLife common stock may fluctuate.

Prior to the distribution, we intend to enter into a Master Separation Agreement and several other agreements with MetLife related to the distribution. These agreements will govern the relationship between MetLife and us up to and after completion of the distribution and allocate between MetLife and us various assets, liabilities, rights and obligations, including employee benefits, intellectual property and tax-related assets and liabilities. We describe these arrangements in greater detail under "Certain Relationships and Related Person Transactions."

Listing and Trading of our Common Stock

As of the date of this information statement, we are a wholly owned subsidiary of MetLife. Accordingly, no public market for our common stock currently exists, although a "when-issued" market in our common stock may develop prior to the distribution. *See* "— Trading Prior to the Distribution Date" below for an explanation of a "when-issued" market. We intend to list our shares of common stock under the symbol "BHF". Following the distribution, MetLife common stock will continue to trade under the symbol "MET".

Neither we nor MetLife can assure you as to the trading price of MetLife common stock or our common stock after the distribution, or as to whether the combined trading prices of MetLife common stock and our common stock after the distribution will be less than, equal to or greater than the trading prices of MetLife common stock prior to the distribution. The trading price of our common stock may fluctuate significantly following the distribution. *See* “Risk Factors — Risks Relating to Our Common Stock and the Securities Market” for more detail.

The shares of our common stock distributed to MetLife shareholders will be freely transferable, unless you are considered our “affiliate” under Rule 144 under the Securities Act. Persons who can be considered our affiliates after the distribution generally include individuals or entities that directly, or indirectly through one or more intermediaries, control, are controlled by or are under common control with us, and may include certain of our officers and directors. In addition, individuals who are affiliates of MetLife on the distribution date may be deemed to be our affiliates. Our affiliates will be permitted to sell their shares of our common stock only pursuant to a registration statement that the SEC has declared effective under the Securities Act or under an exemption from registration under the Securities Act, such as the exemption afforded by Rule 144.

Trading Prior to the Distribution Date

We expect a “when-issued” market in our common stock to develop as early as two trading days prior to the record date for the distribution and continue up to and including the distribution date. When-issued trading refers to a sale or purchase made conditionally on or before the distribution date because the securities of the spun-off entity have not yet been distributed. If you own shares of MetLife common stock on the record date, you will be entitled to receive shares of our common stock in the distribution. You may trade this entitlement to receive shares of our common stock, without the shares of MetLife common stock you own, on the when-issued market. We expect when-issued trades of our common stock to settle within four trading days after the distribution date. On the first trading day following the distribution date, we expect that when-issued trading of our common stock will end and “regular-way” trading will begin.

We also anticipate that, as early as two trading days prior to the record date and continuing up to and including the distribution date, there will be two markets in MetLife common stock: a “regular-way” market and an “ex-distribution” market. Shares of MetLife common stock that trade on the regular-way market will trade with an entitlement to receive shares of our common stock in the distribution. Shares that trade on the ex-distribution market will trade without an entitlement to receive shares of our common stock in the distribution. Therefore, if you sell shares of MetLife common stock in the regular-way market up to and including the distribution date, you will be selling your right to receive shares of our common stock in the distribution. However, if you own shares of MetLife common stock on the record date and sell those shares in the ex-distribution market up to and including the distribution date, you will still receive the shares of our common stock that you would otherwise be entitled to receive in the distribution.

Following the distribution date, we expect shares of our common stock to be listed on the NYSE under the trading symbol “BHF”. If when-issued trading occurs, the listing for our common stock is expected to be under a trading symbol different from our regular-way trading symbol. We will announce our when-issued trading symbol when and if it becomes available. If the distribution does not occur, all when-issued trading will be null and void.

Conditions to the Distribution

We expect that the distribution will be effective on the distribution date; provided that the following conditions have been satisfied or the MetLife Board has waived the conditions. MetLife may waive, subject to applicable law, any of the following conditions, unless otherwise noted:

- the MetLife Board will, in its sole and absolute discretion, have authorized and approved:
  - the restructuring (as described under “Formation of Brighthouse and the Restructuring” and “Certain Relationships and Related Person Transactions”);
  - any other transfers of assets and assumptions of liabilities contemplated by the Master Separation Agreement and any related agreements; and

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- the distribution, and will not have withdrawn that authorization and approval;
- the MetLife Board will have declared the distribution of shares of our common stock to MetLife's shareholders;
- the SEC will have declared the registration statement on Form 10, of which this information statement is a part, effective under the Exchange Act; no stop order suspending the effectiveness of the registration statement will be in effect; no proceedings for that purpose will be pending before or threatened by the SEC and notice of Internet availability of this information statement or this information statement will have been mailed to MetLife's shareholders; MetLife may not waive this condition;
- the NYSE or another national securities exchange approved by the MetLife Board will have accepted our common stock for listing, subject to official notice of issuance;
- The domiciliary state insurance regulator of MetLife USA, NELICO and FMLI will have approved the acquisition of control of the relevant insurance company by Brighthouse; MetLife may not waive this condition;
- the restructuring will have been completed;
- MetLife will have received a private letter ruling from the IRS, in form and substance satisfactory to MetLife in its sole and absolute discretion subject to the accuracy of and compliance with certain representations, assumptions and covenants, regarding certain significant issues under the Code and the private letter ruling will remain in effect as of the distribution date;
- MetLife will have received an opinion from tax counsel, in form and substance satisfactory to MetLife in its sole and absolute discretion, that, subject to the accuracy of and compliance with certain representations, assumptions and covenants, the distribution will qualify for non-recognition of gain or loss to MetLife and MetLife's shareholders pursuant to Sections 355 and 361 of the Code, except to the extent of cash received in lieu of fractional shares;
- no order, injunction or decree that would prevent the consummation of the distribution will be threatened, pending or issued (and still in effect) by any governmental entity of competent jurisdiction, no other legal restraint or prohibition preventing the consummation of the distribution will be in effect, and no other event outside the control of MetLife will have occurred or have failed to occur that would prevent the consummation of the distribution; MetLife may not waive this condition;
- no other events or developments will have occurred prior to the distribution that, in the judgment of the MetLife Board, would result in the distribution having a material adverse effect on MetLife or its shareholders; and
- MetLife and we will have executed and delivered the Master Separation Agreement, Registration Rights Agreement, Investment Management Agreements, Transition Services Agreement, certain services agreements, Transitional Trademark License Agreement, Intellectual Property License Agreement, Continuing Reinsurance Agreements, Tax Receivables Agreement, Tax Separation Agreement, and all other ancillary agreements related to the distribution.

The fulfillment of the above conditions will not create any obligation on MetLife's part to effect the distribution and MetLife may cancel the distribution even if all conditions have been satisfied. We are not aware of any material federal, foreign or state regulatory requirements with which we must comply, other than SEC rules and regulations, or any material approvals that we must obtain, other than the approval for listing of our common stock, the SEC's declaration of the effectiveness of the registration statement, in connection with the distribution, and state insurance department approval of the separation and restructuring. MetLife has the right not to complete the distribution if, at any time, the MetLife Board determines, in its sole and absolute discretion, that the distribution is not in the best interests of MetLife or its shareholders or is otherwise not advisable.

Reasons for Furnishing this Information Statement

We are furnishing this information statement solely to provide information to MetLife's shareholders who will receive shares of our common stock in the distribution. You should not construe this information statement as an inducement or encouragement to buy, hold or sell any of our securities or any securities of MetLife. We believe that the information contained in this information statement is accurate as of the date set forth on the cover. Changes to the information contained in this information statement may occur after that date, and neither MetLife nor we undertake any obligation to update the information except as otherwise may be required by law or in the normal course of MetLife's and our public disclosure obligations and practices.

Material U.S. Federal Income Tax Consequences of the Distribution

The following is a summary of the material U.S. federal income tax consequences of the distribution. This discussion is based on the Code, the Treasury Regulations promulgated under the Code and judicial and administrative interpretations of these laws, in each case as in effect and available as of the date of this information statement, all of which are subject to change at any time, possibly with retroactive effect. Any change of this nature could affect the tax consequences described below.

The distribution is conditioned on the receipt and continued validity as of the date of distribution of a private letter ruling from the IRS in form and substance satisfactory to MetLife in its sole and absolute discretion, regarding certain significant issues under the Code and an opinion of MetLife's tax counsel, which taken as a whole, provides that the distribution will qualify for non-recognition of gain or loss to MetLife and MetLife's shareholders pursuant to Sections 355 and 361 of the Code, except to the extent of cash received in lieu of fractional shares, each subject to the accuracy of and compliance with certain representations, assumptions and covenants.

Although a private letter ruling is generally binding on the IRS, the continued validity of a ruling is subject to the accuracy of and compliance with the representations, assumptions and covenants made by MetLife and us in the ruling request. If the representations or assumptions made in the private letter ruling request are untrue or incomplete in any material respect, then MetLife will not be able to rely on this ruling.

The opinion of tax counsel will rely on the private letter ruling as to matters covered by the ruling. The opinion will assume that the distribution will be completed according to the terms of the Master Separation Agreement, Tax Separation Agreement and Tax Receivables Agreement and that the parties will report the transactions in a manner consistent with the opinion. The opinion will rely on the facts as stated in the Master Separation Agreement, the Tax Separation Agreement and ancillary agreements, this information statement and a number of other documents. In rendering the opinion, the nationally recognized accounting firm will require and rely on representations and covenants from MetLife and us to be delivered at the time of closing (and will assume that any such representation that is qualified by belief, knowledge or materiality is true, correct and complete without such qualification). If any of the representations or assumptions were untrue or incomplete in any material respect, any covenants were not complied with, or the facts on which the opinion is based were materially different from the facts at the time of the transactions, the conclusions in the opinion may not be correct. The nationally recognized accounting firm will have no obligation to advise us or our shareholders of changes in its opinion after the distribution date due to any subsequent changes in the matters stated, represented or assumed in the opinion or any subsequent changes in the applicable law. Opinions of tax counsel are not binding on the IRS. As a result, the IRS could challenge the conclusions expressed in the opinion of tax counsel, and if the IRS prevails in its challenge, the tax consequences to you could be materially less favorable than those described below.

The opinion will be based on statutory, regulatory and judicial authority existing as of the date of the opinion, any of which may be changed at any time with retroactive effect. Neither the opinion nor the ruling will address any state, local or foreign tax consequences of the distribution. The distribution may be taxable to you under state, local or foreign tax laws.

Tax consequences of the distribution for U.S. holders

This discussion is limited to holders of MetLife common stock that are U.S. holders, as defined immediately below, that hold their MetLife common stock as a capital asset. A "*U.S. holder*" is a beneficial owner of MetLife common stock that is, for U.S. federal income tax purposes:

- an individual who is a citizen or a resident of the United States;
- a corporation, or other entity taxable as a corporation for U.S. federal income tax purposes, created or organized under the laws of the United States or any state thereof or the District of Columbia;
- an estate, the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust, if (i) a court within the United States is able to exercise primary jurisdiction over its administration and one or more U.S. persons have the authority to control all of its substantial decisions or (ii) it was treated as a domestic trust under the law in effect before 1997 and a valid election is in place under applicable Treasury Regulations.

This discussion does not address all tax considerations that may be relevant to U.S. holders in light of their particular circumstances, nor does it address the consequences to U.S. holders subject to special treatment under the U.S. federal income tax laws, including but not limited to:

- dealers or traders in securities or currencies;
- tax-exempt entities;
- banks, financial institutions or insurance companies;
- real estate investment trusts, regulated investment companies or grantor trusts;
- persons who acquired MetLife common stock pursuant to the exercise of employee stock options or otherwise as compensation;
- holders who own, or are deemed to own, at least 10% or more, by voting power or value, of MetLife equity;
- holders who own MetLife common stock as part of a position in a straddle or as part of a hedging, conversion or other risk reduction transaction for U.S. federal income tax purposes;
- former citizens or long-term residents of the United States;
- holders who are subject to the alternative minimum tax; and
- persons that own MetLife common stock through partnerships or other pass-through entities.

This discussion does not address any state, local or foreign tax consequences or any estate, gift or other non-income tax consequences.

If a partnership, or any other entity treated as a partnership for U.S. federal income tax purposes, holds MetLife common stock, the tax treatment of a partner in that partnership will generally depend on the status of the partner and the activities of the partnership. Such a partner or partnership should consult its own tax advisor as to its tax consequences.

THIS SUMMARY IS FOR GENERAL INFORMATION PURPOSES ONLY, AND IT IS NOT INTENDED TO BE, AND IT SHOULD NOT BE CONSTRUED TO BE, LEGAL OR TAX ADVICE TO ANY PARTICULAR SHAREHOLDER.

YOU SHOULD CONSULT YOUR OWN TAX ADVISOR WITH RESPECT TO THE U.S. FEDERAL, STATE AND LOCAL, AS WELL AS FOREIGN, INCOME AND OTHER TAX CONSEQUENCES OF THE DISTRIBUTION.

Assuming the receipt and continued validity of the private letter ruling and subject to qualifications and limitations described in this information statement (including the discussion below relating to the receipt of cash in lieu of fractional shares) and the opinion from tax counsel that for U.S. federal income tax purposes the consequences of the distribution will be as described below:

- A U.S. holder will not recognize any gain or loss, and will not include any amount in income, upon receiving our common stock in the distribution;
- Each U.S. holder's aggregate basis in its MetLife common stock and our common stock received in the distribution (including any fractional shares to which the U.S. holder would be entitled) will equal the aggregate basis the U.S. holder had in the MetLife common stock immediately prior to the distribution, allocated in proportion to the fair market value of each; and
- Each U.S. holder's holding period in our common stock received in the distribution will include the U.S. holder's holding period in its MetLife common stock on which the distribution was made, provided that the MetLife common stock is owned as a capital asset on the date of the distribution.

U.S. holders that have acquired different blocks of MetLife common stock at different times or at different prices should consult their tax advisors regarding the allocation of their aggregate adjusted basis among, and their holding period of, shares of our common stock distributed with respect to such blocks of MetLife common stock. Fair market value generally is the price at which a willing buyer and a willing seller, neither of whom is under any compulsion to buy or to sell and both having reasonable knowledge of the facts, would exchange property. U.S. federal income tax law does not specifically prescribe how U.S. holders should determine the fair market values of MetLife common stock and our common stock for purposes of allocating basis. You should consult your tax advisor to determine what measure of fair market value is appropriate.

Cash in lieu of fractional shares

If a U.S. holder receives cash in lieu of a fractional share of common stock in the distribution, the U.S. holder will be treated as though it first received a distribution of the fractional share in the distribution and then sold it for the amount of cash it actually receives. Provided the fractional share is considered to be held as a capital asset, the U.S. holder will generally recognize capital gain or loss measured by the difference between the cash received for the fractional share and the tax basis in that fractional share, determined as described above. The capital gain or loss will be a long-term capital gain or loss if the U.S. holder's holding period for the MetLife common stock, with respect to which the U.S. holder received the fractional share, is more than one year on the distribution date.

Tax consequences for U.S. holders if the distribution fails to qualify for non-recognition treatment

If the distribution does not qualify for non-recognition treatment, each U.S. holder who receives our common stock in the distribution would generally be treated as receiving a distribution in an amount equal to the fair market value of our common stock it receives (including any fractional shares received), which would generally result in:

- a taxable dividend to the extent of the U.S. holder's ratable share of MetLife's current and accumulated earnings and profits, as increased to reflect the gain (if any) recognized by MetLife on a taxable distribution;
- a reduction in the U.S. holder's basis (but not below zero) in MetLife common stock to the extent the amount received exceeds the U.S. holder's share of MetLife's earnings and profits; and
- a taxable gain from the exchange of MetLife common stock to the extent the amount it receives exceeds both the U.S. holder's share of MetLife's earnings and profits and the basis in the U.S. holder's MetLife common stock.

Any amounts withheld in respect of taxes from the payments of cash in lieu of fractional shares will be taken into account in determining each U.S. holder's tax liability if the distribution does not qualify for non-recognition treatment.

Information reporting and backup withholding

Payments of cash in lieu of a fractional share of our common stock may, under certain circumstances, be subject to "backup withholding," unless a holder provides proof of an applicable exemption or a correct taxpayer identification number, and otherwise complies with the requirements of the backup withholding rules. Corporations and non-U.S. holders will generally be exempt from backup withholding, but may be required to provide a certification to establish their entitlement to the exemption. Backup withholding does not constitute an additional tax, but is merely an advance payment that may be refunded or credited against a holder's U.S. federal income tax liability if the required information is supplied to the IRS.

U.S. Treasury Regulations require each U.S. holder that immediately before the distribution owned 5% or more (by vote or value) of the total outstanding stock of MetLife to attach to its U.S. federal income tax return for the year in which our common stock is received a statement setting forth certain information related to the distribution.

Tax consequences for MetLife, of the distribution

Assuming the receipt and continued validity of the private letter ruling and subject to qualifications and limitations set forth therein and in the tax opinion, tax counsel is of the opinion that, for U.S. federal income tax purposes, the distribution will qualify for non-recognition of gain or loss to MetLife under Sections 355 and 361 of the Code.

Tax consequences for MetLife, if the distribution fails to qualify for non-recognition treatment

If the distribution does not qualify for non-recognition treatment, MetLife would recognize taxable gain (if any) equal to the excess of the fair market value of our common stock distributed to MetLife's shareholders over MetLife's tax basis in our common stock.

Indemnification obligation

Even if the distribution otherwise qualifies for non-recognition of gain or loss under Section 355 of the Code, it may be taxable to MetLife, but not MetLife's shareholders, under Section 355(e) of the Code if 50% or more (by vote or value) of our common stock or MetLife's common stock is acquired as part of a plan or series of related transactions that include the distribution. For this purpose, any acquisitions of MetLife's or our common stock within two years before or after the distribution are presumed to be part of such a plan, although MetLife or we may be able to rebut that presumption based on either applicable facts and circumstances or a "safe harbor" described in the tax regulations. If such an acquisition of MetLife's or our common stock triggers the application of Section 355(e) of the Code, MetLife would recognize a gain equal to the excess (if any) of the fair market value of our common stock it holds immediately before the completion of the distribution over MetLife's tax basis in that stock.

Generally, taxes resulting from the failure of the distribution to qualify for non-recognition treatment for U.S. federal income tax purposes would be imposed on MetLife or MetLife's shareholders, and MetLife would generally be obligated to indemnify us against such taxes under the Tax Separation Agreement. However, under the Tax Separation Agreement, we could be required, under certain circumstances, to indemnify MetLife and its affiliates against all tax-related liabilities caused by such a failure, to the extent those liabilities result from an action we or our affiliates take or from any breach of our or our affiliates' representations, covenants or obligations under the Tax Separation Agreement or any other agreement we enter into in connection with the distribution. Events triggering an indemnification obligation under the agreement include events occurring after the distribution that cause MetLife to recognize a gain under Section 355(e) of the Code. *See* “Risk Factors —Risks Relating to the Distribution — We could have an indemnification obligation to MetLife if the distribution does not qualify for non-recognition treatment or if certain other steps that are part of the separation do not qualify for their intended tax treatment, which could materially adversely affect our financial condition” and “Certain Relationships and Related Person Transactions — Agreements Between Us and MetLife — Tax Agreements — Tax Separation Agreement.”

Results of the Distribution

After the distribution, we will be a separate, publicly traded company. Immediately following the distribution, we expect to have approximately [●] holders of shares of our common stock and approximately [●] million shares of our common stock outstanding, based on the number of MetLife shareholders and shares of MetLife common stock outstanding on [●]. The actual number of shares of our common stock MetLife will distribute in the distribution will depend on the actual number of shares of MetLife common stock outstanding on the record date, and will reflect any issuance of new shares or exercises of outstanding options pursuant to MetLife’s equity plans on or prior to the record date. The distribution will not affect the number of outstanding shares of MetLife common stock or any rights of MetLife shareholders, although, assuming no intervening events, we expect the trading price of shares of MetLife common stock immediately following the distribution to be lower than immediately prior to the distribution because MetLife’s trading price will no longer reflect the value of Brighthouse. Furthermore, until the market has fully analyzed the value of MetLife without Brighthouse, the price of shares of MetLife common stock may fluctuate.

Prior to the distribution, we intend to enter into a Master Separation Agreement and several other agreements with MetLife related to the distribution. These agreements will govern the relationship between MetLife and us up to and after completion of the distribution and allocate between MetLife and us various assets, liabilities, rights and obligations, including employee benefits, intellectual property and tax-related assets and liabilities. We describe these arrangements in greater detail under “Certain Relationships and Related Person Transactions — Agreements Between Us and MetLife”

FORMATION OF BRIGHTHOUSE AND THE RESTRUCTURING

Our History

Brighthouse will own, directly or indirectly, certain subsidiaries of MetLife including MetLife USA, FMLI, NELICO and MetLife Advisers, and an affiliated reinsurance company and other entities. Prior to the distribution, these entities were directly or indirectly wholly owned by MetLife, Inc., a global insurance holding company with a corporate history reaching back to 1868.

These companies (other than newly formed entities formed in connection with the separation) were part of MetLife's former Retail segment and were the primary vehicles for issuing new individual life insurance policies and annuities. The retail life insurance policies and annuity contracts issued by MLIC, which is MetLife's primary operating entity in the United States, will be retained by MetLife and neither MLIC nor such policies will be included in Brighthouse or be part of the restructuring transactions. The aggregate general account assets were $145.5 billion and the separate account assets were $49.7 billion for the portion of MetLife's former Retail segment remaining with MetLife as part of its MetLife Holdings segment as of September 30, 2016, respectively.

NELICO and MetLife USA became part of MetLife through acquisitions and have undergone a number of restructuring transactions to arrive at their current state.

In 1996, MetLife acquired NELICO, an insurance company licensed to issue insurance policies in all 50 states, which had a strong presence in the higher end of the market focused on retirement savings and estate planning. Over a decade ago, MetLife expanded its distribution efforts with third-party independent distributors, selling products issued from MetLife Investors USA Insurance Company ("*MLI-USA*").

On July 1, 2005, MetLife acquired The Travelers Insurance Company ("*Travelers*"), excluding certain assets, most significantly, Primerica, from Citigroup Inc. ("*Citigroup*"), and substantially all of Citigroup's international insurance businesses, making MetLife the largest individual life insurer in North America based on sales. As part of this acquisition, MetLife acquired Travelers' Connecticut domiciled life insurance company with a corporate history that dates back to 1863, which was subsequently renamed MetLife Insurance Company of Connecticut ("*MICC*").

In November 2014, MetLife undertook several actions to effect a merger of several entities to form MetLife USA, which will be the principal operating entity of Brighthouse. These actions included the re-domestication of MICC from Connecticut to Delaware and change of its name to MetLife Insurance Company USA. MICC then merged with its subsidiary, MLI-USA, and its affiliate, MetLife Investors Insurance Company ("*MLIIC*"), each a U.S. insurance company that issued variable annuity products in addition to other products, and with Exeter Reassurance Company, Ltd. ("*Exeter*"), a former offshore, internal reinsurance subsidiary of MetLife, Inc. and affiliate of MICC that mainly reinsured guarantees associated with variable annuity products (the "*mergers*"). The surviving entity of the mergers is MetLife USA. MetLife USA is licensed to issue insurance policies and annuity products in 49 states. At the time of the distribution, we anticipate that MetLife USA will be our largest operating company and is expected to be renamed Brighthouse Life Insurance Company.

Over the last four years, MetLife has implemented certain operational and structural changes with respect to its former Retail segment. These actions include, (1) the operation of our business as an integrated functional unit within MetLife with its own dedicated management team, (2) relocating our senior management team and a material portion of each of our business functions to our Charlotte, North Carolina corporate center, (3) selling MPCG, our proprietary distribution channel of approximately 3,900 advisors and 2,000 support employees, and (4) completing our transition to an independent distribution channel.

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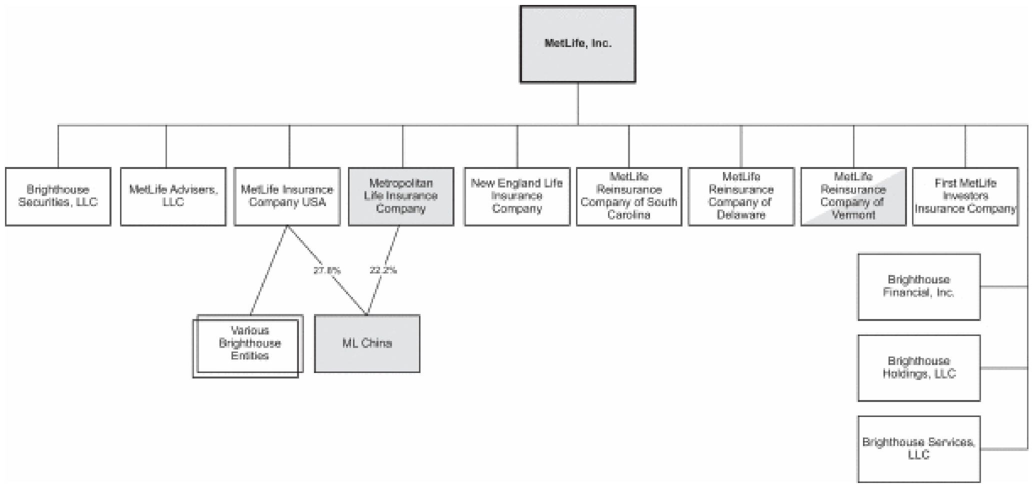
The chart below reflects a simplified depiction of MetLife's current ownership of the entities that will comprise Brighthouse. MetLife, Inc. is the record and beneficial holder of our outstanding shares.



Legend: Non-shaded entities will constitute Brighthouse.

Formation of Brighthouse

Formation and Contribution Transactions

Brighthouse Financial, Inc. was incorporated in Delaware on August 1, 2016 in preparation for MetLife's planned separation of a substantial portion of its former Retail segment and the distribution. Brighthouse Financial, Inc. was incorporated solely for this purpose and to serve as a holding company and has not engaged in any activities or formed any subsidiaries, except in preparation for our separation from MetLife and the distribution.

In order to position Brighthouse to effectively compete as a focused product manufacturer of retail life insurance and annuity products with national distribution, MetLife will undertake several actions including an internal reorganization involving its former Retail segment and certain affiliated reinsurance subsidiaries, predominantly through equity transfers, mergers and the sale or assignment of certain assets and liabilities among applicable companies within Brighthouse and MetLife, as well as the unwinding of several intercompany reinsurance transactions. The objective of these actions is to both create the desired post-distribution structure for Brighthouse as well as reduce ongoing affiliation and interdependencies between MetLife and Brighthouse.

In order to allow Brighthouse to operate efficiently, as well as issue SEC registered insurance products through independent distribution channels, the restructuring will include the contribution of several entities by MetLife to Brighthouse prior to the distribution:

First, a new holding company, Brighthouse Holdings, LLC ("*Brighthouse Intermediate Company*"), was created, which will ultimately be a direct subsidiary of Brighthouse Financial, Inc., with two classes of membership interests, voting common interests and non-voting preferred interests.

Second, a new services and payroll company, Brighthouse Services, LLC ("*Brighthouse Services*") was created as a wholly owned subsidiary of MetLife. We intend for Brighthouse Services to manage personnel and payroll matters, as well as procurement and certain third-party contracting for Brighthouse. This approach is expected to promote efficiencies in the management of employee-related matters, legally separate personnel issues from insurance and annuity legal entities, and achieve economies of scale.

Third, Brighthouse will require a registered broker-dealer to distribute certain existing and future products and an investment advisor to support its operations. Brighthouse Intermediate Company will receive all of the equity interests of Brighthouse Securities from MetLife. Brighthouse Securities has become registered as a broker-dealer with the SEC and approved as a member of FINRA, and we also intend that, subject to applicable regulatory approval in certain states, Brighthouse Securities will become registered as a broker-dealer in such states prior to the effectiveness of the distribution. In addition, as part of the restructuring process, the voting equity interests of MetLife Advisers, a registered investment advisor, will be contributed to Brighthouse Intermediate Company to support the operations of Brighthouse, by serving as investment advisor to certain proprietary mutual funds that are underlying investments under our and MetLife's variable annuity products.

Fourth, MetLife will form a new affiliated reinsurance company, which we expect to be named Brighthouse Reinsurance Company of Delaware, or BRCD, into which the following entities that provide reserve financing to Brighthouse's operating entities will be merged:

- certain existing affiliated reinsurance subsidiaries; and
- a segregated cell of an existing affiliated reinsurance subsidiary, which will be converted into a subsidiary. *See* "— Certain Affiliated Reinsurance Subsidiaries."

In addition to contributing all of the interests in Brighthouse Services, Brighthouse Securities and MetLife Advisers, as part of transferring the relevant assets, liabilities and operations of MetLife's former Retail segment to Brighthouse, in a series of transactions, MetLife will contribute the equity interests of (i) FMLI to MetLife USA, and (ii) NELICO and MetLife USA, including its subsidiaries to Brighthouse Intermediate Company. Such restructuring transactions are subject to approval from applicable regulators.

Certain Affiliated Reinsurance Subsidiaries

MetLife has formed certain affiliated reinsurance subsidiaries to manage efficiently its capital and risk exposures. These subsidiaries support various operations at MetLife, including, but not limited to, the operations that will become Brighthouse. MetLife's existing, wholly owned affiliated reinsurance subsidiaries that, in whole or in part, support the business interests of MetLife USA and other entities and operations of Brighthouse were formed individually over a period of several years to provide reinsurance under intercompany reinsurance agreements for defined blocks of life insurance policies issued by MetLife entities. Except with respect to one segregated cell of an affiliated reinsurance subsidiary, each such affiliate reinsurance subsidiary entered into a separate financing arrangement with one or more unaffiliated financial institutions that provides statutory reserve support for such affiliated reinsurance subsidiary's reinsurance obligations.

Brighthouse intends to continue the use of affiliated reinsurance arrangements and related reserve financing. As part of the restructuring, MetLife's existing, wholly owned affiliate reinsurance subsidiaries that support the business interests of Brighthouse (excluding those subsidiaries and parts of such subsidiaries that support the business interests of MetLife, with such restructuring transactions as described in greater detail below), will, through a series of restructuring transactions (the "*reinsurance subsidiary restructuring*"), become a part of Brighthouse. As certain of the existing reinsurance and related arrangements at one such subsidiary, MetLife Reinsurance Company of Vermont ("*MRV*"), relate to MetLife operations that will not be part of Brighthouse, certain restructuring actions will be effected prior to the distribution to separate such arrangements from those related to Brighthouse. Such restructuring transactions are subject to approval from applicable regulators. We anticipate such restructuring transactions will result in the separation of "Cell 2" of MRV, which represents assets and liabilities relating to MetLife's former Retail segment, into a new affiliated reinsurance subsidiary ("*New MRV*").

The affiliated reinsurance subsidiaries that will be part of the reinsurance subsidiary restructuring, which will include New MRV, but not MRV, will be merged into BRCD. We expect that a single, larger reinsurance subsidiary will provide certain benefits to Brighthouse, including (i) enhancing its ability to hedge the interest rate risk of the reinsured liabilities, (ii) allowing it to manage its investment portfolio with increased asset allocation flexibility, and (iii) improving its operating flexibility and administrative cost efficiency resulting from the consolidation of all of the intercompany reinsurance agreements that are being contributed to Brighthouse into one affiliated reinsurance subsidiary with one insurance regulator.

Simultaneously with the reinsurance subsidiary restructuring, the existing reserve financing arrangements of the affected reinsurance subsidiaries will be terminated and replaced with a single financing arrangement supported by a pool of highly rated third-party reinsurers, which we anticipate will be at a lower cost than the existing financing arrangements. *See* "Risk Factors — Risks Related to our Business — We may not be able to take credit for reinsurance, our statutory life insurance reserve financings may be subject to cost increases, new financings may be subject to limited market capacity and we may be unable to successfully complete the restructuring of existing reinsurance subsidiaries and financing facilities into a single reinsurance subsidiary with its own financing."

The reinsurance subsidiary restructuring is subject to approval from applicable regulators, but we anticipate it will result in the mergers of New MRV, MetLife Reinsurance Company of Delaware ("*MRD*") and MetLife Reinsurance Company of South Carolina ("*MRSC*") with and into BRCD.

Retention by MetLife of ML China

MetLife owns a non-operating investment interest in a Chinese joint venture ("*ML China*"), with its equity interest split between MetLife USA and MLIC. Consistent with existing plans by MetLife to consolidate its international operations under American Life Insurance Company ("*ALICO*"), a wholly owned subsidiary of MetLife, Inc., MetLife USA will, prior to the distribution, sell for cash its interest in ML China to ALICO. MetLife USA plans to make a cash distribution to MetLife of approximately the same amount of cash it will receive from ALICO.

Preferred Stock Issuances

In connection with the reinsurance subsidiary restructuring, approximately $[●] aggregate stated amount of the non-voting preferred stock of a predecessor company of BRCD (which such stock shall be converted into non-voting preferred stock of BRCD upon the merger of such predecessor company with and into BRCD) will be sold to a MetLife entity (that will not be part of Brighthouse) in exchange for third-party securities equal to the fair market value of such preferred stock.

Prior to the completion of the distribution, MetLife intends to sell $[●] aggregate stated amount of Brighthouse Intermediate Company preferred interests to an unrelated party in exchange for third-party securities equal to the fair market value of the Brighthouse Intermediate Company preferred interests. The issuance of the preferred interests will facilitate gain/loss recognition by MetLife on the disposition of the shares of Brighthouse and related restructuring transactions. *See* "Management's Discussions and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources."

Arrangements among Brighthouse and MetLife

In contemplation of the separation from MetLife, we expect to enter into certain agreements that will govern our relationship with MetLife following the distribution. Among these arrangements will be the unwinding, amendment and/or termination of certain reinsurance arrangements between Brighthouse's insurance company subsidiaries and MetLife in order to reflect Brighthouse's focus on the retail life and annuity businesses and MetLife's focus on its employee benefits business, its property and casualty business, its pension and retirement business, and its international insurance operations. Arrangements will include those transactions described below under "— Reinsurance Agreements." Other arrangements that will govern our relationships with MetLife following the distribution include agreements governing, among other things, provisions of transitional services, responsibility for potential tax obligations and other tax matters, certain intellectual property matters and investment management activities. Certain of such agreements, or provisions thereof, may not take effect upon completion of the distribution but rather at some future date based upon the equity ownership of MetLife in Brighthouse at such time. *See* "Certain Relationships and Related Person Transactions." These arrangements will also include the assignment and transfer by MetLife and any of its relevant affiliates of all rights to be indemnified by Citigroup for any losses arising out of a block of long-term care policies ceded by a predecessor of MetLife USA to Genworth Life Insurance Company and Genworth Life Insurance Company of New York, each an affiliate of Genworth Financial. *See* "Business — Annuity and Life Reinsurance — Long-Term Care Reinsurance and Indemnity."

Restrictive Covenants Between MetLife and Us

We will also agree to certain provisions relating to the non-solicitation of employees between us and MetLife in the Master Separation Agreement. *See* "Certain Relationships and Related Person Transactions — Agreements Between Us and MetLife — Master Separation Agreement."

Reinsurance Agreements

Prior to the distribution, our insurance company subsidiaries' plan to amend or terminate certain reinsurance arrangements with affiliates of MetLife in order to reflect our expected focus on the U.S. retail life insurance and annuity business (the "*Separation Reinsurance Transactions*"). The Separation Reinsurance Transactions include among other transactions:

- the termination of a number of existing reinsurance agreements pursuant to which MLIC or GALIC provide coinsurance or yearly renewable term reinsurance to MetLife USA, FMLI and NELICO with respect to their retail life insurance operations;
- the replacement of MLIC, as reinsurer, with MetLife USA, as reinsurer, under reinsurance agreements with each of FMLI and NELICO pursuant to which FMLI and NELICO cede liability under certain variable annuity business issued by FMLI and NELICO;
- the termination of a reinsurance agreement pursuant to which MLIC provides reinsurance coverage to FMLI with respect to certain single premium deferred annuity business issued by FMLI;
- the potential assumption by one or more affiliates of MetLife, which affiliates will not be part of Brighthouse following the distribution, of certain COLI and BOLI policies previously issued by MetLife USA as part of its former Corporate Benefit Funding segment and the agreement by such affiliates to assume and by us to assign certain other such COLI and BOLI policies following the distribution if certain applicable conditions are met; and
- the termination of a reinsurance agreement pursuant to which MetLife USA assumes 100% of MLIC's obligations under GMDB, GMIB, GMWB and GMAB riders under certain variable annuity contracts issued by MLIC.

Following the distribution, MetLife USA plans to maintain in place certain existing reinsurance agreements with affiliates of MetLife (other than Brighthouse) (the "*Continuing Reinsurance Agreements*").

Prior to the separation, in connection with certain of the Continuing Reinsurance Agreements, MetLife USA and GALIC plan to enter into a reinsurance trust agreement as described in "Certain Relationships and Related Person Transactions — Agreements Between Us and MetLife — Collateral Agreement."

Brighthouse

Prior to the distribution, MetLife intends to contribute to Brighthouse all of the interests in Brighthouse Intermediate Company in exchange for (i) the assumption by Brighthouse of certain liabilities of MetLife, including, among other things, liabilities relating to the operation of Brighthouse's business (including from periods prior to the separation) and certain liabilities related to our employees, liabilities relating to Brighthouse's assets and outstanding contractual and non-contractual relationships with customers, vendors and others (including obligations under leases for our corporate headquarters in Charlotte, North Carolina as well as certain other locations), liabilities relating to certain historical operations of MetLife, (ii) an amount of cash equal to $[●], (iii) Brighthouse common stock and (iv) the entry into certain other agreements among MetLife and Brighthouse. *See* "Certain Relationships and Related Person Transactions."

In addition, prior to the completion of the distribution and immediately prior to the reinsurance subsidiary restructuring, each such existing affiliated reinsurance subsidiary relating to MetLife's former Retail segment will terminate its historical financing arrangement. Immediately following such mergers, a single financing arrangement for BRCD will be established. The new financing arrangement will be supported by a pool of highly-rated third-party reinsurers and will be subject to the review and approval of applicable regulators. There can be no assurance that MetLife will be able to complete such restructuring and mergers on a timely basis, because they are subject to regulatory and counterparty approvals and other conditions that are beyond MetLife's and our control. *See* "Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources —The Company — Outstanding Debt and Collateral Financing Arrangement — Collateral Financing Arrangement."

Prior to the completion of the distribution, MetLife will own 100% of our outstanding common stock. Upon the completion of the distribution, MetLife will beneficially own approximately and no more than 19.9% of our outstanding common stock. MetLife has informed us that after completion of the distribution it intends, subject to market conditions, to divest its remaining interest in us as soon as practicable following the distribution, but in no event later than five years after the distribution, while seeking to maximize overall value to its shareholders. This divestiture may be made through a dividend distribution, one or more public offerings of its remaining shares of our common stock or an offer to the MetLife shareholders to exchange all or a portion of their MetLife shares for Brighthouse shares.

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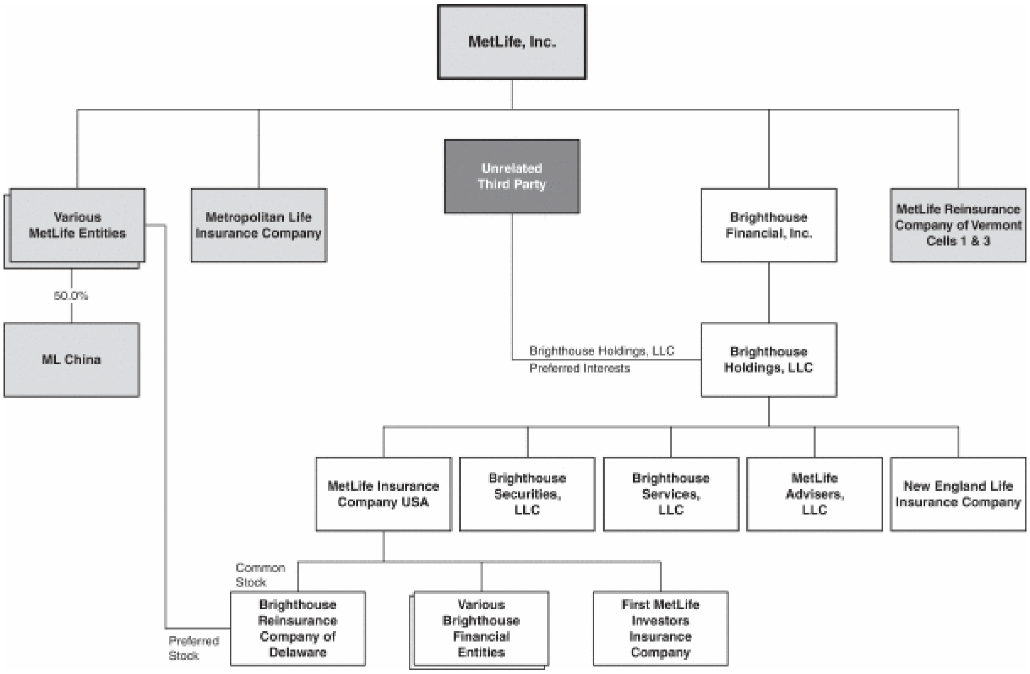
The chart below reflects our ownership structure prior to this distribution and following the restructuring.



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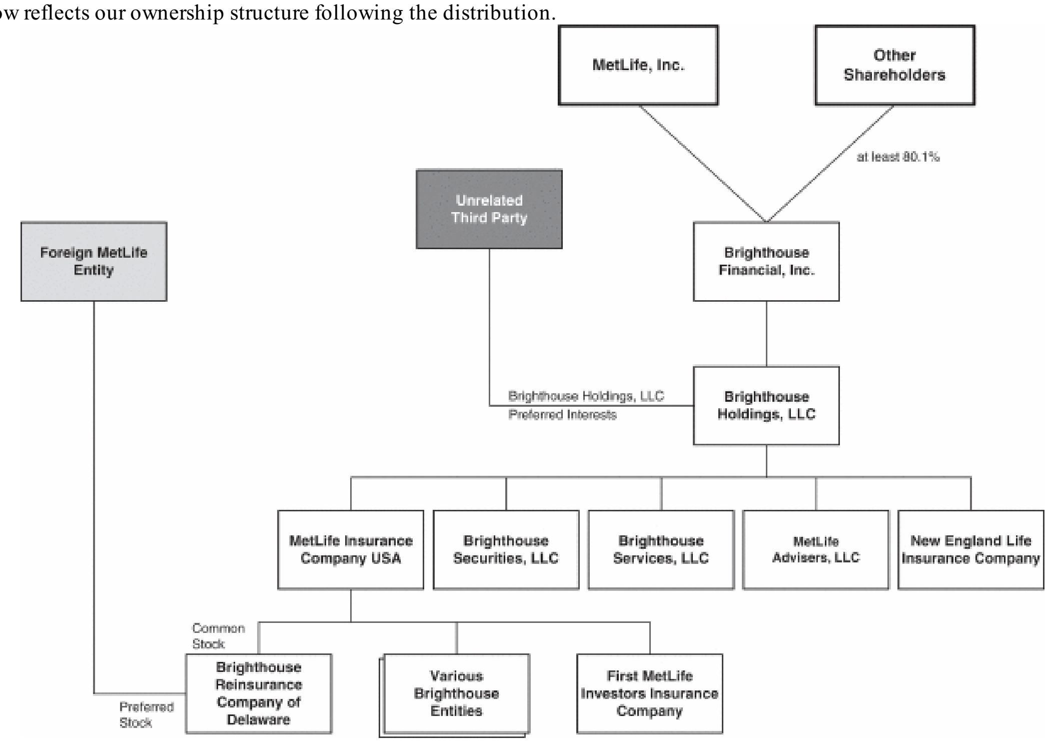
The chart below reflects our ownership structure following the distribution.



RECAPITALIZATION

We have historically operated with a capital structure that reflected our status as a wholly owned subsidiary of MetLife and have not required direct access to the capital markets for our financing needs. To prepare for our separation from MetLife and operation as a separate, public company, we have undertaken various recapitalization initiatives to allow a more flexible and efficient capital structure similar to those of our public company peers.

In undertaking this recapitalization plan, we have focused on several goals:

- Eliminating intercompany financing arrangements with or guaranteed by MetLife;
- Maintaining adequate liquidity at the Brighthouse holding company level;
- Maintaining a debt-to-capital ratio of approximately 20%; and
- Initially funding $3.0 billion of assets in excess of CTE95 to support our variable annuity contracts, which we expect to result in a combined company action level (two times authorized control level) RBC ratio of approximately 700%.

On December 2, 2016, we entered into the Brighthouse Credit Facilities, a $2.0 billion five-year revolving credit facility and a $3.0 billion three-year term loan agreement with a syndicate of banks. The revolving credit facility provides for borrowings (within a sublimit of $1.0 billion) or the issuance of letters of credit of up to $2.0 billion in the aggregate. The $3.0 billion term loan agreement provides for borrowings, which may be drawn prior to the separation, of up to $3.0 billion for general corporate purposes, including in connection with the separation. Under the terms of the term loan agreement, we will use the net proceeds in excess of $500 million from debt issuances to third party investors (with certain exceptions) to prepay amounts outstanding under the term loan agreement and reduce the term loan agreement commitments.

Prior to the closing of the distribution, we expect to complete the following steps related to achieving the above goals:

- We intend to incur indebtedness for borrowed money (including pursuant to the Brighthouse Credit Facilities), consistent with our target debt-to-capital ratio of approximately 20%, a significant portion of the proceeds from which incurrence will be distributed to MetLife;
- We intend to issue shares of preferred stock of Brighthouse Intermediate Company to unrelated third parties and of BRCD to a MetLife entity in the aggregate stated amount of $[●] and $[●], respectively;
- We intend to enter into an agreement with MetLife, Inc., whereby MetLife will agree to take such steps necessary to obtain full beneficial ownership of MetLife Capital Trust X (the "*Trust*"), a special purpose entity which issued securities to investors and is the beneficiary of surplus notes issued by MetLife USA in aggregate principal amount of $750 million, and whereby MetLife, Inc. may take steps to terminate the Trust, in either case, becoming the beneficial owner of the surplus notes. Such agreement will provide that MetLife, Inc. will, upon becoming the beneficial owner of the surplus notes, forgive MetLife USA's obligations under such surplus notes; and
- Subject to applicable regulatory approval, MetLife will complete the internal reorganization relating to certain affiliated reinsurance subsidiaries, including MRSC, MRD and New MRV, which reinsure certain universal life and term life insurance policies written by MetLife USA and NELICO, and which will each be merged into BRCD. Concurrent with the mergers, each such affiliated reinsurance subsidiary will terminate its historical financing arrangement and a new 20-year financing arrangement for BRCD will be established. The new financing arrangement will be supported by a pool of highly rated third-party reinsurers and will be subject to the review and approval of applicable regulators. *See* "Management's Discussions and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — The Company — Sources and Uses of Liquidity and Capital — Affiliated Reinsurance Subsidiaries Transactions."

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See “Risk Factors — Risks Related to our Business — We will incur significant indebtedness in connection with the separation that for a period of time will not provide us with liquidity or interest-expense tax deductions and the terms of which could restrict our operations and use of funds that may result in a material adverse effect on our results of operations and financial condition.”

The following table presents an overview of the financing and other capital transactions, which have been undertaken, as well as the further steps we anticipate completing prior to, concurrently with or within a reasonable period of time following, the distribution and their effect on our balance sheet.

	September 30, 2016	Separation Reinsurance Transactions	Reinsurance Subsidiary Restructuring	Forgiveness of Trust Surplus Notes	Financing Transactions (1)	Cash Dividend to MetLife	September 30, 2016 As Adjusted
				(In millions)			
Total assets	$ 240,929	$	$	$	$	$	$
Debt	$ 814	$	$	$	$	$	$
Reserve financing debt	$ 1,100	$	$	$	$	$	$
Collateral financing arrangement	$ 2,797	$	$	$	$	$	$
Shareholder’s net investment	$ 15,731	$	$	$	$	$	$

(1) Includes preferred stock issuances by BRCD and by Brighthouse Intermediate Company, as well as any debt or loan issuance by Brighthouse Financial, Inc. *See* “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — Parent Company — Capital” for a discussion of the Brighthouse Credit Facilities executed on December 2, 2016 but undrawn as of December 5, 2016, in connection with the recapitalization plan.

DIVIDEND POLICY

We expect to establish a dividend policy and initially we may pay annual cash dividends on our common stock, although any declaration of dividends will be at the discretion of the Brighthouse Board and will depend on our financial condition, earnings, cash needs, regulatory constraints, capital requirements (including requirements of our subsidiaries) and any other factors that the Brighthouse Board deems relevant in making such a determination. Therefore, there can be no assurance that we will pay any dividends to holders of our common stock, or as to the amount of any such dividends.

Delaware law requires that dividends be paid only out of "surplus," which is defined as the fair market value of our net assets, minus our stated capital; or out of the current or the immediately preceding year's earnings. We are a holding company, and we have no direct operations. All of our business operations are conducted through our subsidiaries. The states in which our insurance subsidiaries are domiciled impose certain restrictions on our insurance subsidiaries' ability to pay dividends to us. These restrictions are based in part on the prior year's statutory income and surplus. Such restrictions, or any future restrictions adopted by the states in which our insurance subsidiaries are domiciled, could have the effect, under certain circumstances, of significantly reducing dividends or other amounts payable to us by our subsidiaries without affirmative approval of state regulatory authorities. For more details, *see* "Risk Factors — Capital-Related Risks — As a holding company, Brighthouse Financial, Inc. depends on the ability of its subsidiaries to pay dividends," "Risk Factors — Risks Relating to Our Common Stock and the Securities Market — We cannot assure you that we will pay dividends on our common stock, and our indebtedness could limit our ability to pay dividends on our common stock," "Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources —The Company — Capital — Restrictions on Dividends and Returns of Capital from Insurance Company Subsidiaries" and "Regulation — Insurance Regulation — Holding Company Regulation."

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SELECTED HISTORICAL COMBINED FINANCIAL DATA

Selected Financial Data

The following tables set forth our selected historical combined financial information. The statement of operations data for the years ended December 31, 2015, 2014 and 2013, and the balance sheet data as of December 31, 2015 and 2014, have been derived from our audited combined financial statements included elsewhere herein. The statement of operations data for the years ended December 31, 2012 and 2011, and the balance sheet data as of December 31, 2013, 2012 and 2011, have been derived from our unaudited combined financial statements not included herein. The selected historical combined financial information as of September 30, 2016, and for the nine months ended September 30, 2016 and 2015, has been derived from our unaudited interim condensed combined financial statements and the related notes included elsewhere herein.

The selected combined financial data should be read together with "Management's Discussion and Analysis of Financial Condition and Results of Operations" ("*Management's Discussion and Analysis*") and the combined financial statements and the related notes included elsewhere herein. The following combined statements of operations and combined balance sheet data have been prepared in conformity with GAAP. The historical results presented below are not necessarily indicative of our financial results to be achieved in future periods, or what our financial results would have been had we been a separate publicly traded company during the periods presented.

	Nine Months Ended September 30,		Years Ended December 31,				
	2016	2015	2015	2014	2013	2012	2011
	(In millions)						
Statement of Operations Data							
Total revenues	$ 3,571	$ 6,774	$8,891	$9,448	$8,788	$ 8,788	$12,069
Fees and other revenues	$ 3,324	$ 3,318	$4,432	$4,870	$4,871	$ 4,576	$ 4,155
Premiums	$ 1,021	$ 1,159	$1,679	$1,500	$1,018	$ 2,515	$ 2,161
Net investment income	$ 2,422	$ 2,369	$3,099	$3,090	$3,366	$ 3,370	$ 3,466
Net investment gains (losses)	$ (15)	$ (3)	$ 7	$ (435)	$ 7	$ 203	$ (7)
Net derivative gains (losses) (1)	$(3,181)	$ (69)	$ (326)	$ 423	$ (474)	$ (1,876)	$ 2,294
Total expenses (2)	$ 5,499	$ 5,388	$7,429	$7,920	$7,424	$10,951	$ 8,933
Policyholder benefits and claims	$ 2,948	$ 2,248	$3,269	$3,334	$3,647	$ 4,840	$ 3,454
Interest credited to policyholder account balances	$ 871	$ 943	$1,259	$1,278	$1,376	$ 1,473	$ 1,502
Amortization of DAC and VOBA	$ (45)	$ 649	$ 781	$1,109	$ 123	$ 802	$ 1,635
Other expenses	$ 1,564	$ 1,548	$2,120	$2,199	$2,278	$ 2,273	$ 2,342
Income (loss) from continuing operations, net of income tax	$(1,174)	$ 1,028	$1,119	$1,159	$1,031	$ (1,384)	$ 2,173
Net income (loss)	$(1,174)	$ 1,028	$1,119	$1,159	$1,031	$ (1,376)	$ 2,173
EPS Data							
Income (loss) from continuing operations, net of income tax, available to common shareholders per common share:							
Basic	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Diluted	N/A	N/A	N/A	N/A	N/A	N/A	N/A

	September 30,	December 31,				
	2016	2015	2014	2013	2012	2011
			(In millions)			
Balance Sheet Data						
Total assets	$ 240,929	$226,725	$231,620	$235,200	$232,205	$217,892
Total investments and cash and cash equivalents	$ 102,387	$ 85,199	$ 81,141	$ 84,644	$ 96,907	$ 95,927
Separate account assets	$ 115,218	$114,447	$122,922	$124,438	$110,246	$ 94,824
Long-term financing obligations:						
Debt (3)	$ 814	$ 836	$ 928	$ 2,326	$ 3,425	$ 5,457
Reserve financing debt (4)	$ 1,100	$ 1,100	$ 1,100	$ 1,100	$ 750	$ —
Collateral financing arrangement (5)	$ 2,797	$ 2,797	$ 2,797	$ 2,797	$ 2,797	$ 2,797
Policyholder liabilities (6)	$ 79,259	$ 71,881	$ 69,992	$ 74,751	$ 80,796	$ 82,343
Variable annuities liabilities						
Future policy benefits	$ 3,486	$ 2,937	$ 2,346	$ 1,950	$ 1,624	$ 892
Policyholder account balances	$ 12,846	$ 7,379	$ 5,781	$ 4,358	$ 6,870	$ 8,463
Other policy-related balances	$ 91	$ 99	$ 104	$ 210	$ 1,210	$ 1,070
Non-variable annuities liabilities						
Future policy benefits	$ 32,377	$ 28,266	$ 27,296	$ 29,711	$ 29,660	$ 27,162
Policyholder account balances	$ 27,458	$ 30,142	$ 31,645	$ 35,051	$ 39,173	$ 42,531
Other policy-related balances	$ 3,001	$ 3,058	$ 2,820	$ 3,471	$ 2,259	$ 2,225
Total shareholder's net investment	$ 18,170	$ 16,839	$ 17,525	$ 15,436	$ 17,413	$ 15,888
Shareholder's net investment	$ 15,731	$ 15,316	$ 14,810	$ 14,459	$ 14,581	$ 13,896
Accumulated other comprehensive income (loss)	$ 2,439	$ 1,523	$ 2,715	$ 977	$ 2,832	$ 1,992

(1) The unfavorable change in net derivative gains (losses) from 2011 to 2012 resulted from our variable annuity liabilities accounted for as embedded derivatives, primarily related to those variable annuity liabilities previously assumed pursuant to a reinsurance agreement from a former affiliated operating joint venture in Japan. These liabilities were novated to a MetLife affiliate in 2014. *See* "Management's Discussion and Analysis of Financial Condition and Results of Operations — Executive Summary — Certain Business Events."

(2) Total expenses for the nine months ended September 30, 2016 and the year ended December 31, 2012 includes goodwill impairment of $161 million and $1.6 billion, respectively.

(3) This balance includes surplus notes in aggregate principal amount of $750 million issued by MetLife USA to a financing trust. In connection with the restructuring, (i) the financing trust will be terminated in accordance with its terms, (ii) MetLife, Inc. will become the owner of the surplus notes, and (iii) MetLife, Inc. will forgive the obligations of MetLife USA under the surplus notes.

(4) Includes long-term financing of statutory reserves supporting level premium term life and ULSG policies provided by surplus notes issued to MetLife. These surplus notes are expected to be eliminated in connection with the restructuring of existing reserve financing arrangements. *See* "Formation of Brighthouse and the Restructuring — Formation of Brighthouse" and "Certain Relationships and Related Person Transactions" for a discussion of the new affiliated reinsurance structure and arrangements.

(5) Supports statutory reserves relating to level premium term and ULSG policies pursuant to credit facilities entered into by MetLife, Inc. and an unaffiliated financial institution. These facilities are expected to be replaced in connection with the restructuring of existing reserve financing arrangements. *See* "Formation of Brighthouse and the Restructuring — Formation of Brighthouse" and "Certain Relationships and Related Person Transactions" for a discussion of the new affiliated reinsurance structure and arrangements.

(6) Includes future policy benefits, policyholder account balances and other policy-related balances.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Introduction

Brighthouse Financial, Inc. is a holding company formed to ultimately own the legal entities that have historically operated a substantial portion of MetLife's former Retail segment, as well as a portion of its former Corporate Benefit Funding segment, which is included in our Run-off segment. Brighthouse Financial, Inc. is a wholly owned subsidiary of MetLife and was incorporated in Delaware on August 1, 2016 in preparation for the separation.

The following Management's Discussion and Analysis is intended to help the reader understand the combined results of operations, financial condition and cash flows of Brighthouse for the periods indicated. In addition to Brighthouse Financial, Inc., the companies and businesses included in the combined results of operations, financial condition and cash flows are:

Insurance entities:

- MetLife Insurance Company USA ("*MetLife USA*"), our largest insurance operating entity, domiciled in Delaware and licensed to write business in 49 states;
- New England Life Insurance Company ("*NELICO*"), domiciled in Massachusetts and licensed to write business in all 50 states; and
- First MetLife Investors Insurance Company ("*FMLI*"), domiciled in New York and licensed to write business in New York, which is expected to be a subsidiary of MetLife USA.

Reinsurance and other entities:

- MetLife Reinsurance Company of Delaware ("*MRD*");
- MetLife Reinsurance Company of South Carolina ("*MRSC*");
- A designated protected cell of MetLife Reinsurance Company of Vermont ("*MRV Cell*"); and
- MetLife Advisers, LLC.

MetLife intends to combine the assets and liabilities of the above listed affiliated reinsurance subsidiaries through a sequence of conversions, novations and/or mergers into a new Delaware reinsurance company, which we expect to be named Brighthouse Reinsurance Company of Delaware ("*BRCD*").

Further, Brighthouse Financial, Inc., Brighthouse Services, LLC, a new services and payroll company, and Brighthouse Securities, LLC, a newly formed broker-dealer, will be included in the combined companies and businesses of Brighthouse, but are not included within the combined historical financial results disclosed in this Management's Discussion and Analysis of Financial Condition and Results of Operations because they had no business transactions or activities during the periods presented herein and have no assets or liabilities to date.

In this information statement, we refer to a number of terms to describe our insurance businesses and financial and operating metrics such as "operating earnings," "sales," "net investment spread," "DAC," "invested assets" and "assets under management," among others. For a detailed explanation of these terms and other terms used in this information statement and not otherwise defined, please refer to "— Non-GAAP and other Financial Disclosures" and "Glossary of Selected Financial Terms."

Forward-Looking Statements and Other Financial Information

The Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with, "Note Regarding Forward-Looking Statements," "Risk Factors," "Selected Historical Combined Financial Data," "Quantitative and Qualitative Disclosures about Market Risk," "Formation of Brighthouse and the

Restructuring," "Business — Description of our Segments, Products and Operations — Variable Annuity Risk Management," "Business — Description of our Segments, Products and Operations — Life — Products — ULSG Market Risk Exposure Management" and the combined financial statements and related notes included elsewhere herein.

This Management's Discussion and Analysis of Financial Condition and Results of Operations may contain information that includes or is based upon forward-looking statements. Forward-looking statements give expectations or forecasts of future events. These statements can be identified by the fact that they do not relate strictly to historical or current facts. They use words such as "anticipate," "estimate," "expect," "project," "intend," "plan," "believe" and other words and terms of similar meaning, or are tied to future periods, in connection with a discussion of future cash flows, operating or financial performance. In particular, these include statements relating to future actions, the separation and distribution, including the timing and expected benefits thereof, the formation of Brighthouse and the recapitalization actions, including receiving required regulatory approvals and the timing and expected benefits thereof, prospective policies or products, future performance or results of current and anticipated policies 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."

Operating Earnings

In this information statement, in addition to providing net income (loss), we also present operating earnings, a measure of performance that is not calculated in accordance with GAAP. We believe this non-GAAP measure enhances the understanding of our performance by highlighting results of operations and the underlying profitability drivers of our business. Operating earnings allows analysis of our performance and facilitates comparisons to industry results. The financial information that follows is presented in conformity with GAAP, unless otherwise indicated. *See* Note 1 of the notes to the combined financial statements and Note 1 of the notes to the interim condensed combined financial statements for a discussion of GAAP.

Operating earnings is used by management to evaluate segment performance and allocate resources. Consistent with GAAP guidance for segment reporting, operating earnings is also our GAAP measure of segment performance. Accordingly, we report operating earnings by segment in Note 2 of the notes to the combined financial statements and Note 2 of the notes to the interim condensed combined financial statements. Operating earnings should not be viewed as a substitute for net income (loss). *See* "— Non-GAAP and other Financial Disclosures" for the definition and components of operating earnings.

We allocate capital to our segments based on an internal capital model, which is a model that reflects the capital required to represent the measurement of the risk profile of the business. We also allocate capital to our segments to meet our long-term promises to clients, to service long-term obligations and to support our credit ratings. Segment net investment income is credited or charged based on the level of allocated equity; however, changes in allocated equity do not impact our combined net investment income or net income (loss). *See* Note 2 of the notes to the combined financial statements and Note 2 of the notes to the interim condensed combined financial statements for a discussion of the internal capital model and segment accounting policies including the calculation of segment net investment income.

Industry Trends and Uncertainties

Throughout this Management's Discussion and Analysis of Financial Condition and Results of Operations, we discuss a number of trends and uncertainties that we believe may materially affect our future financial condition, results of operations or cash flows. Where these trends or uncertainties are specific to a particular aspect of our business, we often include such a discussion under the relevant caption of this Management's Discussion and Analysis of Financial Condition and Results of Operations, as part of our broader analysis of that area of our business. In addition, the following factors represent some of the key general trends and uncertainties that have influenced the development of our business and our historical financial performance and that we believe will continue to influence our business and results of operations in the future.

Financial and Economic Environment

Our business and results of operations are materially affected by conditions in the capital markets and the economy generally. Equity market performance can affect our profitability for variable annuities and other separate account products as a result of the effects it has on product demand, revenues, expenses, reserves and our risk management effectiveness. The level of long-term interest rates and the shape of the yield curve can have a negative effect on the demand for, and the profitability of, spread-based products such as fixed annuities, index-linked annuities and universal life insurance. Low interest rates and risk premium, including credit spread, affect new money rates on invested assets and the cost of product guarantees. Insurance premium growth and demand for our products is impacted by the general health of U.S. economic activity.

The above factors affect our expectations regarding future margins, which in turn, affect the amortization of certain of our intangible assets such as DAC and VOBA. Significantly lower expected margins may cause us to accelerate the amortization of DAC and VOBA, thereby reducing net income in the affected reporting period. We review our long-term assumptions about capital market returns and interest rates, along with other assumptions such as contract holder behavior, as part of our actuarial assumption review. As additional Company specific and/or industry information on contract holder behavior becomes available, related assumptions may change and may potentially have a material impact on liability valuations and net income. In addition, the accounting shift from insurance to fair value accounting that occurred in the second quarter of 2016 may result in greater income statement volatility in the future.

As reported in September 2016, the Federal Reserve's forecast for 2016 and 2017 indicated that economic activity will continue to strengthen, and inflation will remain below its target of 2%. In December 2015, for the first time since 2008, the Federal Reserve increased the Federal Funds Target Rate by 25 basis points and, consistent with the Federal Reserve's gradual approach, the rate remains at that level as of September 22, 2016. *See* "— Summary of Critical Accounting Estimates — Deferred Policy Acquisition Costs and Value of Business Acquired" and "—Executive Summary — Actuarial Assumption Review."

Demographics

We believe that demographic trends in the U.S. population, the increase in under-insured individuals, the potential risk to governmental social safety net programs and the shifting of responsibility for retirement planning and financial security from employers and other institutions to individuals, highlight the need of individuals to plan for their long-term financial security and will create opportunities to generate significant demand for our products. Moreover, we believe that the Secured Seniors, Middle-Aged Strivers and Diverse & Protected customer segments, the three customer segments we intend to target, represent a significant portion of the market opportunity. Our research indicates that these segments are open to financial guidance and, accordingly, we expect that they will be receptive to the products we intend to sell. *See* "Business — Our Business Strategy."

By focusing our product development and marketing efforts to meeting the needs of these customer segments we will be able to focus on offering a smaller number of products that we believe are appropriately priced given current economic conditions, which we believe will benefit our expense ratio thereby increasing our profitability.

Competitive Environment

The life insurance industry remains highly fragmented and competitive. *See* "Business — Our Segments" for each of our segments. In particular, we believe that financial strength and financial flexibility are highly relevant differentiators from the perspective of customers and distributors. We believe we are adequately positioned to compete in this environment.

Regulatory Developments

Our life insurance company subsidiaries are regulated primarily at the state level, with some policies and products also subject to federal regulation. Regulators on an ongoing basis 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. For example, the NAIC is currently considering a proposal, which if adopted, could materially change the sensitivity of reserves, variable annuities and capital requirements to capital markets including interest rate, equity markets and volatility as well as prescribed assumptions for policyholder behavior. In addition, the NAIC has also been working on reforms relating to the calculation of life insurance reserves, including principle-based reserving, which will become operative on January 1, 2017 in the states where it has been adopted, to be followed by a three-year phase-in period for new business. *See* "Regulation — Insurance Regulation — NAIC" and "Risk Factors — Regulatory and Legal Risks — NAIC Existing and proposed insurance regulation." In addition, regulators have undertaken market and sales practices reviews of several markets, like the April 6, 2016 DOL ruling on sales of certain products in ERISA plans or specific reviews of products by state regulators or the NAIC. *See* "Regulation — Insurance Regulation" and "Risk Factors — Regulatory and Legal Risks."

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 combined financial statements. For a discussion of our significant accounting policies, *see* Note 1 of the notes to the combined financial statements. The most critical estimates include those used in determining:

- liabilities for future policy benefits;
- accounting for reinsurance;
- capitalization and amortization of DAC and the establishment and amortization of VOBA;
- estimated fair values of investments in the absence of quoted market values;
- investment impairments;
- estimated fair values of freestanding derivatives and the recognition and estimated fair value of embedded derivatives requiring bifurcation;
- measurement of goodwill and related impairment;
- measurement of income taxes and the valuation of deferred tax assets; and
- liabilities for litigation and regulatory matters.

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 while 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 that are in accordance with GAAP and applicable actuarial standards. The principal assumptions used in the establishment of liabilities for future policy benefits are mortality, morbidity, benefit utilization and withdrawals, policy lapse, policy renewal, retirement, disability incidence, disability terminations, investment returns, inflation, expenses and other contingent events as appropriate to the respective product type. These assumptions, intended to

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estimate the experience for the period the policy benefits are payable, are established at the time the policy is issued and locked in. Utilizing these assumptions, liabilities are established on a block of business basis. If experience is less favorable than assumed, DAC may be reduced and/or additional insurance liabilities established, resulting in a reduction in earnings.

Future policy benefit liabilities for GMDBs and GMIBs relating to certain variable 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 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 contract period based on total expected assessments. The assumptions used in estimating the excess benefits under variable annuity guarantees and the secondary guarantee liabilities under universal and variable life policies are consistent with those used for amortizing DAC, and are therefore 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 S&P 500 Index.

We regularly review our assumptions supporting our estimates of actuarial liabilities for future policy benefits. For universal life and annuity product guarantees, assumptions are updated periodically, whereas for traditional life products, such as term life and non-participating whole life insurance, assumptions are established and locked in at inception but reviewed periodically to determine whether a premium deficiency exists that would trigger an unlocking of assumptions. Differences between actual experience and the assumptions used in pricing our policies and guarantees, as well as in the establishment of the related liabilities, result in variances in profit and could result in losses. For an overview of our products and balance sheet accounts impacted by actuarial assumptions, *see* "— Significant Operational Matters — Effect of Assumption Updates on Operating Results."

During the second quarter of 2016, MetLife accelerated the annual review of actuarial assumptions for its U.S. retail variable annuity business in light of the availability of a larger body of cumulative actual experience data than had been previously available. This data provided greater insight into contract holder behavior for GMIB riders passing the initial 10-year waiting period. As a result of this review, we made changes to contract holder behavior and long-term economic assumptions, primarily relating to annuitization, lapses and withdrawals, as well as risk margins. These assumption updates, principally involving contract holder behavior associated with GMIB riders, resulted in a shift in accounting treatment for certain of the variable annuity guarantees from accrual-based insurance liabilities to fair value-based embedded derivatives. This shift and the resulting charge to earnings were primarily due to an increase in the anticipated level of forced annuitizations where the non-life contingent portion is now reported as an embedded derivative. With more of the estimated future cash outflows being accounted for as embedded derivatives, the GMIB rider liabilities are more sensitive to market changes and thus may result in greater income statement volatility.

See Note 1 of the notes to the combined financial statements for additional information on our accounting policy relating to variable annuity guarantees and liability for future policy benefits, Note 4 of the notes to the combined financial statements for future policyholder benefit liabilities and Note 8 of the notes to the combined financial statements and Note 5 of the notes to the interim condensed combined financial statements for derivatives.

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 risk with respect to reinsurance receivables. 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 those evaluated in our security impairment process. *See* "— Investment Impairments." 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 Notes 1 and 6 of the notes to the combined 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. 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, which is based on estimated gross profits. 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 with an offset to our unearned revenue liability which nets to approximately $180 million. 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 7.00%.

We also generally review other long-term assumptions underlying the projections of estimated gross margins and profits on an annual basis. These assumptions primarily relate to investment returns, policyholder dividend scales, interest crediting rates, mortality, persistency, benefit elections and withdrawals, 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 generally 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 the 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, benefit elections and withdrawals and policyholder dividends on participating life insurance policies, variable and universal life insurance policies 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.

In addition, we update the estimated gross margins or profits with actual gross margins or profits in each reporting period. When the change in estimated gross margins or profits principally relates to the difference between actual and estimates in the current period, an increase in profits will generally result in an increase in amortization and a decrease in profits will generally result in a decrease in amortization.

See Note 5 of the notes to the combined financial statements for additional information relating to DAC and VOBA amortization.

As of September 30, 2016 and as of December 31, 2015, 2014 and 2013, our DAC and VOBA was $6.6 billion, $6.4 billion, $6.6 billion and $7.4 billion, respectively. Amortization of DAC and VOBA associated with the variable and universal life policies and the annuity contracts was significantly impacted by changes including: (i) updating assumptions that impact the future estimated gross margins and profits; and (ii) updating the estimated gross margins or profits of the most current period for actual experience including market performance. To illustrate the impact on amortization of DAC and VOBA from these two types of changes, the following highlights the significant items contributing to the amortization of DAC and VOBA during the nine months ended September 30, 2016 and each of the years ended December 31, 2015, 2014 and 2013.

DAC and VOBA amortization was approximately $600 million lower than expected in the nine months ended September 30, 2016, which consisted of:

- A reversal of previous amortization of approximately $1.1 billion related to net derivative losses driven mostly by assumption updates increasing the variable annuity guarantees accounted for as embedded derivatives and net losses from the freestanding derivatives hedging these guarantees; partially offset by
- An acceleration of approximately $320 million, resulting from reserve adjustments from modeling improvements for universal life products; and
- An increase of amortization of approximately $210 million primarily associated with the variable annuity assumption updates other than that related to the embedded derivatives described above.

DAC and VOBA amortization was approximately $70 million lower than expected in the year ended December 31, 2015, which consisted of:

- A reversal of previous amortization of approximately $200 million related to net derivative losses which resulted from an increase in variable annuity guarantees, partially offset by market-to-market changes from free standing derivatives hedging these guarantees; and
- Improvements in persistency related to both adjustments for actual experience and assumption updates which caused an increase in actual and expected future gross profits resulting in a net decrease of approximately $120 million; partially offset by
- An increase of approximately $140 million from a net gain for the period related to the GMIB insurance liabilities and associated hedges; and
- An increase associated with net investment gains of approximately $70 million.

DAC and VOBA amortization was approximately $220 million higher than expected in the year ended December 31, 2014, which consisted of:

- Net investment gains which resulted in an additional increase of DAC and VOBA amortization of approximately $190 million; and

- A net gain for the period relating to the GMIB insurance liabilities and associated hedges which resulted in an increase of DAC and VOBA amortization of approximately $140 million; partially offset by
- Improvements in persistency related to both adjustments for actual experience and assumption updates which caused an increase in actual and expected future gross profits resulting in a net decrease in DAC and VOBA amortization of approximately $110 million.

DAC and VOBA amortization was approximately $800 million lower than expected in the year ended December 31, 2013, which consisted of:

- Hedging and reinsurance losses associated with the insurance liabilities of the GMIBs which increased actual gross profits and decreased DAC and VOBA amortization by approximately $170 million;
- Net derivative losses which resulted from losses from the freestanding hedging derivatives, partially offset by the gains from the decrease in the variable annuity guarantees, resulting in a decrease of DAC and VOBA amortization of approximately $160 million;
- Net investment losses which resulted in an additional decrease of DAC and VOBA amortization of approximately $160 million;
- Favorable equity market performance during the year which increased separate account balances, leading to higher actual and expected future gross profits on variable universal life policies and variable deferred annuity contracts, resulting in a decrease of approximately $120 million in DAC and VOBA amortization; and
- Improvements in persistency related to both adjustments for actual experience and assumption updates which caused an increase in actual and expected future gross profits resulting in a net decrease in DAC and VOBA amortization of approximately $110 million.

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 increase in unrealized investment gains (losses) decreased the DAC and VOBA balance by $101 million for the nine months ended September 30, 2016. The decrease in unrealized investment gains (losses) increased the DAC and VOBA balance by $190 million in 2015, while the change in unrealized investment gains decreased the DAC and VOBA balance by $95 million and increased the DAC and VOBA balance by $400 million in 2014 and 2013, respectively. *See* Notes 5 and 7 of the notes to the combined 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, fair values are based on unadjusted quoted prices for identical investments 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 investments, 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 investments.

The methodologies, assumptions and inputs utilized are described in Note 9 of the notes to the combined financial statements and Note 6 of the notes to the interim condensed combined 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 investments, or the price ultimately realized for investments, depends upon the demand and liquidity in the market and increases the use of judgment in determining the estimated fair value of certain investments.

Investment Impairments

One of the significant estimates related to 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 7 of the notes to the combined financial statements and Note 4 of the notes to the interim condensed combined 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 7 of the notes to the combined financial statements and Note 4 of the notes to the interim condensed combined financial statements for additional information relating to our determination of the amount of allowances and impairments.

Derivatives

We use freestanding derivative instruments to hedge various capital market risks in our products, including: (i) certain guarantees, some of which are reported as embedded derivatives; (ii) current or future changes in the fair value of our assets and liabilities; and (iii) current or future changes in cash flows. All derivatives, whether freestanding or embedded, are required to be carried on the balance sheet at fair value with changes reflected in either net income (loss) or in other comprehensive income, depending on the type of hedge. Below is a summary of critical accounting estimates by type of derivative.

Freestanding Derivatives

The determination of the 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 such 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 8 of the notes to the combined financial statements and Note 5 of the notes to the interim condensed combined financial statements for additional details on significant inputs into the over-the-counter ("*OTC*") derivative pricing models and credit risk adjustment.

Embedded Derivatives

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). We also have assumed from an affiliate the risk associated with certain guaranteed minimum benefits, which are accounted for as embedded derivatives measured at estimated fair value. 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 attributable to the guarantee. The projections of future benefits and future fees require capital markets 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.

Market conditions, including, but not limited to, changes in interest rates, equity indices, market volatility and variations in actuarial assumptions, including policyholder behavior, mortality and risk margins related to non-capital market inputs, as well as changes in our nonperformance risk adjustment may result in significant fluctuations in the estimated fair value of the guarantees that could materially affect net income. Changes to actuarial assumptions, principally related to contract holder behavior such as annuitization utilization and withdrawals associated with GMIB riders, can result in a shift of expected future cash outflows of a guarantee between the accrual-based model for insurance liabilities and the fair-value based model for embedded derivatives. *See* Note 1 of the notes to the combined financial statements for additional information relating to the determination of the accounting model. 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.

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. However, because certain of the reinsured 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 when the change in the fair value of the reinsurance recoverable is recorded in net income without a corresponding and offsetting change in fair value of the directly written guaranteed liability.

Nonperformance Risk Adjustment

The valuation of our embedded derivatives includes an adjustment for the risk that we fail to satisfy our obligations, which we refer to as our nonperformance risk. 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 as compared to MetLife, Inc.

The table below illustrates the impact that a range of reasonably likely variances in credit spreads would have on our combined balance sheet, excluding the effect of income tax, related to the embedded derivative valuation on certain variable annuity products measured at estimated fair value. Even when credit spreads do not change, the impact of the nonperformance risk adjustment on fair value will change when the cash flows within the fair value measurement change. The table only reflects the impact of changes in credit spreads on the combined financial statements and not these other potential changes. 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 such as those experienced during the 2008-2009 financial crisis as we do not consider those to be reasonably likely events in the near future.

	Balance Sheet Carrying Value at			
	September 30, 2016		December 31, 2015	
	Policyholder Account Balances	DAC and VOBA	Policyholder Account Balances	DAC and VOBA
	(In millions)			
100% increase in MetLife, Inc.’s credit spread	$ 3,194	$ 681	$ (79)	$ (46)
As reported	$ 3,706	$ 891	$ (3)	$ (14)
50% decrease in MetLife, Inc.’s credit spread	$ 3,981	$ 1,004	$ 39	$ 3

After the separation, the credit spread underlying the nonperformance risk adjustment will be based on Brighthouse’s creditworthiness instead of that of MetLife. This may impact the valuation of our embedded derivatives and therefore net income (loss) in the period of the change.

See Note 8 of the notes to the combined financial statements and Note 5 of the notes to the interim condensed combined 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, Step 2 of the analysis is performed, where 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 to determine the estimated fair value of the reporting unit include projected cash flows, the level of economic capital required to support the mix of business, the account value of in-force business, projections of renewed business and margins on such business, interest rates, credit spreads, equity market levels, and the discount rate that we believe is appropriate for the reporting unit.

In the third quarter of 2016, the Company performed its annual goodwill impairment test on the Run-off reporting unit based upon data at June 30, 2016. The Company utilized an actuarial based embedded value approach, which estimates the net worth of the reporting unit and the value of existing business. Under this actuarial based methodology the fair value of the Run-off reporting unit was less than the carrying value, indicating a potential for goodwill impairment. Because the Run-off reporting unit is a closed block, we used a higher discount rate that reflects the expected risk-adjusted returns associated with such business. The use of a higher discount rate negatively impacted the fair value of this reporting unit. As a result, the Company performed Step 2 of the goodwill impairment process. This analysis indicated that the recorded goodwill associated with this reporting unit was not recoverable. Therefore, the Company recorded a non-cash charge of $161 million ($109 million, net of income tax) for the impairment of the entire goodwill balance which is reported in goodwill impairment in the interim condensed combined statements of operations and comprehensive income for the nine months ended September 30, 2016.

We apply significant judgment when determining the 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 likely differ in some respects from actual future results. *See* Note 7 of the notes to the interim condensed combined financial statements for additional information on the Company's goodwill.

Income Taxes

We provide for federal and state 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. Tax laws are often complex and may be 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 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.

In establishing a liability for unrecognized tax benefits, assumptions may be made in determining whether, and to what extent, a tax position may be sustained. Once established, unrecognized tax benefits are adjusted when there is more information available or when events occur requiring a change.

Valuation allowances are established against deferred tax assets, particularly those arising from tax credit carryforwards, when management determines, based on available information, that it is more likely than not that deferred income tax assets will not be realized. The realization of deferred tax assets related to tax credit carryforwards depends upon the existence of sufficient taxable income within the 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. Significant judgment is required in projecting future taxable income to determine whether or not valuation allowances should be established, as well as the amount of such allowances. *See* Note 1 of the notes to the combined financial statements for additional information relating to our determination of such valuation allowances.

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 Notes 1 and 15 of the notes to the combined 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. 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 combined financial statements.

See Note 16 of the notes to the combined financial statements and Note 9 of the notes to the interim condensed combined financial statements for additional information regarding our assessment of litigation contingencies.

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Dispositions

See Note 3 of the notes to the combined financial statements for information regarding the Company's disposition of MAL.

Significant Operational Matters

The following significant operational matters have impacted, and may in the future impact, our financial condition, results of operations or cash flows.

Change in Assets Under Management

The following tables represent our assets under management by segment and Corporate & Other, which we define as our general account investments and our separate account assets as of September 30, 2016, December 31, 2015 and 2014.

	As of September 30, 2016				
	Annuities	Life	Run-off	Corporate & Other	Total
			(In billions)		
Investments	$ 41.1	$26.6	$ 19.4	$ 12.5	$ 99.6
Separate account	107.1	4.7	3.4	—	115.2
Total assets under management	$ 148.2	$31.3	$ 22.8	$ 12.5	$214.8

	As of December 31, 2015				
	Annuities	Life	Run-off	Corporate & Other	Total
			(In billions)		
Investments	$ 30.0	$24.1	$ 21.1	$ 8.4	$ 83.6
Separate account	106.5	4.6	3.3	—	114.4
Total assets under management	$ 136.5	$28.7	$ 24.4	$ 8.4	$198.0

	As of December 31, 2014				
	Annuities	Life	Run-off	Corporate & Other	Total
			(In billions)		
Investments	$ 29.0	$22.7	$ 22.3	$ 5.5	$ 79.5
Separate account	115.9	4.8	2.2	—	122.9
Total assets under management	$ 144.9	$27.5	$ 24.5	$ 5.5	$202.4

Sales. We seek to be a financially disciplined product manufacturer that emphasizes independent distribution with enhanced support and collaboration with key distributors. We intend to be more disciplined in our risk selection, to be innovative in our product design, and to seek new business that diversifies our product mix. Beginning in 2013, we began to shift our new annuity business towards products with diversifying market and contract holder behavioral risk attributes and improved risk-adjusted cash returns. Consistent with our strategy of emphasizing the value of the new business we write over sales volume, we expect our total face amount of life insurance policies to decline, but for the total book to be relatively more profitable over time. As such, sales decreased from 2013 to 2014, but recovered in 2015 primarily from increased demand for Shield Level Selector and the introduction of new variable annuity guarantee products and from the introduction of more competitive traditional and universal life products.

Net flows. A decrease in separate account net flows in our Annuities segment negatively impacted fee revenues in 2015 and 2014, but were improved in 2015 when compared to 2014. Increased general account net flows in our Life segment which was partially offset by a decrease in general account net flows in the Annuities segment, contributed to an improvement in our net investment spread in both 2015 and 2014.

Change in Net Investment Spreads

We have been actively managing our portfolio of assets and liabilities to partially mitigate the effect of market factors affecting net investment spreads, as described below.

- There has been negative pressure on net investment spreads due to the adverse impact of the sustained low interest rate environment on our investment yields from the reinvestment of maturing fixed maturity securities and mortgage loans and this trend is expected to continue.
- Volatility in the equity markets has contributed to lower returns on other limited partnerships.
- A decreasing asset base in our Run-off segment, reduced net investment income.
- Portfolio management actions included actions following the merger of several entities to form MetLife USA in November 2014. *See* "Formation of Brighthouse and the Restructuring." As a result of the merger, investment yields improved from portfolio management actions to reinvest the combined cash of the merged entities into higher yielding asset classes as well as increased interest accruals on portfolio duration hedges reallocated in connection with the merger coupled with the favorable impacts of net flows in our Life segment and lower interest credited on contracts with rate reset provisions, partially offset the above negative market impacts on investment portfolio yields.

Net investment spreads increased in 2015 while they decreased in 2014, as described below.

- Net investment spread increased in 2015 primarily due to higher net investment income in our Annuities segment from our portfolio management actions and increased income from portfolio duration hedges.
- Net investment spread decreased in 2014 due to lower yields earned across our businesses and lower invested assets in our Run-off segment. These decreases were partially offset by the favorable impact of positive net flows in our Life segment.

Impact of Hedging on Results

Given the material market risks embedded in our liabilities, we use derivative instruments to hedge these risks. We take numerous criteria, including GAAP accounting, statutory accounting, rating agency considerations, and risk neutral values, for example liabilities being valued assuming the risk free rate, into account when constructing our hedge targets for each liability. We balance these objectives with the ultimate goal of maximizing long-term value. Because Brighthouse has a different business mix and size profile than MetLife, our hedge targets will be modified to prioritize statutory and rating agency considerations, with less emphasis on mitigating GAAP accounting volatility. This could result in an increase to net income volatility as compared to a GAAP-focused hedge program due to differences in the sensitivity of Statutory and GAAP liabilities to changes in capital markets. These differences are most pronounced for ULSG. *See* "Business — Description of our Segments, Products and Operations — Variable Annuity Risk Management" and "Business — Description of our Segments, Products and Operations — Life —Products — ULSG Market Risk Exposure Management."

Certain Business Events

There have been certain business events in recent periods, which have significantly affected the financial performance in these periods, that we believe are not indicative of financial performance in such periods. *See* "— Executive Summary — Certain Business Events."

Effect of Assumption Updates on Operating Results

We sell various investment-type and insurance products and related riders. Most variable annuities, universal life, fixed deferred annuities and indexed annuities maintain contract holder deposits that are reported as liabilities and classified within either separate account liabilities or policyholder account balances. Other balance sheet accounts associated with our products and riders include liabilities for future policy benefits and unearned revenues and assets for DAC, VOBA and deferred sales inducements. The valuation of these assets and liabilities (other than deposits) are based on differing accounting methods depending on the product, each of which requires numerous assumptions and considerable judgment. The accounting models used in the valuation include, but are not limited to, those involving: (i) traditional life insurance products for which assumptions are locked in at inception; (ii) universal and variable life secondary guarantees for which benefit liabilities 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; (iii) certain product guarantees for which benefit liabilities are accrued over the life of the contract in proportion to actual and future expected policy assessments; and (iv) certain product guarantees reported as embedded derivatives at fair value. In addition, an expectation of future losses on traditional and universal life products can require either the write-down of DAC or additional liabilities.

Our actuaries oversee the valuation of these product liabilities and assets and review underlying inputs and assumptions. We generally update the actuarial assumptions underlying these valuations on an annual basis. A change in assumptions can result in a significant change to the carrying value of product liabilities and assets and consequently, the impact could be material to earnings in the period of the change. Our historical operating results are impacted by the income effect of these assumption changes. For further details of our accounting policies and related judgments pertaining to assumption updates, *see* Note 1 of the notes to the combined financial statements and related sections within the Summary of Critical Accounting Estimates.

Executive Summary

Overview

We are a major provider of life insurance and annuity products in the United States with $240.9 billion of total assets and shareholder's net investment of $15.7 billion, as of September 30, 2016, and approximately $630 billion of life insurance face amount in-force as of December 31, 2015. Our products serve the financial security needs of our customers through approximately 2.8 million insurance policies and annuity contracts as of September 30, 2016. We offer our products solely in the United States through multiple independent distribution channels and marketing arrangements with a diverse network of distribution partners.

For operating purposes, we have established three reporting segments: (i) Annuities, (ii) Life and (iii) Run-off, which consists of operations relating to products we are not actively selling and which are separately managed. In addition, we report certain of our results of operations not included in the segments in Corporate & Other. We provide an overview of our reporting segments below. *See* "Business — Description of our Segments, Products and Operations" and Note 2 of the notes to the combined financial statements and Note 2 of the notes to the interim condensed combined financial statements for further information on our segments and Corporate & Other. Management continues to evaluate our segment performance and allocate resources and may adjust related measurements in the future to better reflect segment profitability.

Our Annuities segment includes variable, fixed, index-linked and income annuities designed to help meet the financial security needs of individuals as they approach and enter retirement.

The table below presents the insurance liabilities as of September 30, 2016 and December 31, 2015, respectively, of these annuity products.

	September 30, 2016			December 31, 2015		
	General Account (1)	Separate Account	Total	General Account (1)	Separate Account	Total
	(In millions)					
Variable (1)	$ 13,623	$ 106,985	$ 120,608	$ 8,875	$ 106,528	$ 115,403
Fixed	13,715	—	13,715	14,300	—	14,300
Index-linked	2,599	—	2,599	1,417	—	1,417
Income	4,437	70	4,507	4,184	66	4,250
Total	$ 34,374	$ 107,055	$ 141,429	$ 28,776	$ 106,594	$ 135,370

(1) Includes liabilities for both directly written and assumed guaranteed minimum benefits.

Our Life segment includes term, whole, universal and variable life policies. In the first quarter of 2017 we intend to focus on term life and universal life. The table below presents the insurance liabilities as of September 30, 2016 and December 31, 2015, respectively, of these life insurance policies:

	September 30, 2016			December 31, 2015		
	General Account	Separate Account	Total	General Account	Separate Account	Total
	(In millions)					
Term	$ 2,698	$ —	$ 2,698	$ 2,556	$ —	$ 2,556
Whole	2,484	—	2,484	2,222	—	2,222
Universal	15,601	—	15,601	13,019	—	13,019
Variable	1,280	4,730	6,010	1,261	4,598	5,859
Total	$22,063	$ 4,730	$26,793	$19,058	$ 4,598	$23,656

Our Life segment also includes $165 million of reserves relating to long-term disability insurance policies, which we issued in the past.

Our Run-Off segment consists of operations related to products which we are not actively selling and which are separately managed, including structured settlements, COLI policies, BOLI policies and funding agreements. These legacy business lines were not part of MetLife's former Retail segment, but were issued by certain of the legal entities that are now part of Brighthouse. We are currently evaluating our ULSG business and, based on that determination, we may in the future report the ULSG business in the Run-off segment in order to manage the business separately from other universal life business. Such move, if it were to occur in the fourth quarter, would result in an after-tax charge to earnings of approximately $400 million. This is the direct result of a requirement, once re-segmented, to evaluate and test the ULSG business for loss recognition separately from the variable and universal life business remaining in the Life segment. Consequently, future earnings from the variable and universal life business remaining in the Life segment will emerge without being offset by the losses from the ULSG business in the Run-off segment.

The table below presents the insurance liabilities as of September 30, 2016 and December 31, 2015, respectively, of our annuity contracts and life insurance policies which are reported in our Run-Off segment:

	September 30, 2016			December 31, 2015		
	General Account	Separate Account	Total	General Account	Separate Account	Total
	(In millions)					
Annuities	$13,608	$ 18	$13,626	$14,884	$ 152	$15,036
Life	1,028	3,415	4,443	1,103	3,103	4,206
Total	$14,636	$ 3,433	$18,069	$15,987	$ 3,255	$19,242

We also report certain of our results in Corporate & Other, which contains the excess capital not allocated to the segments and interest expense related to the majority of our outstanding debt, as well as expenses associated with certain legal proceedings and income tax audit issues. Corporate & Other includes the assumed reinsurance of certain living and death benefit guarantees issued in connection with variable annuity products from a former affiliated operating joint venture in Japan, as well as a reinsurance agreement to assume certain blocks of indemnity reinsurance from a MetLife affiliate. These reinsurance agreements were novated effective November 1, 2014. Corporate & Other also includes the elimination of intersegment amounts and a portion of MetLife's U.S. insurance business sold direct to consumers.

Certain Business Events

The following tables show the effect on our net income (loss) and operating earnings of the items described in the following discussion, which we do not believe are indicative of performance in the period. There may be other items not included in the tables that caused significant changes in net income (loss) and operating earnings for the periods presented, including the action taken in the second quarter of 2016 to increase our reserves on our variable annuity contracts, *see* "— Actuarial Assumption Review." For more comprehensive discussions of these actions and their impacts on net income (loss) and operating earnings, *see* "— Results of Operations." Amounts presented in the following tables and the discussion of items presented are net of income tax.

	Nine Months Ended September 30,		Years Ended December 31,		
	2016	2015	2015	2014	2013
	(In millions)				
Net Income (Loss):					
Novated GMxB	$ —	$ —	$ —	$ 260	$ (142)
Disposition of MAL	$ —	$ —	$ —	$ (299)	$ 56
ULSG Recapture	$ —	$ —	$ —	$ 38	$ —
ULSG Model Change	$ (471)	$ —	$ —	$ —	$ —
SPDA Recapture	$ 246	$ —	$ —	$ —	$ —

	Nine Months Ended September 30,		Years Ended December 31,		
	2016	2015	2015	2014	2013
	(In millions)				
Operating Earnings:					
Novated GMxB	$ —	$ —	$ —	$ 86	$ 126
Disposition of MAL	$ —	$ —	$ —	$ —	$ —
ULSG Recapture	$ —	$ —	$ —	$ 38	$ —
ULSG Model Change	$ (471)	$ —	$ —	$ —	$ —
SPDA Recapture	$ 246	$ —	$ —	$ —	$ —

Novated GMxB. In November 2014, we exited, through a novation to a MetLife affiliate, an agreement reinsuring GMLB liabilities originally assumed from our former operating joint venture in Japan and an indemnity reinsurance agreement with another MetLife affiliate (the "*Novated GMxB*"). As a result of the novation, there was no activity related to the Novated GMxB in the year ended December 31, 2015, resulting in a decrease in net income (loss) of $260 million and a decrease in operating earnings of $86 million for the year ended December 31, 2015 compared to 2014. The impact from the operating activities of the Novated GMxB increased net income (loss) by $402 million, but decreased operating earnings by $40 million, for the year ended December 31, 2014, compared to 2013. The increase in net income (loss) was primarily due to favorable changes in the fair value of the derivatives hedging the assumed liabilities, partially offset by unfavorable changes in the fair value of those assumed liabilities. Operating earnings decreased in 2014, compared to 2013, due to lower results from the underlying reinsured business, which is in run-off. This decline was primarily due to an increase in insurance-related liabilities and lower fee income partially offset by higher premiums resulting from new deposits in the in-force block. *See* "— Results of Operations — Combined Results for the Years Ended December 31, 2015, 2014 and 2013."

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The table below presents the components of operating earnings and net income (loss) resulting from the Novated GMxB for the years ended December 31, 2014 and 2013. For the year ended December 31, 2015, the Novated GMxB has no impact to operating earnings and net income (loss).

	Years Ended December 31,	
	2014	2013
	(In millions)	
Fee income	$ 146	$ 179
Net investment spread	10	15
Insurance-related activities	(24)	2
Other expenses, net of DAC	—	(2)
Operating earnings before provision of income tax	132	194
Provision for income tax expense (benefit)	46	68
Operating earnings	86	126
Operating earnings adjustments:		
Net investment gains (losses)	72	(62)
Net derivative gains (losses)	198	(351)
Provision for income tax (expense) benefit on operating earnings adjustments	(96)	145
Net income (loss)	$ 260	$ (142)

Disposition of MAL. In May 2014, we completed the sale of our wholly owned subsidiary, MetLife Assurance Limited ("*MAL*"), which was formerly part of MetLife's former Corporate Benefit Funding segment, for $702 million in net cash consideration. As a result of the sale, a loss of $358 million was recorded for the year ended December 31, 2014, which included a reduction to goodwill of $35 million. The loss was reflected in net investment gains (losses) on the combined statements of operations. As a result of this loss, 2015 net income (loss) increased compared to 2014. This increase was partially offset by decreases of $52 million and $7 million due to net derivative gains (losses) and the results of operations related to MAL, respectively, recorded in 2014 but not included in 2015. The loss on sale decreased net income (loss) in 2014, compared to 2013. In addition, net derivative gains (losses) related to MAL increased net income (loss) by $15 million, and its results of operations decreased net income (loss) by $12 million in 2014, compared to 2013. As a divested business, the operations of MAL were included in net income (loss) but excluded from operating earnings. *See* "— Results of Operations — Combined Results for the Years Ended December 31, 2015, 2014 and 2013."

ULSG Recapture. In October 2014, a MetLife affiliate recaptured a block of ULSG which we had assumed on a 75% coinsurance with funds withheld basis (the "*ULSG Recapture*"). This transaction resulted in a one-time benefit of $58 million for the year ended December 31, 2014 from a gain recorded upon the recapture. This gain was partially offset by the effect the recapture had on expected future gross profits resulting in changes to the amortization of unearned revenue and DAC, decreasing both net income (loss) and operating earnings by $20 million for the year ended December 31, 2014, compared to 2013. The ULSG Recapture decreased net income (loss) and operating earnings by $38 million for the year ended December 31, 2015, compared to 2014. *See* "— Results of Operations — Segments and Corporate & Other Results for the Years Ended December 31, 2015, 2014 and 2013."

ULSG Model Change. During the nine months ended September 30, 2016, we refined our actuarial model which calculates the reserves for our ULSG products (the "*ULSG Model Change*"). The new model treats projected premiums and death claims differently than the previous model. This change resulted in a one-time charge to net income (loss) and operating earnings of $429 million for the nine months ended September 30, 2016. Of this one-time charge, $171 million resulted directly from the model refinements, as follows:

- a $150 million increase in insurance-related liabilities;
- a $16 million decrease in amortization of unearned revenue; and
- a $5 million increase in DAC amortization.

The above impacts from the model change also resulted in a reduction of expected future gross profits, which drove our loss recognition margins negative, resulting in a further DAC write-off of $237 million and an increase in insurance-related liabilities of $21 million. As a further result of the lower expected future gross profits, we expect to recognize ongoing future increases in the insurance-related liabilities, for which $42 million, in addition to the one-time charges, was recognized in the third quarter of 2016. The ongoing future increases are expected to gradually decline over time and would be impacted if we report ULSG business in our Run-off segment instead of Life segment in the future, which we are currently evaluating.

See "— Results of Operations — Combined Results for the Nine Months Ended September 30, 2016 and 2015 — Operating."

SPDA Recapture. In April 2016, in contemplation of the separation, we recaptured certain blocks of single-premium deferred annuities ceded to an affiliate on a 90% coinsurance basis (the "*SPDA Recapture*"). The SPDA Recapture resulted in an increase in both net income (loss) and operating earnings of $246 million for the nine months ended September 30, 2016. This increase resulted from higher fee income of $190 million due to the increase in the retained business and a recovery of DAC amortization of $56 million. *See* "— Results of Operations — Segments and Corporate & Other Results for the Nine Months Ended September 30, 2016 and 2015."

Actuarial Assumption Review

Generally, we perform our actuarial assumption review in the third quarter of each year. During the second quarter of 2016, MetLife accelerated the annual review of actuarial assumptions for its U.S. variable annuity business. The annual review of actuarial assumptions related to our other businesses was performed in the third quarter of 2016.

As a result of the 2016 second quarter review related to our variable annuity business, we made certain changes to policyholder behavior and long-term economic assumptions, primarily relating to annuitization utilization as well as withdrawals and risk margins. The 2016 second quarter review included an analysis of a larger body of actual experience than was previously available which, when combined with recently available and relevant industry-wide data, we believe provided greater insight into anticipated policyholder behavior for variable annuity contracts that are in the money. This experience included a statistically significant amount of our GMIB policies passing the ten year waiting period required to allow contract holders to use certain benefits and a longer period of experience with low equity markets and interest rates.

The following table shows the impact on operating earnings and net income (loss) during the nine months ended September 30, 2016 and 2015 and the years ended December 31, 2015, 2014 and 2013 from the actuarial assumption reviews. The impact related to GMLBs is included in net income (loss), but not included in operating earnings, *see* "—Non-GAAP and other Financial Disclosures."

	Nine Months Ended September 30,		Years Ended December 31,		
	2016	2015	2015	2014	2013
	(In millions)				
GMLBs	$ (1,526)	$ (61)	$ (61)	$ 20	$ (70)
Included in operating earnings:					
Other annuity business	(130)	(27)	(27)	(22)	29
Life business	1	(24)	(24)	9	(17)
Total included in operating earnings	(129)	(51)	(51)	(13)	12
Total impact on net income (loss)	$ (1,655)	$ (112)	$ (112)	$ 7	$ (58)

For the nine months ended September 30, 2016, a decrease in operating earnings of $140 million and a decrease in net income (loss) before provision for income tax of $1.7 billion resulted from the 2016 second quarter review related to our variable annuity business.

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Results of Operations

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Combined Results for the Years Ended December 31, 2015, 2014 and 2013

Business Overview. Sales increased in both our Annuities and Life segments for the year ended December 31, 2015 after declines in both segments for the year ended December 31, 2014. Increased sales in the Annuities segment resulted primarily from increased demand for Shield Level Selector and the introduction of new variable annuity guarantee products. The sales declines in 2014 were primarily due to the timing of the issuance of product modifications in our guaranteed minimum benefit riders and the discontinuance of prior product offerings. In 2015, the Life segment had improved sales in traditional and universal life products as we introduced more competitive products in the market. The sales declines in 2014 were primarily due to a reduction in our sales force, which affected our term life sales, and the discontinuance of a universal life with lifetime secondary guarantee product.

A portion of our net income (loss) is driven by separate account balances, particularly in our Annuities segment. Most directly, these balances determine asset-based fee income and also impact DAC amortization and asset-based commissions. Separate account balances are driven by sales, movements in the market, surrenders, withdrawals, benefit payments, transfers and policy charges. Separate account net flows remained negative in 2015 in our Annuities segment, but were improved from that which we experienced in 2014. The Life segment experienced positive net flows in the general account in both 2015 and 2014.

	Years Ended December 31,		
	2015	2014	2013
		(In millions)	
Revenues			
Premiums	$1,679	$1,500	$1,018
Universal life and investment-type product policy fees	4,010	4,335	4,255
Net investment income	3,099	3,090	3,366
Other revenues	422	535	616
Net investment gains (losses)	7	(435)	7
Net derivative gains (losses)	(326)	423	(474)
Total revenues	8,891	9,448	8,788
Expenses			
Policyholder benefits and claims	3,269	3,334	3,647
Interest credited to policyholder account balances	1,259	1,278	1,376
Capitalization of DAC	(399)	(405)	(567)
Amortization of DAC and VOBA	781	1,109	123
Other expenses	2,519	2,604	2,845
Total expenses	7,429	7,920	7,424
Income (loss) before provision for income tax	1,462	1,528	1,364
Provision for income tax expense (benefit)	343	369	333
Net income (loss)	$1,119	$1,159	$1,031

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The table below shows the components of our net income (loss), in addition to operating earnings, for the years ended December 31, 2015, 2014 and 2013.

	Years Ended December 31,		
	2015	2014	2013
		(In millions)	
GMLB Riders	$ (500)	$ (438)	$ (452)
Amortization of DAC and VOBA	(3)	(20)	35
Other derivative instruments	(156)	230	(747)
Net investment gains (losses)	7	(435)	7
Other adjustments	1	(28)	34
Operating earnings before provision for income tax	2,113	2,219	2,487
Income (loss) before provision for income tax	1,462	1,528	1,364
Provision for income tax expense (benefit)	343	369	333
Net income (loss)	$1,119	$1,159	$1,031

Year Ended December 31, 2015 Compared with the Year Ended December 31, 2014

Income (loss) before provision for income tax decreased $66 million ($40 million, net of income tax), compared to 2014.

GMLB Riders. The GMLB Riders reflect (i) changes in the carrying value of GMLB liabilities, including GMIBs, GMWBs and GMABs; (ii) changes in the fair value of the hedges and reinsurance of the GMLB liabilities; (iii) the fees earned from the GMLB liabilities; and (iv) the effects related to DAC and VOBA amortization offsets to each of the preceding components (collectively, the "*GMLB Riders*").

The GMLB Riders decreased income (loss) before provision for income tax by $62 million ($40 million, net of income tax), as the unfavorable impacts from changes in fair value of the hedges and reinsurance, as well as lower fees, more than offset the favorable impacts from changes in the fair value of the liabilities and impacts to DAC amortization. For a detailed discussion of the GMLB Riders, *see* "— GMLB Riders for the Years Ended December 31, 2015, 2014 and 2013."

Amortization of DAC and VOBA. Lower DAC and VOBA amortization, excluding the amounts in the GMLB Riders and operating earnings, increased income (loss) before provision for income tax by $17 million ($11 million, net of income tax), primarily due to higher profits resulting from net investment gains (losses) and net derivative gains (losses) related to products in our Life segment.

Other Derivative Instruments. We have other derivative instruments, in addition to the hedges and embedded derivatives included in the GMLB Riders, for which changes in fair value are recognized in net derivative gains (losses). The change in fair value of other derivative instruments decreased income (loss) before provision for income tax by $386 million ($251 million, net of income tax).

We have freestanding derivatives that economically hedge certain invested assets and insurance liabilities. The majority of this hedging activity is focused in the following areas:

- use of interest rate swaps when we have duration mismatches where suitable assets with maturities similar to those of our long-dated liabilities are not readily available in the market;
- use of interest rate caps to mitigate interest rate exposure arising from mismatches between assets and liabilities;
- use of interest rate floors to hedge the minimum rate guarantees in certain of our universal life products; and
- use of foreign currency swaps when we hold fixed maturity securities denominated in foreign currencies that are matching insurance liabilities denominated in U.S. dollars.

The market impacts on the hedges are accounted for in net income (loss) while the offsetting economic impact on the items they are hedging are either not recognized or recognized through OCI in equity. Unfavorable changes in the fair market value of freestanding derivatives, excluding interest accruals on portfolio duration hedges included in operating earnings, decreased income (loss) before provision for income tax by $156 million ($101 million, net of income tax), primarily due to:

- a decrease of $76 million ($49 million, net of income tax) from the impact of changes in interest rates and foreign currency markets. Long-term interest rates declined less in 2015 than in 2014 which unfavorably impacted our receive fixed rate interest rate swaps. In addition, the U.S. dollar strengthened less in 2015 than in 2014, relative to other key currencies, which unfavorably impacted foreign currency swaps held to hedge foreign denominated fixed maturity securities; and
- a decrease of $80 million ($52 million, net of income tax) from the impact of having no net derivative gains (losses) in 2015 as a result of the MAL disposition. *See* "— Executive Summary — Certain Business Events."

Certain ceded reinsurance agreements in our Life segment are written on a coinsurance with funds withheld basis. The funds withheld component is accounted for as an embedded derivative with changes in the fair value recognized in net income (loss) in the period in which they occur. In addition, the changes in liability values of our index-linked annuity products that result from changes in the underlying equity index are accounted for as embedded derivatives. Net unfavorable changes in the fair value of our embedded derivatives decreased income (loss) before provision for income tax by $32 million ($21 million, net of income tax). This decrease was primarily due to the unfavorable impact on the underlying assets of the funds withheld caused by interest rates declining less in 2015 than in 2014. The decrease was partially offset by the favorable impact on our index-linked liabilities as a result of the declines in equity markets.

The Novated GMxB included assumed guaranteed minimum benefit liabilities that were not included in the GMLB Riders. Income (loss) before provision for income tax decreased by $198 million ($129 million, net of income tax) as there were no changes in fair value related to the Novated GMxB embedded derivatives or hedges recognized in year ended December 31, 2015, compared to 2014. This decrease was recognized in net derivative gains (losses). *See* "— Executive Summary — Certain Business Events."

Net Investment Gains (Losses). Favorable net investment gains (losses) increased income (loss) before provision for income tax by $442 million ($287 million, net of income tax), primarily due to the impact from a loss recorded in 2014 in connection with the disposition of MAL, partially offset by favorable foreign exchange impacts recorded in 2014 related to the Novated GMxB.

Other Adjustments. Other adjustments to determine operating earnings increased income (loss) before provision for income tax by $29 million ($19 million, net of income tax) as a result of the following:

- an increase of $55 million ($36 million, net of income tax) due to lower policyholder benefits and claims resulting from the adjustment for market performance related to participating pension risk transfer products in our Run-off segment; partially offset by
- a decrease of $15 million ($10 million, net of income tax) from lower amortization of unearned revenue due to higher profits resulting from net investment gains (losses) and net derivative gains (losses) related to products in our Life segment; and
- a decrease of $11 million ($7 million, net of income tax) due to 2015 having no impact from the operations of MAL as a result of the 2014 disposition.

Income Tax Expense (Benefit). Income tax expense for the year ended December 31, 2015 was $343 million, or 23% of income (loss) before provision for income tax, compared to income tax expense of $369 million, or 24% of income (loss) before provision for income tax, for the year ended December 31, 2014. Our 2015 and 2014 effective tax rates differ from the U.S. statutory rate of 35% in both years primarily due to the impacts of dividend received deductions and utilization of tax credits.

Operating Earnings. As more fully described in "— Non-GAAP and Other Financial Disclosures," we use operating earnings, which does not equate to net income (loss), as determined in accordance with GAAP, to analyze our performance, evaluate segment performance, and allocate resources. We believe that the presentation of operating earnings, 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 should not be viewed as a substitute for net income (loss). Operating earnings before provision for income tax decreased $106 million ($75 million, net of income tax) for the year ended December 31, 2015. Operating earnings is discussed in greater detail below.

Year Ended December 31, 2014 Compared with the Year Ended December 31, 2013

Income (loss) before provision for income tax increased $164 million ($128 million, net of income tax) compared to 2013.

GMLB Riders. The GMLB Riders increased income (loss) before provision for income tax by $14 million ($9 million, net of income tax), as the favorable impacts from changes in fair value of the hedges and reinsurance as well as higher fees, more than offset the unfavorable impacts from changes in the fair value of the liabilities and impacts to DAC amortization. For a detailed discussion of the GMLB Riders, *see* "— GMLB Riders for the Years Ended December 31, 2015, 2014 and 2013."

Amortization of DAC and VOBA. Higher DAC and VOBA amortization, excluding the amounts in the GMLB Riders and operating earnings, decreased income (loss) before provision for income tax by $55 million ($36 million, net of income tax), primarily due to lower profits resulting from net investment gains (losses) and net derivative gains (losses) related to products in our Life segment.

Other Derivative Instruments. The change in fair value of other derivative instruments increased income (loss) before provision for income tax by $977 million ($635 million, net of income tax).

Favorable changes in the fair value of freestanding derivatives, excluding interest accruals on portfolio duration hedges included in operating earnings, increased income (loss) before provision for income tax by $379 million ($246 million, net of income tax), primarily from the favorable impact on our receive fixed interest rate swaps of long-term interest rates decreasing in 2014, compared to increasing in 2013. In addition, strengthening of the U.S. dollar relative to other key currencies favorably impacted foreign currency swaps held to hedge foreign denominated fixed maturity securities.

Favorable changes in the fair value of embedded derivatives increased income (loss) before provision for income tax by $49 million ($32 million, net of income tax). This increase was primarily due to the impact of declining interest rates on the fair value of the underlying assets of the funds withheld related to certain ceded reinsurance agreements in our Life segment.

Net derivative gains (losses), excluding interest accruals on portfolio duration hedges included in operating earnings, related to the Novated GMxB increased income (loss) before provision for income tax by $549 million ($357 million, net of income tax) as favorable changes in the fair value of the hedges more than offset the unfavorable changes in the fair value of the liabilities accounted for as embedded derivatives.

Net Investment Gains (Losses). Net investment gains (losses) decreased income (loss) before provision for income tax by $442 million ($287 million, net of income tax), primarily due to the loss recognized on the disposition of MAL, partially offset by the favorable foreign currency impacts resulting from the Novated GMxB.

Other Adjustments. Other adjustments to determine operating earnings decreased income (loss) before provision for income tax by $62 million ($40 million, net of income tax), primarily due to:

- a decrease of $82 million ($53 million, net of income tax) due to the adjustment for market performance related to participating pension risk transfer products in our Run-off segment; and

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- a decrease of $11 million ($7 million, net of income tax) from lower operating results, recognized primarily in net investment income and policyholder benefits and claims, due to the MAL disposition; partially offset by
- an increase of $31 million ($20 million, net of income tax) from higher amortization of unearned revenue due to lower profits resulting from net investment gains (losses) and net derivative gains (losses) related to products in our Life segment.

Income Tax Expense (Benefit). Income tax expense for the year ended December 31, 2014 was $369 million, or 24% of income (loss) before provision for income tax, compared to $333 million, or 24% of income (loss) before provision for income tax, for the year ended December 31, 2013. Our 2014 and 2013 effective tax rates differ from the U.S. statutory rate of 35% in both years primarily due to the impacts of dividend received deductions and utilization of tax credits.

Operating Earnings. Operating earnings before provision for income tax decreased $268 million ($149 million, net of income tax) for the year ended December 31, 2014 compared to the year ended December 31, 2013. Operating earnings is discussed in greater detail below.

Reconciliation of net income (loss) to operating earnings

Year Ended December 31, 2015

	Annuities	Life	Run-off	Corporate & Other	Total
			(In millions)		
Net income (loss)	$ 751	$220	$ 242	$ (94)	$1,119
Add: Provision for income tax expense (benefit)	181	109	127	(74)	343
Net income (loss) before provision for income tax	932	329	369	(168)	1,462
Less: GMLB Riders	(500)	—	—	—	(500)
Less: Amortization of DAC and VOBA	(24)	21	—	—	(3)
Less: Other derivative instruments	(70)	(59)	(30)	3	(156)
Less: Net investment gains (losses)	74	(4)	30	(93)	7
Less: Other adjustments	—	(1)	3	(1)	1
Operating earnings before provision for income tax	1,452	372	366	(77)	2,113
Less: Provision for income tax expense (benefit)	363	124	126	(41)	572
Operating earnings	$ 1,089	$248	$ 240	$ (36)	$1,541

Year Ended December 31, 2014

	Annuities	Life	Run-off	Corporate & Other	Total
			(In millions)		
Net income (loss)	$ 689	$345	$ (57)	$ 182	$1,159
Add: Provision for income tax expense (benefit)	146	171	(32)	84	369
Net income (loss) before provision for income tax	835	516	(89)	266	1,528
Less: GMLB Riders	(438)	—	—	—	(438)
Less: Amortization of DAC and VOBA	—	(20)	—	—	(20)
Less: Other derivative instruments	(94)	22	128	174	230
Less: Net investment gains (losses)	70	(16)	(545)	56	(435)
Less: Other adjustments	—	14	(43)	1	(28)
Operating earnings before provision for income tax	1,297	516	371	35	2,219
Less: Provision for income tax expense (benefit)	307	171	125	—	603
Operating earnings	$ 990	$345	$ 246	$ 35	$1,616

Year Ended December 31, 2013

	Annuities	Life	Run-off	Corporate & Other	Total
			(In millions)		
Net income (loss)	$ 793	$ 128	$ 310	$ (200)	$1,031
Add: Provision for income tax expense (benefit)	253	24	165	(109)	333
Net income (loss) before provision for income tax	1,046	152	475	(309)	1,364
Less: GMLB Riders	(452)	—	—	—	(452)
Less: Amortization of DAC and VOBA	—	35	—	—	35
Less: Other derivative instruments	(123)	(185)	(55)	(384)	(747)
Less: Net investment gains (losses)	59	5	49	(106)	7
Less: Other adjustments	(6)	(17)	57	—	34
Operating earnings before provision for income tax	1,568	314	424	181	2,487
Less: Provision for income tax expense (benefit)	434	81	147	60	722
Operating earnings	$ 1,134	$ 233	$ 277	$ 121	$1,765

Combined Results for the Years Ended December 31, 2015, 2014 and 2013 — Operating

	Years Ended December 31,		
	2015	2014	2013
		(In millions)	
Fee income	$ 4,090	$ 4,293	$ 4,306
Net investment spread	1,486	1,357	1,406
Insurance-related activities	(546)	(413)	(426)
Amortization of DAC and VOBA	(806)	(869)	(661)
Other expenses, net of DAC capitalization	(2,111)	(2,149)	(2,138)
Operating earnings before provision for income tax	2,113	2,219	2,487
Provisions for income tax expense (benefit)	572	603	722
Operating earnings	$ 1,541	$ 1,616	$ 1,765

Year Ended December 31, 2015 Compared with the Year Ended December 31, 2014

Unless otherwise noted, all amounts in the following discussion are net of income tax.

Overview. The $75 million decrease in operating earnings resulted from decreases in our Life segment and Corporate & Other, partially offset by an increase in our Annuities segment. The decrease in our Life segment was primarily due to unfavorable underwriting results and lower fee income. The decrease in Corporate & Other was primarily due to the impacts of the Novated GMxB and higher expenses. The increase in our Annuities segment was primarily due to higher net investment spread and lower expenses, partially offset by a decrease in the fair value of reinsurance deposit funds and lower fee income.

Fee Income. Lower fee income, excluding the Novated GMxB, decreased operating earnings by $37 million, $43 million excluding the impact of the annual actuarial assumption review discussed below. This decrease was primarily due to lower asset-based fees in our Annuities segment and lower amortization of unearned revenue in our Life segment.

Net Investment Spread. Higher net investment spread, excluding the Novated GMxB, increased operating earnings by $91 million primarily due to higher net investment income in our Annuities segment.

Insurance-Related Activities. Insurance-related activities, excluding the Novated GMxB, decreased operating earnings by $102 million, $69 million excluding the impact of the annual actuarial assumption review discussed below, primarily due to:

- a decrease of $83 million, $60 million excluding the impact of the annual actuarial assumption review discussed below, due to unfavorable underwriting results in our Life segment; and
- a decrease of $59 million from an unfavorable change in the fair value of reinsurance deposit funds in our Annuities segment; partially offset by
- an increase of $26 million from lower costs related to GMDBs in our Annuities segment; and
- an increase of $15 million from favorable underwriting results in our direct to consumer business in Corporate & Other.

Amortization of DAC and VOBA. Lower DAC and VOBA amortization increased operating earnings by $41 million, $52 million excluding the impact from the annual actuarial assumption review discussed below, primarily due to lower asset-based fees earned in our Annuities segment and the impact of the ULSG Recapture in our Life segment. *See* "— Executive Summary — Certain Business Events."

Other Expenses, Net of DAC Capitalization. Lower expenses increased operating earnings by $25 million. This decrease was due primarily to lower project-related costs and the impact from a charge recognized in 2014 in connection with a reinsurance recapture transaction in our Annuities segment, partially offset by higher expenses in Corporate & Other related to reinsurance assumed from foreign affiliates of MetLife.

Novated GMxB. The Novated GMxB had no impact on operating earnings for the year ended December 31, 2015, resulting in a decrease of $86 million, compared to 2014, recognized in the table above as follows:

- a decrease in fee income of $95 million;
- a decrease in net investment spread of $7 million; partially offset by
- an increase in insurance-related activities of $16 million.

Actuarial Assumption Review. The results of the actuarial assumption review, which are included in the amounts discussed above, but are presented here as additional information, decreased operating earnings by $38 million as assumption updates resulted in higher policyholder liabilities and higher amortization of DAC and VOBA in our Life segment.

Income Tax Expense (Benefit). Income tax expense for the year ended December 31, 2015 was $572 million, or 27% of operating earnings before provision for income tax, compared to income tax expense of $603 million, or 27% of operating earnings before provision for income tax, for the year ended December 31, 2014. Our 2015 and 2014 effective tax rates differ from the U.S. statutory rate of 35% in both years primarily due to the impacts of the dividend received deductions and utilization of tax credits.

Year Ended December 31, 2014 Compared with the Year Ended December 31, 2013

Unless otherwise noted, all amounts in the following discussion are net of income tax.

Overview. The significant drivers of the $149 million decrease in operating earnings were higher amortization of DAC and VOBA and higher costs related to GMDBs in our Annuities segment and the impacts from the Novated GMxB in Corporate & Other. These decreases were partially offset by favorable underwriting results in all segments and Corporate & Other and higher fee income in our Annuities segment.

Fee Income. Higher fee income, excluding the Novated GMxB, increased operating earnings by $13 million, $33 million excluding the impact of the annual actuarial assumption review discussed below. This increase was primarily due to higher asset-based fees and higher fees from GMDBs in our Annuities segment, partially offset by the impact of lower sales of certain universal life products in our Life segment.

Net Investment Spread. Lower net investment spread, excluding the Novated GMxB, decreased operating earnings by $29 million primarily due to lower yields earned across our businesses and a lower net invested asset base in our Run-off segment. These decreases were partially offset by the favorable impact of a higher invested asset base resulting from positive net flows in our Life segment.

Insurance-Related Activities. Insurance-related activities, excluding the Novated GMxB, increased operating earnings by $24 million, $42 million excluding the impact of the annual actuarial assumption review discussed below. This decrease was primarily due to higher costs related to GMDBs which was partially offset by favorable underwriting results in all segments and Corporate & Other.

Amortization of DAC and VOBA. Higher DAC and VOBA amortization decreased operating earnings by $135 million, $148 million excluding the impact from the annual actuarial assumption review discussed below, primarily due to the impact from higher asset-based fees in our Annuities segment.

Other Expenses, Net of DAC Capitalization. Higher expenses decreased operating earnings by $7 million, primarily due to higher internal project-related costs and a loss recognized on a reinsurance recapture transaction in our Annuities segment. This increase was partially offset by a benefit recognized from a gain on the ULSG Recapture in our Life segment.

Novated GMxB. The underlying operations of the Novated GMxB decreased operating earnings by $40 million which was recognized in the above tables as follows:

- a decrease in fee income of $21 million;
- a decrease in insurance-related activities of $16 million; and
- a decrease in net investment spread of $3 million.

Actuarial Assumption Review. The results of the actuarial assumption review, which are included in the amounts discussed above, but are presented here as additional information, decreased operating earnings by $25 million, as assumption changes resulted in higher DAC and VOBA amortization and increases in policyholder liabilities in our Annuities segment. These decreases were partially offset by the favorable impact of DAC unlocking in our Life segment.

Income Tax Expense (Benefit). Income tax expense for the year ended December 31, 2014 was $603 million, or 27% of operating earnings before provision for income tax, compared to income tax expense of $722 million, or 29% of operating earnings before provision for income tax, for the year ended December 31, 2013. Our 2014 and 2013 effective tax rates differ from the U.S. statutory rate of 35% in both years primarily due to the impacts of the dividend received deductions and utilization of tax credits.

Segments and Corporate & Other Results for the Years Ended December 31, 2015, 2014 and 2013

Annuities

Business Overview. Due to an increased focus on pricing discipline and risk management, we have been modifying the guarantee features offered in our products since 2012. As a result, our sales of new annuity products have varied significantly over the periods presented below. Overall annuity sales increased 17% for the year ended December 31, 2015, compared to 2014. This was mostly due to strong sales of our Shield Level Selector and new variable annuity guarantee products introduced in late 2014 and early 2015. This increase followed a 42% decline in variable annuity sales for the year ended December 31, 2014, compared to 2013, as we rolled-out the new variable annuity guarantee products, partially offset by higher sales of fixed income annuity products. Volatility in the equity markets has also resulted in year-over-year changes in our average separate account balances. Continued negative net flows, combined with unfavorable equity market returns, resulted in a decrease in average separate account balances for the year ended December 31, 2015, compared to 2014.

However, the impact of favorable equity markets returns more than offset the impact from negative net flows, resulting in higher average separate account balances for the year ended December 31, 2014, compared to 2013. We experienced negative net flows as surrenders and withdrawals exceeded sales and new deposits for both years ended December 31, 2015 and 2014; however the rate of the negative flows improved during the year ended December 31, 2015, compared to 2014.

	Years Ended December 31,		
	2015	2014	2013
		(In millions)	
Fee income	$ 3,042	$ 3,124	$ 3,034
Net investment spread	651	505	480
Insurance-related activities	(413)	(378)	(301)
Amortization of DAC and VOBA	(527)	(566)	(363)
Other expenses, net of DAC capitalization	(1,301)	(1,388)	(1,282)
Operating earnings before provision for income tax	1,452	1,297	1,568
Provisions for income tax expense (benefit)	363	307	434
Operating earnings	$ 1,089	$ 990	$ 1,134

Year Ended December 31, 2015 Compared with the Year Ended December 31, 2014

Unless otherwise noted, all amounts in the following discussion are net of income tax.

Operating earnings increased $99 million primarily due to higher net investment spread and lower expenses, partially offset by lower fee income.

Fee Income. Lower fee income decreased operating earnings by $53 million, primarily resulting from the following:

- a $60 million decrease in asset-based fees resulting from the lower average separate account balances noted above;
- a $38 million decrease in assumed rider fees resulting from the November 2014 recapture, by a MetLife affiliate done in connection with the formation of MetLife USA, of an affiliated reinsurance agreement for certain variable annuity business ("*VA Recapture*"); partially offset by
- a $35 million increase in the amortization of deferred ceded commissions related to three affiliated co-insurance agreements covering certain blocks of variable annuity policies, which were entered into in late 2014 ("*2014 Agreements*").

Net Investment Spread. Higher net investment spread increased operating earnings by $95 million. Net investment income increased in part from the effects of a merger of several entities in connection with the formation of MetLife USA in November 2014. *See* "Formation of Brighthouse and the Restructuring." As a result of the merger, investment yields improved from portfolio management actions to reinvest cash of the merged entities into higher yielding asset classes as well as increased interest accruals on portfolio duration hedges reallocated in connection with the merger. In addition, higher interest was earned on a higher allocated equity base. These increases were partially offset by the impact of the sustained low interest rate environment on yields on the reinvestment of fixed maturity securities and lower equity markets driving lower returns on other limited partnership interests. Interest expense on insurance liabilities increased due to an increase in the liability base related to income annuities, but was mostly offset by lower interest credited expense in our deferred annuities business as negative net flows reduced average policyholder account balances and, to a lesser degree, from lower average crediting rates on contracts with rate reset provisions in connection with the low interest rate environment.

Insurance-Related Activities. The impact from insurance related activities decreased operating earnings by $23 million, $13 million excluding the impact of the annual actuarial assumption review discussed below, primarily due to:

- a $59 million unfavorable change in the fair value of the underlying ceded separate account assets related to the 2014 Agreements due to lower equity market returns; partially offset by
- a $26 million favorable change in the costs related to GMDBs as the liabilities increased at a lower rate primarily due to the VA Recapture, net of the impact from the assumption changes related to lapses and interest rates.

Amortization of DAC and VOBA. Lower DAC and VOBA amortization increased operating earnings by $25 million, $20 million excluding the impact of the annual actuarial assumption review discussed below. DAC amortization is affected by estimated future gross margins or profits as well as differences between actual gross margins and estimates in the current period. *See* "— Summary of Critical Accounting Estimates — Deferred Policy Acquisition Costs and Value of Business Acquired." Lower asset-based fees earned from the lower separate account balances noted above resulted in lower actual margins or profits and, therefore, lower amortization for the year ended December 31, 2015, compared to 2014. The impact of lower actual profits exceeded the inverse effect on amortization from lower expected future margins or profits due to the same lower asset-based fees.

Other Expenses, Net of DAC Capitalization. Lower expenses increased operating earnings by $57 million. The decrease in expenses was primarily due to one-time project-related costs and the impact of the VA Recapture, both incurred in 2014, partially offset by the impact of merging a distribution agency into an affiliate.

Actuarial Assumption Review. The results from the annual actuarial assumption review, which are included in the amounts discussed above, but are presented here as additional information, decreased operating earnings by $5 million. This decrease was primarily due to higher policyholder liabilities resulting from changes in lapse and interest rate assumptions related to GMDBs, which was partially offset by the inverse impact to DAC and VOBA amortization resulting from these same assumption charges.

Income Tax Expense (Benefit). Income tax expense for the year ended December 31, 2015 was $363 million, or 25% of operating earnings before provision for income tax, compared to income tax expense of $307 million, or 24% of operating earnings before provision for income tax, for the year ended December 31, 2014. Our 2015 and 2014 effective tax rates differ from the U.S. statutory rate of 35% in both years primarily due to the impacts of the dividend received deductions.

Year Ended December 31, 2014 Compared with the Year Ended December 31, 2013

Unless otherwise noted, all amounts in the following discussion are net of income tax.

Operating earnings decreased $144 million, primarily due to higher DAC and VOBA amortization, higher costs related to GMDBs and higher expenses, partially offset by higher fee income.

Fee Income. Higher fee income increased operating earnings by $59 million, primarily due to higher asset-based fees resulting from the increase in average separate account balances noted above and higher fees from GMDBs as favorable equity market impacts increased the guaranteed benefits due to the contract holders ("*Benefit Base*") on which we assess these rider fees. For a more detailed definition of Benefit Base, *see* "Business — Annuities — Variable Annuities."

Net Investment Spread. Higher net investment income, combined with lower interest credited expense, resulted in an increase in operating earnings of $16 million. Despite the sustained low interest rate environment impacting yields on the reinvestment of fixed maturity securities and lower equity market performance driving lower returns from other limited partnership interests, net investment income was slightly higher due to growth in the invested asset base resulting from higher allocated equity as compared to 2013. Lower interest credited expense resulted from negative net flows which reduced average policyholder account balances, as well as lower average crediting rates on contracts with rate reset provisions in connection with the low interest rate environment. These declines in interest credited expense were partially offset by implied interest on insurance liabilities resulting from increased sales of income annuity products.

Insurance-Related Activities. Insurance-related activities decreased operating earnings by $50 million, $26 million excluding the impact of the annual actuarial assumption review discussed below, primarily due to:

- a decrease of $58 million from higher costs related to GMDBs driven by liabilities increasing at a higher rate; and
- a decrease of $19 million from the impact of establishing the reinsurance deposit funds related to the ceded variable annuity balances at the inception of the 2014 Agreements; partially offset by
- an increase of $27 million as a result of favorable mortality on the increasing book of income annuity business.

Amortization of DAC and VOBA. Higher DAC and VOBA amortization decreased operating earnings by $132 million, $105 million excluding the impact of the annual actuarial assumption review discussed below. Amortization increased primarily due to higher actual margins or profits resulting from higher asset-based fees earned on the higher average separate account balances noted above which exceeded the inverse effect on amortization from higher expected future margins or profits due to the same increase in asset-based fees.

Other Expenses, Net of DAC Capitalization. Higher expenses decreased operating earnings by $69 million. Expenses increased primarily due to one-time internal project-related costs, a loss recognized on the VA Recapture, and higher asset-based commission payments due to an increase in average separate account balances, partially offset by lower letter of credit fees resulting from lower interest rates.

Actuarial Assumption Review. The results from the annual actuarial assumption review, which are included in the amounts discussed above, but are presented here as additional information, decreased operating earnings by $51 million, primarily due to the following:

- a decrease of $27 million from unfavorable DAC amortization due to assumption changes related to premium persistency, fund management fees and maintenance expenses, partially offset by changes in lapse assumptions; and
- a decrease of $24 million, recognized in insurance-related activities, primarily due to an increase in GMDB liabilities resulting from changes to lapse, general account earned rate and premium persistency assumptions, partially offset by changes in rider utilization assumptions.

Income Tax Expense (Benefit). Income tax expense for the year ended December 31, 2014 was $307 million, or 24% of operating earnings before provision for income tax, compared to income tax expense of $434 million, or 28% of operating earnings before provision for income tax, for the year ended December 31, 2013. Our 2014 and 2013 effective tax rates differ from the U.S. statutory rate of 35% in both years primarily due to the impacts of the dividend received deductions.

Life

Business Overview. Life sales increased 17% for the year ended December 31, 2015, compared to 2014, and decreased 31% for the year ended December 31, 2014, compared to 2013. The 2015 improvement was largely driven by increases in our traditional life products. Term life sales increased 40% in 2015 primarily due to a repricing in late 2014, which reduced premiums and made our products more competitive. This increase followed a decrease of 38% for the year ended December 31, 2014, compared to 2013 which resulted from reductions in our sales force. Sales of whole life products increased 18% for the year ended December 31, 2015, compared to 2014, amid favorable market reception of our Enhanced Rate Plus program, which provides preferred rates and an expedited underwriting process for applications meeting specified qualifications. Universal life sales increased 21% for the year ended December 31, 2015, compared to 2014, and decreased 66% for the year ended December 31, 2014 compared to 2013. The 2014 decline in universal life sales was primarily due to the discontinuance of products featuring our lifetime secondary guarantees. We experienced positive net flows in the general account for the year ended December 31, 2015 due to the higher traditional life sales and lower lapses in our universal life products. Despite lower sales, net flows were positive for the year ended December 31, 2014, as favorable market conditions resulted in significant growth in customer deposits for the in-force universal life products.

	Years Ended December 31,		
	2015	2014	2013
		(In millions)	
Fee income	$ 995	$1,030	$1,067
Net investment spread	397	402	328
Insurance-related activities	(250)	(123)	(175)
Amortization of DAC and VOBA	(254)	(280)	(293)
Other expenses, net of DAC capitalization	(516)	(513)	(613)
Operating earnings before provision for income tax	372	516	314
Provisions for income tax expense (benefit)	124	171	81
Operating earnings	$ 248	$ 345	$ 233

Year Ended December 31, 2015 Compared with the Year Ended December 31, 2014

Unless otherwise noted, all amounts in the following discussion are net of income tax.

Operating earnings decreased $97 million primarily due to unfavorable underwriting results and lower fee income, partially offset by lower amortization of DAC and VOBA.

In addition to the ULSG Recapture previously discussed, we recaptured portions of excess retention limits on certain blocks of universal life policies which were ceded to a third-party insurer on a yearly renewable term basis ("*YRT Recapture*").

Fee Income. Lower fee income resulted in a decrease in operating earnings of $23 million, $29 million excluding the impact of the annual actuarial assumption review discussed below. Fee income declined primarily due to the impact of higher amortization of unearned revenue in 2014 related to reduced profits resulting from the YRT Recapture and ULSG Recapture. Excluding the impacts from the recapture transactions, fee income increased slightly as positive net flows resulted in higher average customer account balances.

Net Investment Spread. Higher interest credited expense was mostly offset by higher net investment income resulting in a slight decrease in operating earnings. While we benefited from reduced interest credited rates on contracts with rate reset provisions in connection with the low interest rate environment, interest credited expense increased due to higher average policyholder account balances and higher insurance liabilities resulting from higher sales and increased deposits from our in-force business. Higher net investment income resulted from an increase in invested assets due to positive net flows. The impact from higher invested assets was partially offset by lower returns on other limited partnership interests, driven by lower equity markets, and lower yields on fixed maturity securities, resulting from the sustained low interest rate environment.

Insurance-Related Activities. Unfavorable underwriting results in both our traditional life and universal life businesses decreased operating earnings by $83 million, $60 million excluding the impact of the annual actuarial assumption review discussed below. This decrease resulted primarily from the impact of a favorable adjustment recognized in 2014 related to refinements in reserve calculations for traditional life disability premium waivers. In addition, in our universal life business, we experienced higher claim severity as well as an increase in the liabilities associated with the aging in-force block of universal life products with secondary guarantees.

Amortization of DAC and VOBA. Lower DAC and VOBA amortization increased operating earnings by $17 million, $33 million excluding the impact from the annual actuarial assumption review discussed below. The decrease in amortization resulted primarily from the following:

- lower amortization of $20 million due to the ULSG Recapture;
- lower amortization of $13 million due to lower profits earned on a closed block of universal life policies acquired through a prior acquisition; partially offset by
- higher amortization of $16 million resulting from assumption changes to surrender rates, general account earned rates and maintenance expenses in our variable and universal life businesses.

Actuarial Assumption Review. The results from the annual actuarial assumption review, which are included in the amounts discussed above, but are presented here as additional information, decreased operating earnings by $33 million, primarily due to the following:

- higher insurance-related liabilities of $23 million resulting from lower lapse assumptions; and
- higher DAC amortization of $16 million due to changes in the assumptions related to surrenders, general account earned rates and maintenance expenses in our variable and universal life businesses.

Income Tax Expense (Benefit). Income tax expense for the year ended December 31, 2015 was $124 million, or 33% of operating earnings before provision for income tax, compared to income tax expense of $171 million, or 33% of operating earnings before provision for income tax, for the year ended December 31, 2014. Our 2015 and 2014 effective tax rates differ from the U.S. statutory rate of 35% in both years primarily due to the impacts of the dividend received deductions.

Year Ended December 31, 2014 Compared with the Year Ended December 31, 2013

Unless otherwise noted, all amounts in the following discussion are net of income tax.

Operating earnings increased $112 million, primarily due to lower expenses, higher net investment spread and favorable underwriting results, partially offset by lower fee income.

Fee Income. Lower fee income decreased operating earnings by $24 million, $4 million excluding the impact of the annual actuarial assumption review discussed below. This decrease resulted primarily from lower sales of our variable and universal life products, partially offset by higher amortization of unearned revenue resulting from the YRT Recapture.

Net Investment Spread. Higher net investment income, partially offset by higher interest credited expense, increased operating earnings by $48 million. An increase in invested assets, resulting primarily from positive net flows, increased net investment income. This was partially offset by lower yields on fixed maturity securities as the sustained low interest rate environment unfavorably impacted reinvestment yields. Interest credited expense increased as positive net flows resulted in higher average policyholder account balances and higher insurance liabilities.

Insurance-Related Activities. Favorable underwriting results increased operating earnings by $34 million, $28 million excluding the impact of the annual actuarial assumption review discussed below, primarily due to a favorable adjustment resulting from refinements in reserve calculations for traditional life disability premium waivers.

Amortization of DAC and VOBA. Lower DAC and VOBA amortization increased operating earnings by $8 million, but decreased operating earnings by $32 million excluding the impact from the annual actuarial assumption review discussed below. Lower amortization resulted primarily from the impact of lower profits earned on a closed block of universal life policies acquired through a prior acquisition. While there was a large increase in amortization resulting from the ULSG Recapture and YRT Recapture, it was mostly offset by the lower amortization resulting from the changes in assumptions primarily related to premium persistency in our universal life business.

Other Expenses, Net of DAC Capitalization. Lower expenses increased operating earnings by $65 million, primarily due to (i) a benefit recognized from the ULSG Recapture, (ii) lower fees on letters of credit due to lower open balances and (iii) a reduction in deferred compensation expense resulting from lower relative performance in the equity markets to which the returns on the deferred compensation liabilities are referenced.

Actuarial Assumption Review. The results from the annual actuarial assumption review, which are included in the amounts discussed above, but are presented here as additional information, increased operating earnings by $26 million primarily due to the following:

- favorable DAC amortization of $40 million largely driven by assumption changes in 2013 related to premium persistency in our universal life business; and
- lower policyholder benefits and claims of $6 million, primarily due to higher insurance-related liabilities for universal life policies recorded in 2013 as model refinements led to unfavorable changes in assumptions for premium persistency and lapses and surrenders; partially offset by
- a decrease of $20 million resulting from the inverse impact to amortization of unearned revenue from the same assumption updates that result in changes to DAC amortization.

Income Tax Expense (Benefit). Income tax expense for the year ended December 31, 2014 was $171 million, or 33% of operating earnings before provision for income tax, compared to income tax expense of $81 million, or 26% of operating earnings before provision for income tax, for the year ended December 31, 2013. Our 2014 and 2013 effective tax rates differ from the U.S. statutory rate of 35% in both years primarily due to the impacts of the dividend received deductions.

Run-off

	Years Ended December 31,		
	2015	2014	2013
		(In millions)	
Fee income	$ 62	$ 1	$ 40
Net investment spread	313	328	382
Insurance-related activities	36	73	26
Amortization of DAC and VOBA	(1)	(2)	(4)
Other expenses, net of DAC capitalization	(44)	(29)	(20)
Operating earnings before provision for income tax	366	371	424
Provisions for income tax expense (benefit)	126	125	147
Operating earnings	$ 240	$ 246	$ 277

Year Ended December 31, 2015 Compared with the Year Ended December 31, 2014

Unless otherwise noted, all amounts in the following discussion are net of income tax.

Operating earnings decreased $6 million compared to 2014, primarily due to lower net investment spread. Despite significant changes in other components of operating earnings, those changes did not result in a material impact to the segment's overall operating earnings.

Net Investment Spread. Net investment spread decreased operating earnings by $10 million as repayments of funding agreements in our spread-based business continued to drive a decrease in the invested asset base, lowering net investment income. Additionally, volatility in the equity markets resulted in lower returns on other limited partnership interests. The decreases due to the lower asset base and lower yields were partially offset by higher bond prepayment fee income. The decrease in net investment income was also partially offset by a decrease in interest credited expense due to declining policyholder liabilities.

Income Tax Expense (Benefit). Income tax expense for the year ended December 31, 2015 was $126 million, or 34% of operating earnings before provision for income tax, compared to income tax expense of $125 million, or 34% of operating earnings before provision for income tax, for the year ended December 31, 2014. The Company's 2015 and 2014 effective tax rates differ from the U.S. statutory rate of 35% in both years primarily due to the impacts of the dividend received deductions.

Year Ended December 31, 2014 Compared with the Year Ended December 31, 2013

Unless otherwise noted, all amounts in the following discussion are net of income tax.

Operating earnings decreased $31 million compared to 2013, primarily due to lower net investment spread. Despite significant changes in other components of operating earnings, those changes did not result in a material impact to the segment's overall operating earnings.

Net Investment Spread. Net investment spread decreased operating earnings by $35 million, primarily due to lower net investment income resulting from a lower average invested asset base, partially offset by higher returns on real estate joint ventures and higher income on interest rate derivatives. The average invested asset base declined primarily due to repayments of funding agreements in our spread-based business and a reduction in the size of our securities lending program. The decrease in net investment income was also partially offset by a decrease in interest credited expense due to declining policyholder liabilities.

Income Tax Expense (Benefit). Income tax expense for the year ended December 31, 2014 was $125 million, or 34% of operating earnings before provision for income tax, compared to income tax expense of $147 million, or 35% of operating earnings before provision for income tax, for the year ended December 31, 2013. The Company's 2014 and 2013 effective tax rates differ from the U.S. statutory rate of 35% in both years primarily due to the impacts of the dividend received deductions.

Corporate & Other

	Years Ended December 31,		
	2015	2014	2013
		(In millions)	
Fee income	$ (9)	$ 138	$ 165
Net investment spread	125	122	216
Insurance-related activities	81	15	24
Amortization of DAC and VOBA	(24)	(21)	(1)
Other expenses, net of DAC capitalization	(250)	(219)	(223)
Operating earnings before provision for income tax	(77)	35	181
Provisions for income tax expense (benefit)	(41)	—	60
Operating earnings	$ (36)	$ 35	$ 121

Year Ended December 31, 2015 Compared with the Year Ended December 31, 2014

Unless otherwise noted, all amounts in the following discussion are net of income tax.

Operating earnings decreased $71 million compared to 2014, primarily due to the unfavorable impacts from the Novated GMxB and higher expenses, partially offset by improvements in the operating results of our direct business.

Novated GMxB. As a result of the Novated GMxB, 2015 had no activity related to the assumed reinsurance business, decreasing operating earnings by $86 million. This decrease is reflected in the table above as follows:

- a decrease of $95 million in fee income; and
- a decrease of $7 million in net investment spread; partially offset by
- an increase of $16 million in insurance-related activities as lower liabilities more than offset the impact of lower premiums.

Insurance-related activities. Insurance-related activities, excluding the Novated GMxB, increased operating earnings by $27 million, primarily due to the impact of higher sales, refinements to reserve assumptions and favorable claims experience in our U.S. direct to consumer business.

Other Expenses, Net of DAC Capitalization. Higher expenses decreased operating earnings by $20 million, primarily due to expenses incurred in connection with a reinsurance agreement assumed from foreign affiliates of MetLife.

Income Tax Expense (Benefit). Income tax benefit for the year ended December 31, 2015 was $41 million, or 53% of operating earnings before provision for income tax, compared to no income tax expense or (benefit) for the year ended December 31, 2014. The Company's 2015 and 2014 effective tax rates differ from the U.S. statutory rate of 35% in both years primarily due to utilization of tax credits.

Year Ended December 31, 2014 Compared with the Year Ended December 31, 2013

Unless otherwise noted, all amounts in the following discussion are net of income tax.

Operating earnings decreased $86 million compared to 2013, primarily due to lower net investment spread and the impact from the Novated GMxB.

Novated GMxB. The operations of the Novated GMxB, which is in run-off, decreased operating earnings by $40 million, primarily due to higher insurance-related reserves and lower fee income partially offset by higher premium revenue resulting from new deposits in the in-force block. This decrease is reflected in the table above as follows:

- a decrease of $21 million in fee income;
- a decrease of $16 million in insurance-related activities as higher claims exceeded premiums; and
- a decrease of $3 million in net investment income.

Net Investment Spread. Lower net investment spread, excluding the Novated GMxB, decreased operating earnings by $58 million, primarily due to lower net investment income. Net investment income declined due to higher interest credited to the segments, resulting from a higher allocated equity base, and the negative impact of the sustained low interest rate environment on yields earned on the reinvestment of fixed maturity securities.

Income Tax Expense (Benefit). There was no income tax expense or benefit for the year ended December 31, 2014 compared with income tax expense of $60 million, or 33% of operating earnings before provision for income tax, for the year ended December 31, 2013. The Company's 2014 and 2013 effective tax rates differ from the U.S. statutory rate of 35% in both years primarily due to utilization of tax credits.

GMLB Riders for the Years Ended December 31, 2015, 2014 and 2013

The following table presents the overall impact to income (loss) before provision for income tax from the GMLB Riders for (i) changes in carrying value of the GAAP liabilities, (ii) the mark-to-market of hedges and reinsurance, (iii) fees, and (iv) associated DAC offsets for the years ended December 31, 2015, 2014 and 2013, respectively:

GMLB Riders	Years Ended December 31, 2015	2014	2013
		(In millions)	
Directly Written Liabilities	$(1,139)	$(1,207)	$ 2,165
Assumed Reinsurance Liabilities	(45)	(559)	1,098
Total Liabilities	(1,184)	(1,766)	3,263
Core Hedges	(87)	356	(4,961)
Macro Overlay Hedges	(162)	76	(70)
Ceded Reinsurance	119	154	(166)
Total Hedges and Reinsurance	(130)	586	(5,197)
Directly Written Fees	849	829	767
Assumed Reinsurance Fees	12	217	235
Total Fees (1)	861	1,046	1,002
GMLB Riders before DAC Offsets	(453)	(134)	(932)
DAC Offsets:	(47)	(304)	480
Total GMLB Riders	$ (500)	$ (438)	$ (452)

(1) Excludes living benefit fees of $76 million, $58 million and $49 million included as a component of operating earnings for the years ended December 31, 2015, 2014 and 2013, respectively.

<u>Year Ended December 31, 2015 Compared with the Year Ended December 31, 2014</u>

The GMLB Riders decreased income (loss) before provision for income tax by $62 million ($40 million, net of income tax), but increased income (loss) before provision for income tax by $63 million ($41 million, net of income tax) excluding the impact of the annual actuarial assumption review. Of this amount, an unfavorable change of $423 million ($275 million, net of income tax) was recorded in net derivative gains (losses).

GMLB Riders Liabilities

GMLB Riders liabilities represent our obligation to protect policyholders against the possibility that a downturn in the markets will reduce the specified benefits that can be claimed under the base annuity contract. Any periods of significant and/or sustained downturns in equity markets, increased equity volatility, or reduced interest rates could result in an increase in the valuation of the GMLB Riders liabilities. An increase in these liabilities would result in a decrease to our net income (loss), which could be significant.

The favorable change in carrying value of the GMLB Riders liabilities increased income (loss) before provision for income tax by $582 million ($378 million, net of income tax), $802 million ($521 million, net of income tax) excluding the impact of the annual review of actuarial assumptions. This favorable change was primarily due to the VA Recapture, combined with the favorable impact from the change in fair value of embedded derivatives resulting from long-term interest rates declining less in 2015 than in 2014. Partially offsetting this favorable change were the unfavorable impacts of a decline in key equity index levels in 2015, as compared to an increase in 2014, and changes to the separate account growth rate, rider utilization and other actuarial assumptions, as further discussed below.

GMLB Riders Hedges and Reinsurance

We enter into freestanding derivatives, and to a lesser extent reinsurance, to hedge the market risks inherent in the GMLB Riders liabilities. However, certain of the risks inherent in the GMLB Riders liabilities are unhedged, including the adjustment for nonperformance risk. Generally, the same market factors that impact the fair value of the GMLB Riders liabilities impact the value of the hedges, though in the opposite direction. However, due to the complex nature of the business and any unhedged risks, the changes in fair value of the GMLB Riders liabilities and GMLB Riders hedges and reinsurance are not always in an equal amount.

The unfavorable change in the fair value of the GMLB Riders hedges and reinsurance decreased income (loss) before provision for income tax by $716 million ($465 million, net of income tax). This unfavorable change in value was primarily due to the effect on the hedges of long-term interest rates declining less in 2015 than in 2014, partially offset by a decline in key equity index levels in 2015 as compared to 2014.

GMLB Riders Fees

We earn fees on the GMLB Riders liabilities, which are calculated based on the policyholder's Benefit Base. Fees calculated based on the Benefit Base are more stable in market downturns, compared to fees based on the account value because the Benefit Base excludes the impact of a decline in the market value of the policyholder's account value. We use the fees directly earned from the GMLB Riders to fund the reserves, future claims and costs associated with the hedges of market risks inherent in the GMLB Riders liabilities. For GMLB Riders liabilities accounted for as embedded derivatives, the future fees are included in the fair value of the embedded derivative liabilities, with changes recorded in net derivative gains (losses). For GMLB Riders liabilities accounted for as insurance, while the related fees do affect the valuations of these liabilities, they are not included in the resulting liability values, but are recorded separately in universal life and investment-type policy fees.

Lower GMLB Riders fees decreased income (loss) before provision for income tax by $185 million ($120 million, net of income tax). This decrease was primarily due to the lower average Benefit Base in 2015, as compared to 2014, resulting from the VA Recapture.

DAC Offsets

DAC offsets related to the impact of changes in each of the individual components of the GMLB Riders, discussed above, increased income (loss) before provision for income tax by $257 million ($167 million, net of income tax), $162 million ($105 million, net of income tax) excluding the impact of the annual actuarial assumption review. The DAC offset related to each component of the directly written GMLB Riders is determined by the same factors that impact the respective component, but generally in the opposite direction. There is no DAC related to assumed reinsurance and, accordingly, no DAC offset.

GMLB Riders Actuarial Assumption Review

As previously discussed, we review and update, on an annual basis, our long-term assumptions used in the calculations of the GMLB Riders liabilities. The results of the annual review, which are included in the amounts discussed above, but are presented here as additional information, resulted in an unfavorable impact for the year ended December 31, 2015, compared to 2014, decreasing income (loss) before provision for income tax by $125 million ($81 million, net of income tax). This decrease was primarily due to the following:

- a decrease of $197 million ($128 million, net of income tax), recognized in net derivative gains (losses), primarily related to changes in separate account growth assumptions impacting GMLB Riders liabilities accounted for as embedded derivatives, net of offsetting impacts from a change in rider utilization assumptions; and
- a decrease of $23 million ($15 million, net of income tax) from changes to interest rate assumptions impacting the GMLB Riders liabilities accounted for as insurance, net of the impacts from offsetting changes to lapse and premium persistency assumptions; partially offset by
- an increase of $95 million ($62 million, net of income tax) from the favorable impact to DAC amortization, which is inversely related to the assumption changes above.

Year Ended December 31, 2014 Compared with the Year Ended December 31, 2013

The GMLB Riders increased income (loss) before provision for income tax by $14 million ($9 million, net of income tax), but decreased income (loss) before provision for income tax by $124 million ($81 million, net of income tax) excluding the impact of the annual actuarial assumption review. Of this amount, an unfavorable change of $90 million ($59 million, net of income tax) was recorded in net derivative gains (losses).

GMLB Riders Liabilities

The unfavorable change in carrying value of the GMLB Riders liabilities decreased income (loss) before provision for income tax by $5.0 billion ($3.3 billion, net of income tax), $5.3 billion ($3.4 billion, net of income tax) excluding the impact of the annual actuarial assumption review. This unfavorable change was primarily due to a decrease in long-term interest rates in 2014, as compared to a significant increase in 2013, weaker equity market returns and changes in implied equity volatility, when compared to 2013. This unfavorable change was partially offset by favorable changes from the impact of adjustments to nonperformance risk and risk margins and an overall reduction in the average Benefit Base in 2014 as a result of the VA Recapture.

GMLB Riders Hedges and Reinsurance

The favorable change in the fair value of the GMLB hedges and reinsurance increased income (loss) before provision for income tax by $5.8 billion ($3.8 billion, net of income tax). This favorable change was primarily due to the impact on the fair value of the hedges from (i) impacts from a smaller increase in key equity index levels in 2014, compared to 2013; (ii) a significant decrease in long-term interest rates during 2014, compared to increases in 2013; and, to a lesser extent, (iii) changes in foreign currency exchange rates.

GMLB Riders Fees

Higher GMLB Riders fees increased income (loss) before provision for income tax by $44 million ($29 million net of income tax), primarily due to the impact from the roll-up of the average Benefit Base.

DAC Offsets

DAC offsets related to the inverse impact of changes in each of the individual components of GMLB Riders, discussed above, decreased income (loss) before provision for income tax by $784 million ($510 million, net of income tax), $642 million ($417 million, net of income tax) excluding the impact of the annual actuarial assumption review.

GMLB Riders Actuarial Assumption Review

The annual actuarial assumption review, which is included in the amounts discussed above, but is presented here as additional information, resulted in a favorable impact for the year ended December 31, 2014, compared to 2013 increasing income (loss) before provision for income tax by $138 million ($90 million, net of income tax), primarily due to the following:

- an increase of $301 million ($196 million, net of income tax), recognized in net derivative gains (losses), related to changes in assumptions for separate account growth and lapses, net of the impact from offsetting changes in rider utilization assumptions; partially offset by
- a decrease of $143 million ($93 million, net of income tax) from unfavorable DAC amortization attributable to changes in assumptions for lapses and rider utilization; and
- a decrease of $20 million ($13 million, net of income tax) from the impact on the GMLB Riders liabilities resulting from changes in assumptions for lapses, general account earned rate and premium persistency, net of the impact from offsetting changes in rider utilization assumptions.

Combined Results for the Nine Months Ended September 30, 2016 and 2015

Business Overview. Sales decreased in both our Annuities and Life segments. Annuities sales decreased primarily due to the suspension of sales by a major distributor and the discontinuance of our GMIB riders. Life sales declined primarily due to effects from the announcement of the sale of MPCG to MassMutual. Results in the current period were unfavorably impacted by a decline in average separate account balances in our Annuities segment while being favorably impacted by positive general account flows in our Life segment.

	Nine Months Ended September 30,	
	2016	2015
	(In millions)	
Revenues		
Premiums	$ 1,021	$1,159
Universal life and investment-type product policy fees	2,843	3,008
Net investment income	2,422	2,369
Other revenues	481	310
Net investment gains (losses)	(15)	(3)
Net derivative gains (losses)	(3,181)	(69)
Total revenues	3,571	6,774
Expenses		
Policyholder benefits and claims	2,948	2,248
Interest credited to policyholder account balances	871	943
Goodwill impairment	161	—
Capitalization of DAC	(255)	(305)
Amortization of DAC and VOBA	(45)	649
Interest expense on debt	132	130
Other expenses	1,687	1,723
Total expenses	5,499	5,388
Income (loss) before provision for income tax	(1,928)	1,386
Provision for income tax expense (benefit)	(754)	358
Net income (loss)	$(1,174)	$1,028

The table below shows the components of our net income (loss), in addition to operating earnings for the nine months ended September 30, 2016 and 2015.

	Nine Months Ended September 30,	
	2016	2015
	(In millions)	
GMLB Riders	$ (2,614)	$ (155)
Amortization of DAC and VOBA	(29)	15
Other derivative instruments	(35)	(49)
Net investment gains (losses)	(15)	(3)
Other adjustments	(259)	3
Operating earnings before provision for income tax	1,024	1,575
Income (loss) before provision for income tax	(1,928)	1,386
Provision for income tax expense (benefit)	(754)	358
Net income (loss)	$ (1,174)	$ 1,028

Nine Months Ended September 30, 2016 Compared with the Nine Months Ended September 30, 2015

Income (loss) before provision for income tax decreased $3.3 billion ($2.2 billion, net of income tax) compared to the prior period. Excluding the impact of the annual actuarial assumption review, income (loss) before provision for income tax decreased $940 million ($659 million, net of income tax).

GMLB Riders. GMLB Riders decreased income (loss) before provision for income tax by $2.5 billion ($1.6 billion, net of income tax), as our annual actuarial assumption review resulted in changes to assumptions regarding policyholder behavior which significantly increased the carrying value of the liabilities. This was partially offset by the favorable impacts on the liabilities due to market factors as well as favorable impacts to DAC amortization. Excluding the impact of the annual actuarial assumption review, GMLB Riders decreased income (loss) before provision for income tax by $205 million ($133 million, net of income tax). For a detailed discussion of the GMLB Riders *see* "— GMLB Riders for the Nine Months Ended September 30, 2016 and 2015."

Amortization of DAC and VOBA. Higher DAC and VOBA amortization, excluding the amounts in the GMLB Riders and operating earnings, decreased income (loss) before provision for income tax by $44 million ($29 million, net of income tax), primarily due to higher profits resulting from net investment gains (losses) and net derivative gains (losses) related to products in our Life segment.

Other Derivative Instruments. Changes in the fair value of our other derivative instruments increased income (loss) before provision for income tax by $14 million ($9 million, net of income tax).

Changes in the fair value of freestanding derivatives increased income (loss) before provision for income tax by $94 million ($61 million, net of income tax), primarily due to the favorable impact from long-term interest rates declining more in the current period than in the prior period on our receive fixed interest rate swaps and interest rate total return swaps and continued narrowing of credit spreads.

Unfavorable changes in the fair value of embedded derivatives decreased income (loss) before provision for income tax by $80 million ($52 million, net of income tax), primarily due to the unfavorable impact of an increase in equity index levels on certain fixed annuities with equity-indexed returns.

Net Investment Gains (Losses). Net investment gains (losses) decreased income (loss) before provision for income tax by $12 million ($8 million, net of income tax), primarily due to higher impairments on real estate joint ventures and energy sector fixed maturity securities. These decreases were partially offset by higher gains on sales of fixed maturity securities and foreign currency transaction gains.

Other Adjustments. Other adjustments to determine operating earnings decreased income (loss) before provision for income tax by $262 million ($170 million, net of income tax), primarily due to:

- a decrease of $161 million ($109 million, net of income tax) from an impairment of goodwill in our Run-off segment;
- a decrease of $52 million ($34 million, net of income tax) from higher expenses in Corporate & Other related to the write-off of previously capitalized items in connection with the sale of MPCG to MassMutual; and
- a decrease of $49 million ($32 million, net of income tax) from higher policyholder benefits and claims resulting from the adjustment for market performance related to participating pension risk transfer products in our Run-off segment.

Income Tax Expense (Benefit). Income tax benefit for the nine months ended September 30, 2016 was $754 million, or 39% of income (loss) before provision for income tax, compared to income tax expense of $358 million, or 26% of income (loss) before provision for income tax, for the nine months ended September 30, 2015. Our effective tax rate in both periods differs from the U.S. statutory rate of 35% primarily due to the impacts of dividend received deductions and utilization of tax credits.

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Operating Earnings. Operating earnings before provision for income tax decreased $551 million ($402 million, net of income tax) for the nine months ended September 30, 2016, compared to the prior period. Excluding the impact of the annual actuarial assumption review, operating earnings before provision for income tax decreased $431 million ($324 million, net of income tax). Operating earnings is discussed in greater detail below.

Reconciliation of net income (loss) to operating earnings

Nine Months Ended September 30, 2016

	Annuities	Life	Run-off	Corporate & Other	Total
			(In millions)		
Net income (loss)	$ (905)	$(277)	$ 21	$ (13)	$(1,174)
Add: Provision for income tax expense (benefit)	(582)	(161)	15	(26)	(754)
Net income (loss) before provision for income tax	(1,487)	(438)	36	(39)	(1,928)
Less: GMLB Riders	(2,614)	—	—	—	(2,614)
Less: Amortization of DAC and VOBA	—	(29)	—	—	(29)
Less: Other derivative instruments	(122)	38	29	20	(35)
Less: Net investment gains (losses)	23	5	(10)	(33)	(15)
Less: Other adjustments	(2)	—	(205)	(52)	(259)
Operating earnings before provision for income tax	1,228	(452)	222	26	1,024
Less: Provision for income tax expense (benefit)	368	(166)	75	(1)	276
Operating earnings	$ 860	$(286)	$ 147	$ 27	$ 748

Nine Months Ended September 30, 2015

	Annuities	Life	Run-off	Corporate & Other	Total
			(In millions)		
Net income (loss)	$ 729	$178	$ 204	$ (83)	$1,028
Add: Provision for income tax expense (benefit)	218	89	107	(56)	358
Net income (loss) before provision for income tax	947	267	311	(139)	1,386
Less: GMLB Riders	(155)	—	—	—	(155)
Less: Amortization of DAC and VOBA	—	15	—	—	15
Less: Other derivative instruments	(8)	(37)	(6)	2	(49)
Less: Net investment gains (losses)	50	9	25	(87)	(3)
Less: Other adjustments	—	—	4	(1)	3
Operating earnings before provision for income tax	1,060	280	288	(53)	1,575
Less: Provision for income tax expense (benefit)	259	93	99	(26)	425
Operating earnings	$ 801	$187	$ 189	$ (27)	$1,150

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Combined Results for the Nine Months Ended September 30, 2016 and 2015 — Operating

	Nine Months Ended September 30, 2016	2015
	(In millions)	
Fee income	$ 3,162	$ 3,066
Net investment spread	1,227	1,197
Insurance-related activities	(981)	(494)
Amortization of DAC and VOBA	(876)	(656)
Other expenses, net of DAC capitalization	(1,508)	(1,538)
Operating earnings before provision for income tax	1,024	1,575
Provisions for income tax expense (benefit)	276	425
Operating earnings	$ 748	$ 1,150

Nine Months Ended September 30, 2016 Compared with the Nine Months Ended September 30, 2015

Unless otherwise noted, all amounts in the following discussion are net of income tax.

Overview. The primary drivers of the $402 million decrease in operating earnings were the unfavorable changes in insurance-related liabilities and DAC amortization as a result of the ULSG Model Change in our Life segment and higher costs related to the GMDBs in our Annuities segment. These decreases were partially offset by higher fee income and lower DAC from the SPDA Recapture in our Annuities segment. For more information on the ULSG Model Change and SPDA Recapture, *see* "— Executive Summary — Certain Business Events." Excluding the impact of the annual actuarial assumption review, operating earnings decreased $324 million.

Fee Income. Higher fee income increased operating earnings by $62 million, primarily due to the impact of the SPDA Recapture, which was partially offset by lower asset-based fees, both in our Annuities segment.

Net Investment Spread. Higher net investment spread increased operating earnings by $20 million, primarily due to higher net investment income earned on a higher invested asset base in our Annuities segment and Corporate & Other, partially offset by a lower invested asset base in our Run-off segment. The increase in net investment income was also partially offset by lower yields earned on the reinvestment of fixed maturity securities throughout our portfolios as a result of the sustained low interest rate environment, lower returns on other limited partnership interests and real estate joint ventures in our Life segment, as well as a reduction in income on the deposit funds related to the SPDA Recapture and lower yields on mortgage loans in our Annuities segment, which was offset by the related higher fee income noted above.

Insurance-Related Activities. Insurance-related activities decreased operating earnings by $317 million primarily due to higher liabilities in our Life segment resulting from the ULSG Model Change and higher GMDB costs in our Annuities segment. Excluding the impact of the annual actuarial assumption review discussed below, insurance-related activities decreased operating earnings by $312 million.

Amortization of DAC and VOBA. Higher amortization of DAC and VOBA decreased operating earnings by $143 million, primarily due to the impact of the ULSG Model Change, partially offset by the impact from the SPDA Recapture. Excluding the impact of the annual actuarial assumption review discussed below, higher amortization of DAC and VOBA decreased operating earnings by $70 million.

Other Expenses, Net of DAC Capitalization. Lower expenses increased operating earnings by $20 million, primarily due to lower asset-based commissions in our Annuities segment, partially offset by higher allocated software amortization in our Annuities and Life segments as a result of certain projects being completed and placed into service in the current period.

Actuarial Assumption Review. The impact from the annual actuarial assumption review, which is included in the results discussed above, where applicable, decreased operating earnings by $78 million, primarily due to unfavorable impacts to DAC and insurance-related liabilities in our Annuities segment, partially offset by favorable impacts to insurance-related liabilities in our Life segment.

Income Tax Expense (Benefit). Income tax expense for the nine months ended September 30, 2016 was $276 million, or 27% of operating earnings before provision for income tax, compared to $425 million, or 27% of operating earnings before income tax, for the nine months ended September 30, 2015. Our effective tax rate in both periods differs from the U.S. statutory rate of 35% primarily due to the impacts of the dividend received deductions and utilization of tax credits.

Segments and Corporate & Other Results for the Nine Months Ended September 30, 2016 and 2015

Annuities

Business Overview. Annuity sales decreased 19% for the nine months ended September 30, 2016, compared to the prior period, primarily driven by the suspension of sales by a major distributor and the discontinuance of our GMIB riders. These decreases were partially offset by higher sales of our Shield Level Selector and the new FlexChoice withdrawal guarantee product introduced in 2015. Average separate account balances declined primarily due to negative net flows as benefits, surrenders and withdrawals exceeded sales as well as unfavorable impacts from equity market performance. While market performance was positive in the current period, the timing of a significant market decline in the third quarter of 2015 resulted in lower average balances in the current period, compared to the prior period.

	Nine Months Ended September 30, 2016	2015
	(In millions)	
Fee income	$ 2,405	$ 2,302
Net investment spread	532	485
Insurance-related activities	(448)	(324)
Amortization of DAC and VOBA	(329)	(435)
Other expenses, net of DAC capitalization	(932)	(968)
Operating earnings before provision for income tax	1,228	1,060
Provisions for income tax expense (benefit)	368	259
Operating earnings	$ 860	$ 801

Nine Months Ended September 30, 2016 Compared with the Nine Months Ended September 30, 2015

Unless otherwise noted, all amounts in the following discussion are net of income tax.

Operating earnings increased $59 million, driven by lower DAC and VOBA amortization and higher fee income, partially offset by higher GMDB costs. Excluding the impact of the annual actuarial assumption review, operating earnings increased $162 million.

Fee Income. Higher fee income increased operating earnings by $67 million, primarily due to:

- an increase of $190 million resulting from the SPDA Recapture; partially offset by
- a decrease of $111 million in asset-based fees resulting from the lower average separate account balances noted above, a portion of which was offset by a decrease in other expenses, net of DAC capitalization, from lower asset-based commissions.

Net Investment Spread. Higher net investment spread increased operating earnings by $31 million. Net investment income increased primarily due to an increased average invested asset base resulting from the SPDA Recapture, positive net flows in the general account, and an increase in allocated equity. This increase was partially offset by lower interest earned on the reinsurance deposit fund related to the SPDA Recapture and lower yields on fixed maturity securities and mortgage loans due to the sustained low interest rate environment. The reduction in interest due to the SPDA Recapture was offset by the related higher fee income noted above.

Insurance-Related Activities. Insurance-related activities decreased operating earnings by $81 million, primarily due to higher costs associated with GMDBs driven by an increase in liability balances resulting from changes in rider utilization assumptions, higher claims and hedge losses. Excluding the impact of the annual actuarial assumption review, insurance-related activities decreased operating earnings by $51 million.

Amortization of DAC and VOBA. Lower DAC and VOBA amortization increased operating earnings by $69 million, The decrease in amortization was primarily due to:

- a decrease of $67 million from lower actual margins or profits resulting from lower asset-based fees earned on the lower average separate account balances noted above, net of the inverse impact on amortization from reduced future expected gross margins or profits due to the same lower fees;
- a decrease of $56 million from a recovery of DAC related to the SPDA Recapture; and
- a decrease of $19 million from model refinements to DAC amortization related to affiliated reinsurance and hedges of variable annuities; partially offset by
- an increase of $73 million from changes in annual actuarial assumptions discussed below.

Excluding the impact of the actuarial assumption review, lower DAC and VOBA amortization increased operating earnings by $142 million.

Other Expenses, Net of DAC Capitalization. Lower expenses increased operating earnings by $23 million, primarily due to lower asset-based commissions related to the lower average separate account balances noted above, partially offset by higher allocated software amortization.

Actuarial Assumption Review. The results from the annual actuarial assumption review, which is included in the amounts discussed above, decreased operating earnings by $102 million, primarily due to:

- a decrease of $73 million from additional DAC amortization due to assumption changes related to rider utilization, separate account growth, market volatility and lapses; and
- a decrease of $30 million in insurance-related activities, from changes to rider utilization assumptions impacting GMDBs, net of changes in lapse assumptions.

Income Tax Expense (Benefit). Income tax expense for the nine months ended September 30, 2016 was $368 million, or 30% of operating earnings before provision for income tax, compared to $259 million, or 24% of operating earnings before provision for income tax, for the nine months ended September 30, 2015. Our effective tax rate in both periods differs from the U.S. statutory rate of 35% primarily due to the impacts of the dividend received deductions.

Life

Business Overview. Life sales decreased 22% driven by the announcement of the sale of MPCG to MassMutual. This decrease was offset by increased universal life sales amid favorable market acceptance of our newest PAUL product.

	Nine Months Ended September 30, 2016	2015
	(In millions)	
Fee income	$ 724	$ 739
Net investment spread	326	361
Insurance-related activities	(597)	(251)
Amortization of DAC and VOBA	(527)	(201)
Other expenses, net of DAC capitalization	(378)	(368)
Operating earnings before provision for income tax	(452)	280
Provisions for income tax expense (benefit)	(166)	93
Operating earnings	$ (286)	$ 187

Nine Months Ended September 30, 2016 Compared with the Nine Months Ended September 30, 2015

Unless otherwise noted, all amounts in the following discussion are net of income tax.

Operating earnings decreased $473 million resulting primarily from the impacts of the ULSG Model Change. Excluding the impact of the annual actuarial assumption review, operating earnings decreased by $498 million.

Fee Income. Lower fee income decreased operating earnings by $10 million, primarily due to lower amortization of unearned revenue resulting from the ULSG Model Change.

Net Investment Spread. Lower net investment spread decreased operating earnings by $23 million, primarily due to lower net investment income. Despite a larger invested asset base resulting from positive net flows, net investment income decreased primarily due to lower returns on other limited partnership interests and real estate joint ventures coupled with lower yields on fixed maturity securities resulting from the sustained low interest rate environment.

Insurance-Related Activities. Insurance-related activities decreased operating earnings by $225 million, primarily due to higher liabilities required as a result of the ULSG Model Change. Excluding the impact of the annual actuarial assumption review, operating earnings decreased $250 million.

Amortization of DAC and VOBA. Higher DAC and VOBA amortization decreased operating earnings by $212 million, primarily due to higher amortization as a result of the ULSG Model Change.

Other Expenses, Net of DAC Capitalization. Higher expenses decreased operating earnings by $7 million, primarily driven by higher allocated software amortization and higher interest expense on funds withheld related to certain affiliated reinsurance agreements, partially offset by the impacts from the sale of MPCG to MassMutual.

Actuarial Assumption Review. The results of the annual actuarial assumption review, which are included in the amounts discussed above, increased operating earnings by $25 million, primarily due to lower liabilities resulting from assumption changes related to surrenders in our universal life business.

Income Tax Expense (Benefit). Income tax benefit for the nine months ended September 30, 2016 was $166 million, or 37% of operating earnings before provision for income tax, compared to income tax expense of

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$93 million, or 33% of operating earnings before provision for income tax, for the nine months ended September 30, 2015. The Company's effective tax rate in both periods differs from the U.S. statutory rate of 35% primarily due to the impacts of the dividend received deductions.

Run-off

	Nine Months Ended September 30, 2016	2015
	(In millions)	
Fee income	$ 40	$ 32
Net investment spread	182	251
Insurance-related activities	22	27
Amortization of DAC and VOBA	—	—
Other expenses, net of DAC capitalization	(22)	(22)
Operating earnings before provision for income tax	222	288
Provisions for income tax expense (benefit)	75	99
Operating earnings	$ 147	$ 189

Nine Months Ended September 30, 2016 Compared with the Nine Months Ended September 30, 2015

Unless otherwise noted, all amounts in the following discussion are net of income tax.

Overview. Operating earnings decreased by $42 million primarily due to lower net investment spread.

Net Investment Spread. Lower net investment spread decreased operating earnings by $45 million, primarily due to the impacts from a lower average invested asset base and lower yields. Average invested assets decreased due to continued repayments of funding arrangements in our spread-based business. Investment yields declined due to lower returns on other limited partnership interests and real estate joint ventures, partially offset by improved yields on fixed maturity securities as a result of portfolio management actions to reduce the relative allocation to lower yielding government securities. Net investment income also declined due to a reduction in the size of our securities lending program and lower margins on the remaining balances as a result of a flatter yield curve. The decrease in net investment income was partially offset by a decrease in interest credited expense due to declining policyholder liabilities.

Income Tax Expense (Benefit). Income tax expense for the nine months ended September 30, 2016 was $75 million, or 34% of operating earnings before provision for income tax, compared to $99 million, or 34% of operating earnings before provision for income tax, for the nine months ended September 30, 2015. Our effective tax rate for the nine months ended September 30, 2016 differs from the U.S. statutory rate of 35% primarily due to the impacts of the dividend received deductions.

Corporate & Other

	Nine Months Ended September 30, 2016	2015
	(In millions)	
Fee income	$ (7)	$ (7)
Net investment spread	187	100
Insurance-related activities	42	54
Amortization of DAC and VOBA	(20)	(20)
Other expenses, net of DAC capitalization	(176)	(180)
Operating earnings before provision for income tax	26	(53)
Provisions for income tax expense (benefit)	(1)	(26)
Operating earnings	$ 27	$ (27)

Nine Months Ended September 30, 2016 Compared with the Nine Months Ended September 30, 2015

Unless otherwise noted, all amounts in the following discussion are net of income tax.

Overview. Operating earnings increased by $54 million primarily due to higher net investment spread.

Net Investment Spread. Higher net investment spread increased operating earnings by $57 million, primarily due to higher net investment income resulting from an increase in the average invested asset base, higher returns on private equity investments and increased accruals on interest rate derivatives, partially offset by lower yields. Average invested assets increased primarily as a result of a capital contribution from MetLife. Investment yields declined as we continued to encounter negative impacts of the sustained low interest rate environment on the reinvestment of fixed maturity securities.

Income Tax Expense (Benefit). Income tax benefit for the nine months ended September 30, 2016 was $1 million, or 4% of operating earnings before provision for income tax, compared to $26 million, or 49% of operating earnings before provision for income tax, for the nine months ended September 30, 2015. Our effective tax rate in both periods differs from the U.S. statutory rate of 35% primarily due to the utilization of tax credits.

GMLB Riders for the Nine Months Ended September 30, 2016 and 2015

The following table presents the overall impact to income (loss) before provision for income tax from the performance of GMLB Riders, which includes the change in (i) the carrying value of GMLB Riders liabilities and (ii) the fair value of the GMLB Riders hedges and reinsurance, GMLB Riders fees and the associated DAC offsets for the nine months ended September 30, 2016 and 2015.

	Nine Months Ended September 30,	
	2016	2015
	(in millions)	
Directly Written Liabilities	$(4,205)	$(1,547)
Assumed Reinsurance Liabilities	(191)	(73)
Total Liabilities	(4,396)	(1,620)
Core Hedges	(161)	664
Macro Overlay Hedges	35	40
Ceded Reinsurance	358	183
Total Hedges and Reinsurance	232	887
Directly Written Fees	644	634
Assumed Reinsurance Fees	10	9
Total Fees (1)	654	643
GMLB Riders before DAC Offsets	(3,510)	(90)
DAC Offsets	896	(65)
Total GMLB Riders	$(2,614)	$ (155)

(1) Excludes living benefit fees of $58 million and $55 million, included as a component of operating earnings for the nine months ended September 30, 2016 and 2015, respectively.

Nine Months Ended September 30, 2016 Compared with the Nine Months Ended September 30, 2015

GMLB Riders decreased income (loss) before provision for income tax by $2.5 billion ($1.6 billion, net of income tax). Of this amount, an unfavorable change of $3.2 billion ($2.1 billion, net of income tax) was recorded in net derivative gains (losses). Excluding the impact of the annual actuarial assumption review, GMLB Riders decreased income (loss) before provision for income tax by $205 million ($133 million, net of income tax).

GMLB Riders Liabilities

The unfavorable change in the carrying value of GMLB Riders liabilities decreased income (loss) before provision for income tax by $2.8 billion ($1.8 billion net of income tax), primarily due to:

- a decrease of $3.1 billion ($2.0 billion, net of income tax) from changes in actuarial assumptions related to policyholder behavior, primarily rider utilization, net of a favorable impact from the associated non-performance risk adjustment, and the risk margins related to policyholder behavior assumptions; partially offset by
- an increase of $302 million ($196 million, net of income tax) from market factors, as favorable equity market performance and a decrease in key equity market volatility measures, as compared to the prior period, were partially offset by the impact from long-term interest rates declining more during the current period than in the prior period.

Excluding the impact of the actuarial assumption review, GMLB Riders liabilities increased income (loss) before provision for income tax by $235 million ($153 million, net of income tax).

GMLB Riders Hedges and Reinsurance

The unfavorable change in the fair value of GMLB Riders hedges and reinsurance decreased income (loss) before provision for income tax by $655 million ($426 million, net of income tax). This unfavorable change was primarily due to the inverse effect on the hedges from the interest rate and equity market factors that impacted the GMLB Rider liabilities.

GMLB Riders Fees

Higher GMLB Riders fees increased income (loss) before provision for income tax by $11 million ($7 million net of income tax), primarily due to the impact from the roll-up of the average Benefit Base.

DAC Offsets

DAC offsets related to the inverse impact of changes in each of the individual components of GMLB Riders, discussed above, increased income (loss) before provision for income tax by $961 million ($625 million, net of income tax). Excluding the impact of the annual actuarial assumption review, DAC offsets increased income (loss) before provision for income tax by $205 million ($133 million, net of income tax).

GMLB Riders Actuarial Assumption Review

The annual assumption review, which is included in the amounts discussed above, resulted in an unfavorable impact for the nine months ended September 30, 2016, decreasing income (loss) before provision for income tax by $2.3 billion ($1.5 billion, net of income tax), primarily due to the following:

- a decrease of $3.0 billion ($2.0 billion, net of income tax) in GMLB Riders liabilities accounted for as embedded derivatives, of which $2.4 million ($1.6 million, net of income tax) was primarily due to changes in behavioral assumptions regarding rider utilization and $571 million ($371 million, net of income tax) was due to changes in risk margins related to these behavioral assumption changes; and
- a decrease of $7 million ($5 million, net of income tax) in GMLB Riders liabilities accounted for as insurance, of which $250 million ($163 million, net of income tax) was due to unfavorable impacts of from economic assumption changes mainly related to lower projected interest rates and long-term separate account returns, mostly offset by $247 million ($161 million, net of income tax) related to behavioral assumption changes, primarily regarding rider utilization; partially offset by
- an increase of $756 million ($491 million, net of income tax) from the favorable impact to DAC amortization, which is inversely related to the assumption changes above.

Effects of Inflation

Management believes that inflation has not had a material effect on the Company’s combined 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. 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 Strategy

Our primary investment objective is to optimize risk-adjusted net investment income and risk-adjusted total return while appropriately matching assets and liabilities. In addition, the investment process is designed to ensure that the portfolio has an appropriate level of liquidity, quality and diversification.

Our investment portfolio consists largely of high quality fixed maturity securities and short-term investments, investments in commercial mortgage loans and alternative investments. Fixed maturity securities include publicly-traded corporate bonds, government bonds, privately-placed corporate bonds, asset-backed securities *(“ABS”)*, residential mortgage-backed securities *(“RMBS”)* and commercial mortgage-backed securities *(“CMBS”)*.

Our investment strategy will strive to be consistent with the Company’s overall business strategy of (1) focusing on target market segments; (2) concentrating on product manufacturing; (3) enhancing support and collaboration with key independent distributors; (4) maintaining a strong balance sheet and using the scale of our seasoned in-force business to support a more cost efficient risk management program; and (5) being a lean, flexible, low cost operator.

Investment Risks

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 could 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;
- 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, and, if credit spreads widen significantly or for an extended period of time, could result in higher OTTI. Credit spread tightening will reduce net investment income associated with new purchases of fixed maturity securities and will favorably impact the net unrealized gain (loss) position of the fixed income investment portfolio;
- liquidity risk, relating to the diminished ability to sell certain investments, in times of strained market conditions;

- real estate risk, relating to commercial, agricultural and residential real estate, and stemming from factors, that include, but are not limited to, market conditions, including the demand and supply of leasable commercial space, creditworthiness of commercial tenants and partners, capital markets volatility and the inherent interest rate movement; and
- currency risk, relating to the variability in currency exchange rates for foreign denominated investments.

We manage these risks through asset-type allocation and industry and issuer diversification. Risk limits are also used to promote diversification by asset sector, avoid concentrations in any single issuer and limit overall aggregate credit exposure. Real estate risk is managed through geographic and property type and product type diversification. We manage interest rate risk as part of our Asset Liability Management ("*ALM*") strategies. Product design, such as the use of market value adjustment features and surrender charges, is also utilized to manage interest rate risk. These strategies include maintaining an investment portfolio with diversified maturities that targets a weighted average duration that is approximately equal to the duration of our estimated liability cash flow profile. For certain of our liability portfolios, it is not possible to invest assets to the full liability duration, thereby creating some asset/liability mismatch. We also use certain derivatives in the management of currency, credit, interest rate, and equity market risks.

Implementation of Investment Process

Following the separation, the Investment Department, led by the Chief Investment Officer, will be responsible for the entire investment process for the Company's approximately $100 billion in general account invested assets. On the asset management side, this will include developing and managing the strategic and tactical asset allocation process, identifying and monitoring emerging investment risks and adjusting asset composition as appropriate, defining investment guidelines, defining and implementing performance benchmarks and selecting and monitoring external asset managers. This will be accomplished through a small team of experienced investment professionals with significant expertise across all asset sectors. Segmented portfolios will be established for groups of products with similar liability characteristics allowing the Investment Department the ability to appropriately match assets and liabilities. All general account hedging strategies will also be managed within the Investment Department, in accordance with the Company's governance process.

Immediately following the separation, the investment portfolio will be managed by MetLife Investment Advisors, LLC in accordance with the Investment Management Agreements.

Longer term, it is expected that day-to-day management of our investment portfolio will be primarily conducted through a select group of experienced external asset management firms. Management of all assets will be in accordance with detailed investment guidelines that will be closely monitored by the Investment Department. All managers will be selected on the basis of various criteria including, performance track record, management, investment process, cost and efficiency, and risk management capabilities. In addition, the Company may eventually decide to manage certain assets internally. This decision will be based on situations where we believe that we can manage assets more effectively and efficiently than an external manager. This longer term model will only be pursued after all systems and people are in place to appropriately manage a multiple manager platform, including the in-house management of assets.

We believe that this investment process will allow us to ensure that the investment portfolio reflects an appropriate risk-return trade-off, given the asset/liability needs of the Company. The Company will benefit from having access to a large variety of asset managers. In addition, it will allow us to appropriately diversify the management of our assets across more than one asset manager and manage our assets in a cost efficient manner.

Current Environment

Our business and results of operations are materially affected by conditions in capital markets and the economy, generally. Recently, weakness in the energy and metals and mining sectors and political and/or economic instability in the *U.K.*, Brazil, Turkey, Russia, China, Japan, the Middle East and Puerto Rico, as well as Portugal, Ireland, Italy, Greece and Spain *(*"*Europe's perimeter region*"*)* and Cyprus, have contributed to global market volatility.

As a U.S. insurance company, we are affected by the monetary policy of the Federal Reserve Board in the United States. In December 2015, the Federal Open Market Committee increased the federal funds rate for the first time in 10 years and has held it steady since then. The Federal Reserve may take further actions to influence interest rates in the future, which may affect interest rates and risk markets in the U.S. and other developed and emerging economies, have an impact on the pricing levels of risk-bearing investments and may adversely impact the level of product sales. We are also affected by the monetary policy of central banks around the world due to the diversification of our investment portfolio.

European Region Investments

We maintain general account investments in certain EU member states and other countries in the region that are not members of the EU *(collectively, the* "*European Region*"*)* for diversification. 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, including the U.K., Germany, France, the Netherlands, Norway and Switzerland. Our total European Region general account exposure to fixed maturity and perpetual hybrid securities classified as non-redeemable preferred stock was $4.1 billion, or 4% of cash and invested assets as of September 30, 2016 and $3.6 billion, or 4% of cash and invested assets for both December 31, 2015 and 2014, which is invested in a diversified portfolio of primarily investment grade non-financial services securities.

Selected Country and Sector Investments

In recent years, elevated levels of market volatility have affected the performance of various asset classes. Contributing factors include concerns about global economic conditions and capital markets; lower oil prices impacting the energy sector; lower commodity prices impacting the metals and mining sector; and country specific volatility due to local economic and/or political concerns, including concerns over the solvency of the EU member states included in Europe's perimeter region and Cyprus, their banking systems and the financial institutions that have significant direct or indirect exposure to debt issued by these countries or their respective banking systems. While economic conditions in certain of these countries, including Europe's perimeter region, seem to be stabilizing or improving, greater European Central Bank and International Monetary Fund support, stronger liquidity facilities and gradually improving macroeconomic conditions at the country level have reduced the risk of default on sovereign debt and/or the risk of possible withdrawal of such countries from the Euro zone.

The following tables present, by country, a summary of fixed maturity securities in selected countries at estimated fair value, which represents 2%, 3% and 3% of total fixed maturity securities as of September 30, 2016, December 31, 2015 and 2014, respectively. We maintain general account investments in the selected countries through our global portfolio diversification. The Company has written credit default swaps where the underlying is an index comprised of companies across various sectors in the European Region. As of September 30, 2016, December 31, 2015 and 2014, the written credit default swaps exposure to Europe's perimeter region and Cyprus was $44 million, $34 million and $11 million in notional amount. The estimated fair value of the written credit default swaps exposure to Europe's perimeter region and Cyprus was less than $1 million as of September 30, 2016, December 31, 2015 and 2014. The information below is presented on a country of risk basis (e.g., the country where the issuer primarily conducts business).

	Selected Country Fixed Maturity Securities as of September 30, 2016 (1)				
	Sovereign	Financial Services	Non-Financial Services	Structured	Total (2)
	(Dollars in millions)				
Europe's perimeter region:					
Spain	$ —	$ —	$ 37	$ —	$ 37
Italy	—	2	37	—	39
Ireland	—	18	—	—	18
Portugal	—	—	3	—	3
Total Europe's perimeter region	—	20	77	—	97
United Kingdom	—	286	982	71	1,339
Brazil	31	—	60	—	91
Turkey	26	16	12	—	54
Puerto Rico (3)	5	—	13	—	18
Russia	2	—	6	—	8
Cyprus	—	1	—	—	1
Total	$ 64	$ 323	$ 1,150	$ 71	$ 1,608
Investment grade %	—%	84%	86%	100%	83%

	Selected Country Fixed Maturity Securities as of December 31, 2015 (1)				
	Sovereign	Financial Services	Non-Financial Services	Structured	Total (2)
	(Dollars in millions)				
Europe's perimeter region:					
Spain	$ —	$ 31	$ 37	$ —	$ 68
Italy	—	5	54	—	59
Ireland	—	2	13	—	15
Portugal	—	—	—	—	—
Total Europe's perimeter region	—	38	104	—	142
United Kingdom	33	233	1,094	203	1,563
Brazil	9	10	67	—	86
Turkey	26	19	11	—	56
Puerto Rico (3)	4	—	12	—	16
Russia	2	—	5	—	7
Cyprus	—	1	—	—	1
Total	$ 74	$ 301	$ 1,293	$ 203	$ 1,871
Investment grade %	80%	89%	90%	100%	91%

	Sovereign	Financial Services	Non-Financial Services	Structured	Total (2)
	Selected Country Fixed Maturity Securities as of December 31, 2014 (1)				
	(Dollars in millions)				
Europe's perimeter region:					
Spain	$ —	$ 8	$ 37	$ —	$ 45
Italy	—	—	74	—	74
Ireland	—	2	—	—	2
Portugal	—	—	—	—	—
Total Europe's perimeter region	—	10	111	—	121
United Kingdom	—	230	1,131	381	1,742
Brazil	8	34	135	—	177
Turkey	23	24	12	—	59
Puerto Rico (3)	5	—	15	—	20
Russia	2	—	4	—	6
Cyprus	—	—	—	—	—
Total	$ 38	$ 298	$ 1,408	$ 381	$ 2,125
Investment grade %	87%	86%	92%	100%	92%

(1) All dollar amounts are presented at estimated fair value.

(2) The par value and amortized cost of the fixed maturity securities were $1.5 billion and $1.6 billion, respectively, as of September 30, 2016. The par value and amortized cost of the fixed maturity securities were $1.8 billion and $1.9 billion, respectively, as of December 31, 2015. The par value and amortized cost of the fixed maturity securities were $2.0 billion and $2.1 billion, respectively, as of December 31, 2014.

(3) Our exposure to Puerto Rico sovereigns is in the form of political subdivision fixed maturities and is composed completely of revenue bonds. We have no Puerto Rico general obligation bonds.

See "— Mortgage Loans" for information about U.K. mortgage loan investments.

There has been an increased market focus on energy sector investments and metals and mining sector investments as a result of lower energy, oil and commodity prices. Our net exposure to energy sector fixed maturity securities was $2.1 billion (comprised of fixed maturity securities of $2.1 billion at estimated fair value and related net written credit default swaps of $35 million at notional value), of which 81% were investment grade, with unrealized gains of $115 million as of September 30, 2016. Our net exposure to energy sector fixed maturity securities was $2.2 billion (comprised of fixed maturity securities of $2.1 billion at estimated fair value and related net written credit default swaps of $55 million at notional value), of which 87% were investment grade, with unrealized losses of $88 million as of December 31, 2015. Our net exposure to energy sector fixed maturity securities was $2.6 billion (comprised of fixed maturity securities of $2.5 billion at estimated fair value and related net written credit default swaps of $105 million at notional value), of which 85% were investment grade, with unrealized gains of $140 million as of December 31, 2014. Our net exposure to metals and mining sector fixed maturity securities was $643 million at estimated fair value, of which 77% were investment grade, with unrealized gains of $39 million as of September 30, 2016. Our net exposure to metals and mining sector fixed maturity securities was $505 million at estimated fair value, of which 86% were investment grade, with unrealized losses of $69 million as of December 31, 2015. Our net exposure to metals and mining sector fixed maturity securities was $723 million at estimated fair value, of which 85% were investment grade, with unrealized gains of $21 million as of December 31, 2014.

We manage direct and indirect investment exposure in the selected countries, the energy sector and the metals and mining sector through fundamental credit analysis and we continually monitor and adjust our level of investment exposure. We do not expect that our general account investments in these countries, the energy sector or the metals and mining sector will have a material adverse effect on our results of operations or financial condition.

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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 us. 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), level of unrealized gains (losses) within the various asset classes in our investment portfolio, and our level of investment in lower yielding cash equivalents, short-term investments and government securities. *See* "— Industry Trends and Uncertainties" 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 and net income to vary from period to period."

Investment Portfolio Quality - Overview

The Company has a high quality and well performing investment portfolio.

Quality. Fixed maturity securities and mortgage loans represent over 80% of the total cash and invested assets. The quality of these asset classes is summarized below and additional information on the quality of these asset classes is provided in the sections that follow.

Performance. Impairments (including changes to the mortgage valuation allowances) on the investment portfolio have been very low, and yields on the investment portfolio remain strong, despite the adverse impact of the low interest rate environment and volatility in the equity markets in recent periods, as summarized below.

	As of and for the Nine Months Ended September 30,	As of and for the Years Ended December 31,	
	2016	2015	2014
Impairments to averaged invested assets (1)	0.12%	0.07%	0.07%
Annualized investment portfolio yield (2)	4.81%	4.99%	4.81%
Investment grade fixed maturity securities (3)	96.1%	95.5%	94.5%
Commercial mortgage loan loan-to-value ratio (4)	49.3%	49.0%	45.0%
Commercial mortgage loan debt service coverage ratio (4)	2.2x	2.3x	2.1x
Agricultural mortgage loan loan-to-value ratio (4)	39.0%	40.0%	41.0%

(1) Impairments on all asset classes as a percentage of average invested assets and cash and cash equivalents. *See* "— Investment Portfolio Results" for an explanation of how average invested assets are calculated.
(2) *See* "— Investment Portfolio Results" for the investment yield table and an explanation of how investment yields are calculated.
(3) Represents fixed maturity securities rated Baa and higher, as a percentage of total fixed maturity securities.
(4) *See* "— Mortgage Loans — Mortgage Loan Credit Quality — Monitoring Process" for an explanation of LTV and DSCR ratios.

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Investment Portfolio Results

The following yield table presents the yield and investment income (loss) for our investment portfolio for the periods indicated. 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 Nine Months Ended September 30,				For the Years Ended December 31,					
	2016		2015		2015		2014		2013	
	Yield% (1)	Amount	Yield% (1)	Amount	Yield% (1)	Amount	Yield% (1)	Amount	Yield% (1)	Amount
	(Dollars in millions)									
Fixed maturity securities (2)	4.55%	$ 1,968	4.82%	$ 1,838	4.80%	$ 2,464	4.84%	$ 2,287	5.04%	$ 2,380
Mortgage loans (2)	5.06%	300	5.79%	279	5.64%	372	5.64%	350	5.40%	372
Real estate and real estate joint ventures	6.18%	24	10.28%	63	11.75%	93	6.48%	54	3.92%	29
Policy loans	4.83%	59	4.82%	58	4.80%	78	5.00%	82	4.85%	80
Equity securities	5.31%	16	4.27%	14	4.39%	19	3.93%	17	3.30%	13
Other limited partnership interests	8.99%	121	9.49%	159	6.17%	134	11.87%	267	13.13%	272
Cash and short-term investments	0.23%	1	0.27%	4	0.27%	5	0.06%	3	0.07%	3
Other invested assets		214		183		248		184		175
Investment income	4.95%	2,703	5.25%	2,598	5.12%	3,413	4.92%	3,244	5.00%	3,324
Investment fees and expenses	(0.14)	(79)	(0.13)	(63)	(0.13)	(85)	(0.11)	(75)	(0.13)	(86)
Net investment income (3),(4)	4.81%	$ 2,624	5.12%	$ 2,535	4.99%	$ 3,328	4.81%	$ 3,169	4.87%	$ 3,238

(1) Yields are calculated as investment income as a percent of average quarterly asset carrying values. Yields for interim periods are presented on an annualized basis. Investment income excludes recognized gains and losses and reflects GAAP adjustments presented in footnote (4) 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 and the effects of consolidating certain variable interest entities *(“VIEs”)* under GAAP that are treated as consolidated securitization entities *(“CSEs”)*. 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 from fixed maturity securities and mortgage loans includes prepayment fees.

(3) Net investment income included in yield calculations includes earned income on derivatives and amortization of premium on derivatives that are hedges of investments or that are used to replicate certain investments, but do not qualify for hedge accounting *(“investment hedge adjustments”)*. Investment hedge adjustments are a reclassification adjustment to net investment income presented in the yield table to the most directly comparable GAAP measure as presented below.

(4) 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. Such reclassifications are presented in the table below.

	For the Nine Months Ended September 30,		Years Ended December 31,		
	2016	2015	2015	2014	2013
	(In millions)				
Net investment income — in the above yield table	$ 2,624	$ 2,535	$3,328	$3,169	$3,238
Investment hedge adjustments	(206)	(176)	(237)	(179)	(184)
Divested Business	—	—		63	190
Incremental net investment income from CSEs	4	10	8	37	122
Net investment income — GAAP combined statements of operations	$ 2,422	$ 2,369	$3,099	$3,090	$3,366

See “— Results of Operations — Combined Results for the Nine Months Ended September 30, 2016 and 2015 — Nine Months Ended September 30, 2016 Compared with the Nine Months Ended September 30, 2015,” for an analysis of the year-to-date over year-to-date changes in net investment income. *See* “— Results of Operations — Combined Results for the Years Ended December 31, 2015, 2014 and 2013 — Year Ended

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December 31, 2015 Compared with the Year Ended December 31, 2014" and "— Results of Operations — Combined Results for the Years Ended December 31, 2015, 2014 and 2013 — Year Ended December 31, 2014 Compared with the Year Ended December 31, 2013," for an analysis of the year over year changes in net investment income.

Fixed Maturity and Equity Securities AFS

The following table presents fixed maturity and equity securities AFS by type (public or private) and information about perpetual and redeemable securities held at:

	September 30, 2016		December 31, 2015		December 31, 2014	
	Estimated Fair Value	% of Total	Estimated Fair Value	% of Total	Estimated Fair Value	% of Total
	(Dollars in millions)					
Fixed maturity securities						
Publicly-traded	$ 65,906	86.9%	$ 55,029	86.4%	$ 52,147	85.6%
Privately-placed	9,936	13.1	8,627	13.6	8,787	14.4
Total fixed maturity securities	$ 75,842	100.0%	$ 63,656	100.0%	$ 60,934	100.0%
Percentage of cash and invested assets	74.1%		74.7%		75.1%	
Equity securities						
Publicly-traded	$ 205	56.2%	$ 250	54.7%	$ 321	63.3%
Privately-held	160	43.8	207	45.3	186	36.7
Total equity securities	$ 365	100.0%	$ 457	100.0%	$ 507	100.0%
Percentage of cash and invested assets	0.4%		0.5%		0.6%	
Perpetual securities included within fixed maturity and equity securities AFS	$ 95		$ 158		$ 200	
Redeemable preferred stock with a stated maturity included within fixed maturity securities AFS	$ 109		$ 342		$ 362	

Perpetual securities are included within fixed maturity and equity securities. 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*").

Redeemable preferred stock with a stated maturity is included within fixed maturity securities. 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 the 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 9 of the notes to the combined financial statements and Note 6 of the notes to the interim condensed combined 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 as of September 30, 2016, December 31, 2015 and December 31, 2014.

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. *See* Note 9 of the notes to the combined financial statements and Note 6 of the notes to the interim condensed combined financial statements for further information on our valuation controls and procedures, including our formal process to challenge any prices received from independent pricing services that are not considered representative of estimated fair value.

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 9 of the notes to the combined financial statements and Note 6 of the notes to the interim condensed combined 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.

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:

	September 30, 2016			
	Fixed Maturity Securities		Equity Securities	
	(Dollars in millions)			
Level 1				
Quoted prices in active markets for identical assets	$12,583	16.6%	$ 20	5.5%
Level 2				
Independent pricing sources	50,915	67.1	175	47.9
Internal matrix pricing or discounted cash flow techniques	8,013	10.6	4	1.1
Significant other observable inputs	58,928	77.7	179	49.0
Level 3				
Independent pricing sources	1,764	2.3	135	37.0
Internal matrix pricing or discounted cash flow techniques	2,418	3.2	31	8.5
Independent broker quotations	149	0.2	—	—
Significant unobservable inputs	4,331	5.7	166	45.5
Total estimated fair value	$75,842	100.0%	$365	100.0%

	December 31, 2015			
	Fixed Maturity Securities		Equity Securities	
	(Dollars in millions)			
Level 1				
Quoted prices in active markets for identical assets	$ 8,173	12.8%	$ 44	9.6%
Level 2				
Independent pricing sources	44,092	69.3	265	58.0
Internal matrix pricing or discounted cash flow techniques	6,835	10.7	51	11.2
Significant other observable inputs	50,927	80.0	316	69.2
Level 3				
Independent pricing sources	1,913	3.0	65	14.2
Internal matrix pricing or discounted cash flow techniques	2,315	3.7	32	7.0
Independent broker quotations	328	0.5	—	—
Significant unobservable inputs	4,556	7.2	97	21.2
Total estimated fair value	$63,656	100.0%	$457	100.0%

	December 31, 2014			
	Fixed Maturity Securities		Equity Securities	
	(Dollars in millions)			
Level 1				
Quoted prices in active markets for identical assets	$10,450	17.1%	$105	20.7%
Level 2				
Independent pricing sources	39,536	64.9	159	31.4
Internal matrix pricing or discounted cash flow techniques	7,228	11.9	143	28.2
Significant other observable inputs	46,764	76.8	302	59.6
Level 3				
Independent pricing sources	990	1.6	50	9.9
Internal matrix pricing or discounted cash flow techniques	2,167	3.6	28	5.5
Independent broker quotations	563	0.9	22	4.3
Significant unobservable inputs	3,720	6.1	100	19.7
Total estimated fair value	$60,934	100.0%	$507	100.0%

See Note 9 of the notes to the combined financial statements and Note 6 of the notes to the interim condensed combined 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 and for the periods ended September 30, 2016 and December 31, 2015 are as follows:

- The majority of the Level 3 fixed maturity and equity securities AFS were concentrated in three sectors: U.S. and foreign corporate securities and RMBS.
- 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: sub-prime RMBS; certain below investment grade private securities and less liquid investment grade corporate securities (included in U.S. and foreign corporate securities) and less liquid ABS.

- During the nine months ended September 30, 2016, Level 3 fixed maturity securities decreased by $225 million, or 5%. The decrease was driven by net transfers out of Level 3, partially offset by an increase in estimated fair value recognized in OCI and purchases in excess of sales.
- During the year ended December 31, 2015, Level 3 fixed maturity securities increased by $836 million, or 23%. 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 OCI.
- During the year ended December 31, 2014, Level 3 fixed maturity securities decreased by $248 million, or 6%. The decrease was driven by net transfers out of Level 3, partially offset by purchases in excess of sales and an increase in estimated fair value recognized in OCI.

See Note 9 of the notes to the combined financial statements and Note 6 of the notes to the interim condensed combined financial statements for a roll-forward 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; 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.

Fixed Maturity Securities AFS

See Notes 1 and 7 of the notes to the combined financial statements and Note 4 of the notes to the interim condensed combined financial statements for information about fixed maturity securities AFS by sector, contractual maturities and continuous gross unrealized losses.

Fixed Maturity Securities Credit Quality - Ratings

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 assumptions used to estimate expected losses from structured securities. We apply the revised NAIC methodologies to structured securities held by our 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.

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The following table presents total fixed maturity securities by NRSRO rating and the applicable designation from the NAIC published comparison of NRSRO ratings to NAIC designations, 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:

NAIC Designation	NRSRO Rating	September 30, 2016 Amortized Cost	Unrealized Gain (Loss)	Estimated Fair Value	% of Total
		(Dollars in millions)			
1	Aaa/Aa/A	$51,612	$5,354	$56,966	75.1%
2	Baa	14,729	1,161	15,890	21.0
	Subtotal investment grade	66,341	6,515	72,856	96.1
3	Ba	2,095	62	2,157	2.8
4	B	749	—	749	1.0
5	Caa and lower	79	(4)	75	0.1
6	In or near default	4	1	5	—
	Subtotal below investment grade	2,927	59	2,986	3.9
	Total fixed maturity securities	$69,268	$6,574	$75,842	100.0%

NAIC Designation	NRSRO Rating	December 31, 2015 Amortized Cost	Unrealized Gain (Loss)	Estimated Fair Value	% of Total
		(Dollars in millions)			
1	Aaa/Aa/A	$44,159	$2,278	$46,437	72.9%
2	Baa	14,217	165	14,382	22.6
	Subtotal investment grade	58,376	2,443	60,819	95.5
3	Ba	2,123	(87)	2,036	3.2
4	B	705	(33)	672	1.1
5	Caa and lower	133	(15)	118	0.2
6	In or near default	10	1	11	—
	Subtotal below investment grade	2,971	(134)	2,837	4.5
	Total fixed maturity securities	$61,347	$2,309	$63,656	100.0%

NAIC Designation	NRSRO Rating	December 31, 2014 Amortized Cost	Unrealized Gain (Loss)	Estimated Fair Value	% of Total
		(Dollars in millions)			
1	Aaa/Aa/A	$39,214	$3,828	$43,042	70.7%
2	Baa	13,549	971	14,520	23.8
	Subtotal investment grade	52,763	4,799	57,562	94.5
3	Ba	2,138	28	2,166	3.6
4	B	1,065	(15)	1,050	1.7
5	Caa and lower	156	(14)	142	0.2
6	In or near default	10	4	14	—
	Subtotal below investment grade	3,369	3	3,372	5.5
	Total fixed maturity securities	$56,132	$4,802	$60,934	100.0%

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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 non-agency RMBS, CMBS and ABS 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
NRSRO Rating	Aaa/Aa/A	Baa	Ba	B	Caa and Lower	In or Near Default	Estimated Fair Value
	(Dollars in millions)						
September 30, 2016							
U.S. corporate	$ 10,692	$10,949	$1,492	$ 597	$ 48	$ —	$ 23,778
U.S. government and agency	18,627	177	—	—	—	—	18,804
RMBS	12,951	147	47	17	21	5	13,188
Foreign corporate	2,062	3,914	551	88	1	—	6,616
ABS	3,211	245	2	—	—	—	3,458
State and political subdivision	4,337	33	4	—	5	—	4,379
CMBS	4,493	—	—	—	—	—	4,493
Foreign government	593	425	61	47	—	—	1,126
Total fixed maturity securities	$ 56,966	$15,890	$2,157	$ 749	$ 75	$ 5	$ 75,842
Percentage of total	75.1%	21.0%	2.8%	1.0%	0.1%	— %	100.0%
December 31, 2015							
U.S. corporate	$ 9,372	$ 9,956	$1,343	$ 507	$ 43	$ —	$ 21,221
U.S. government and agency	14,524	—	—	—	—	—	14,524
RMBS	9,481	139	180	82	55	7	9,944
Foreign corporate	1,652	3,604	462	65	4	—	5,787
ABS	4,041	288	—	—	11	4	4,344
State and political subdivision	3,599	28	—	—	4	—	3,631
CMBS	3,419	4	—	—	1	—	3,424
Foreign government	349	363	51	18	—	—	781
Total fixed maturity securities	$ 46,437	$14,382	$2,036	$ 672	$ 118	$ 11	$ 63,656
Percentage of total	72.9%	22.6%	3.2%	1.1%	0.2%	— %	100.0%
December 31, 2014							
U.S. corporate	$ 9,081	$ 9,643	$1,498	$ 752	$ 40	$ 3	$ 21,017
U.S. government and agency	16,408	—	—	—	—	—	16,408
RMBS	6,366	216	148	147	84	6	6,967
Foreign corporate	1,721	4,081	472	135	6	—	6,415
ABS	3,086	176	—	—	12	5	3,279
State and political subdivision	3,341	27	5	—	—	—	3,373
CMBS	2,705	—	—	—	—	—	2,705
Foreign government	334	377	43	16	—	—	770
Total fixed maturity securities	$ 43,042	$14,520	$2,166	$1,050	$ 142	$ 14	$ 60,934
Percentage of total	70.7%	23.8%	3.6%	1.7%	0.2%	— %	100.0%

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 10 holdings in aggregate comprise 2% of total investments as of September 30, 2016, December 31, 2015 and 2014. The tables below present our U.S. and foreign corporate securities holdings by industry as of:

	September 30, 2016		December 31, 2015		December 31, 2014	
	Estimated Fair Value	% of Total	Estimated Fair Value	% of Total	Estimated Fair Value	% of Total
	(Dollars in millions)					
Industrial	$ 9,104	30.0%	$ 7,297	27.0%	$ 7,659	27.9%
Consumer	7,445	24.5	6,906	25.6	6,883	25.1
Finance	6,154	20.2	5,288	19.6	4,890	17.8
Utility	4,341	14.3	4,715	17.5	4,916	17.9
Communications	2,430	8.0	1,742	6.4	1,948	7.1
Other	920	3.0	1,060	3.9	1,136	4.2
Total (1)	$ 30,394	100.0%	$ 27,008	100.0%	$ 27,432	100.0%

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

Structured Securities

We held $21.1 billion, $17.7 billion and $13.0 billion of structured securities, at estimated fair value, as of September 30, 2016, December 31, 2015 and 2014, respectively, as presented in the RMBS, ABS and CMBS sections below.

RMBS

The table below presents our RMBS holdings as of:

	September 30, 2016			December 31, 2015			December 31, 2014		
	Estimated Fair Value	% of Total	Net Unrealized Gains (Losses)	Estimated Fair Value	% of Total	Net Unrealized Gains (Losses)	Estimated Fair Value	% of Total	Net Unrealized Gains (Losses)
	(Dollars in millions)								
By security type:									
Pass-through securities	$ 7,133	54.1%	$ 132	$ 5,091	51.2%	$ 45	$ 3,510	50.4%	$ 120
Collateralized mortgage obligations	6,055	45.9	163	4,853	48.8	28	3,457	49.6	136
Total RMBS	$ 13,188	100.0%	$ 295	$ 9,944	100.0%	$ 73	$ 6,967	100.0%	$ 256
By risk profile:									
Agency	$ 9,845	74.6%	$ 283	$ 6,953	69.9%	$ 111	$ 4,830	69.3%	$ 263
Prime	421	3.2	8	408	4.1	5	560	8.0	7
Alt-A	1,515	11.5	13	1,336	13.4	(38)	790	11.4	(22)
Sub-prime	1,407	10.7	(9)	1,247	12.6	(5)	787	11.3	8
Total RMBS	$ 13,188	100.0%	$ 295	$ 9,944	100.0%	$ 73	$ 6,967	100.0%	$ 256
Ratings profile:									
Rated Aaa/AAA	$ 9,993	75.8%		$ 7,080	71.2%		$ 4,918	70.6%	
Designated NAIC 1	$ 12,951	98.2%		$ 9,481	95.3%		$ 6,366	91.4%	

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Collateralized mortgage obligations are 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 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 Investors Service ("*Moody's*"), S&P or Fitch Ratings ("*Fitch*"); and were designated NAIC 1 by the NAIC as of September 30, 2016 and December 31, 2015 and 2014. Agency RMBS were guaranteed or otherwise supported by the Federal National Mortgage Association, Federal Home Loan Mortgage Corporation or Government National Mortgage Association. Non-agency RMBS include prime, alternative residential mortgage loans ("*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.

Historically, we have managed our exposure to sub-prime RMBS holdings by focusing primarily on senior tranche securities, stress testing the portfolio with severe loss assumptions and closely monitoring the performance of the portfolio. Our sub-prime RMBS portfolio consists predominantly of securities that were purchased after 2010 at significant discounts to par value and discounts to the expected principal recovery of the securities. The vast majority of these securities are investment grade under the NAIC designations (e.g., NAIC 1 and NAIC 2). The estimated fair value of our sub-prime RMBS holdings purchased since 2012 was $1.3 billion, $1.1 billion and $595 million as of September 30, 2016 and December 31, 2015 and 2014, respectively, with unrealized gains (losses) of ($6) million, ($4) million and $9 million as of September 30, 2016 and December 31, 2015 and 2014, respectively.

ABS

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

	September 30, 2016			December 31, 2015			December 31, 2014		
	Estimated Fair Value	% of Total	Net Unrealized Gains (Losses)	Estimated Fair Value	% of Total	Net Unrealized Gains (Losses)	Estimated Fair Value	% of Total	Net Unrealized Gains (Losses)
	(Dollars in millions)								
By collateral type:									
Collateralized obligations	$ 1,504	43.5%	$ —	$ 2,177	50.1%	$ (41)	$ 1,116	34.0%	$ (11)
Automobile loans	497	14.4	3	485	11.2	1	434	13.3	3
Student loans	221	6.4	(11)	461	10.6	(10)	665	20.3	18
Foreign residential loans	78	2.3	—	214	4.9	4	414	12.6	7
Credit card loans	441	12.7	4	157	3.6	6	203	6.2	7
Other loans	717	20.7	9	850	19.6	—	447	13.6	7
Total	$ 3,458	100.0%	$ 5	$ 4,344	100.0%	$ (40)	$ 3,279	100.0%	$ 31
Ratings profile:									
Rated Aaa/AAA	$ 1,811	52.4%		$ 1,935	44.5%		$ 1,709	52.1%	
Designated NAIC 1	$ 3,211	92.9%		$ 4,041	93.0%		$ 3,086	94.1%	

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CMBS

Our CMBS holdings are diversified by vintage year. The following tables present our CMBS holdings by NRSRO rating and by vintage year as of:

	September 30, 2016											
	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
	(Dollars in millions)											
2003 - 2006	$ 31	$ 34	$ 9	$ 10	$ —	$ —	$ 5	$ 5	$ 3	$ 4	$ 48	$ 53
2007	84	84	16	16	—	—	—	—	—	—	100	100
2008 - 2010	2	2	—	—	—	—	—	—	—	—	2	2
2011	283	294	19	19	32	33	—	—	—	—	334	346
2012	241	251	167	174	109	114	2	3	—	—	519	542
2013	207	219	174	183	78	81	—	—	—	—	459	483
2014	353	372	340	358	54	56	—	—	—	—	747	786
2015	1,239	1,300	238	249	56	57	—	—	—	—	1,533	1,606
2016	479	502	45	45	28	28	—	—	—	—	552	575
Total	$ 2,919	$ 3,058	$ 1,008	$ 1,054	$ 357	$ 369	$ 7	$ 8	$ 3	$ 4	$ 4,294	$ 4,493
Ratings Distribution		68.1%		23.4%		8.2%		0.2%		0.1%		100.0%

	December 31, 2015											
	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
	(Dollars in millions)											
2003 - 2006	$ 286	$ 290	$ 28	$ 29	$ 8	$ 7	$ 14	$ 14	$ 4	$ 5	$ 340	$ 345
2007	121	121	34	34	5	6	—	—	25	24	185	185
2008 - 2010	2	2	—	—	13	13	—	—	—	—	15	15
2011	299	306	18	19	33	32	—	—	—	—	350	357
2012	105	107	111	111	104	105	1	1	—	—	321	324
2013	212	214	149	149	106	104	—	—	—	—	467	467
2014	312	311	320	319	80	79	—	—	—	—	712	709
2015	790	778	192	189	56	55	—	—	—	—	1,038	1,022
Total	$ 2,127	$ 2,129	$ 852	$ 850	$ 405	$ 401	$ 15	$ 15	$ 29	$ 29	$ 3,428	$ 3,424
Ratings Distribution		62.2%		24.8%		11.7%		0.4%		0.9%		100.0%

	December 31, 2014											
	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
	(Dollars in millions)											
2003 - 2006	$ 696	$ 712	$ 73	$ 75	$ 55	$ 55	$ 28	$ 28	$ 5	$ 7	$ 857	$ 877
2007	117	120	19	20	15	15	6	6	26	25	183	186
2008 - 2010	2	2	—	—	14	14	—	—	—	—	16	16
2011	189	200	19	19	33	33	—	—	—	—	241	252
2012	59	61	76	78	177	180	—	—	—	—	312	319
2013	171	176	90	93	207	204	—	—	—	—	468	473
2014	130	136	318	324	114	117	5	5	—	—	567	582
Total	$ 1,364	$ 1,407	$ 595	$ 609	$ 615	$ 618	$ 39	$ 39	$ 31	$ 32	$ 2,644	$ 2,705
Ratings Distribution		52.0%		22.5%		22.9%		1.4%		1.2%		100.0%

The tables above reflect ratings assigned by NRSROs, including Moody's, S&P, Fitch and Morningstar, Inc. CMBS designated NAIC 1 were 100%, 99.9% and 100.0% of total CMBS as of September 30, 2016 and December 31, 2015 and 2014, respectively.

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

See Notes 1 and 7 of the notes to the combined financial statements and Note 4 of the notes to the interim condensed combined 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 7 of the notes to the combined financial statements and Note 4 of the notes to the interim condensed combined 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 $23 million and $17 million for the nine months ended September 30, 2016 and 2015, respectively, and $34 million, $29 million and $26 million for the years ended December 31, 2015, 2014 and 2013, respectively. Impairments of fixed maturity securities were $22 million and $15 million for the nine months ended September 30, 2016 and 2015, respectively, and $31 million, $14 million and $21 million for the years ended December 31, 2015, 2014 and 2013, respectively. Impairments of equity securities were $1 million and $2 million for the nine months ended September 30, 2016 and 2015, respectively, and $3 million, $15 million and $5 million for the years ended December 31, 2015, 2014 and 2013, respectively.

Credit-related impairments of fixed maturity securities were $20 million and $15 million for the nine months ended September 30, 2016 and 2015, respectively, and $31 million, $14 million and $18 million for the years ended December 31, 2015, 2014 and 2013, respectively.

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

Nine Months Ended September 30, 2016 Compared with the Nine Months Ended September 30, 2015

Overall OTTI losses recognized in earnings on fixed maturity and equity securities were $23 million for the nine months ended September 30, 2016 as compared to $17 million for the nine months ended September 30, 2015. An increase of $12 million in OTTI losses on U.S. and foreign corporate securities in the current period was concentrated in the industrial sector and reflected the impact of lower oil prices on the energy sector.

Year Ended December 31, 2015 Compared with the Year Ended December 31, 2014

Overall OTTI losses recognized in earnings on fixed maturity and equity securities were $34 million for the year ended December 31, 2015 as compared to $29 million for the year ended December 31, 2014. An increase of $13 million in OTTI losses on U.S. and foreign corporate securities in the current period reflected the impact of weakening foreign currencies on non-functional currency denominated fixed maturity securities concentrated in the utility and consumer services industries and the impact of lower oil prices on the energy sector. This increase was partially offset by a decrease in equity security impairments at $12 million, primarily in finance industry non-redeemable preferred stocks.

Year Ended December 31, 2014 Compared with the Year Ended December 31, 2013

Overall OTTI losses recognized in earnings on fixed maturity and equity securities were $29 million for the year ended December 31, 2014 as compared to $26 million for the year ended December 31, 2013. The most significant increase was in non-redeemable preferred stock, which comprised $8 million for the year ended December 31, 2014, as compared to $2 million for the year ended December 31, 2013, and was primarily attributable to finance industry non-redeemable preferred stocks. This increase was partially offset by a decrease of $5 million in OTTI losses on RMBS, reflecting improving economic fundamentals.

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.

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. We monitor the estimated fair value of the securities loaned on a daily basis with additional collateral obtained as necessary throughout 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. Security collateral on deposit from counterparties may not be sold or repledged, unless the counterparty is in default, and is not reflected in the combined financial statements. 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 — Historical Liquidity and Capital Uses — Securities Lending" and Note 7 of the notes to the combined financial statements and Note 4 of the notes to the interim condensed combined financial statements for information regarding our securities lending program.

Mortgage Loans

Our mortgage loans are principally collateralized by commercial, agricultural and residential properties. Mortgage loans and the related valuation allowances are summarized as follows as of:

	September 30,				December 31,							
	2016				2015				2014			
	Recorded Investment	% of Total	Valuation Allowance	% of Recorded Investment	Recorded Investment	% of Total	Valuation Allowance	% of Recorded Investment	Recorded Investment	% of Total	Valuation Allowance	% of Recorded Investment
	(Dollars in millions)											
Commercial	$ 6,142	72.5%	$ 33	0.5%	$ 5,515	74.7%	$ 29	0.5%	$ 4,462	76.4%	$ 22	0.5%
Agricultural	1,697	20.1	5	0.3%	1,539	20.8	5	0.3%	1,376	23.6	4	0.3%
Residential	628	7.4	5	0.8%	335	4.5	3	0.9%	—	—	—	—%
Total	$ 8,467	100.0%	$ 43	0.5%	$ 7,389	100.0%	$ 37	0.5%	$ 5,838	100.0%	$ 26	0.4%

The information presented in the tables herein excludes mortgage loans where we elected the fair value option ("*FVO*"). Such amounts are presented in Note 7 of the notes to the combined financial statements and Note 4 of the notes to the interim condensed combined financial statements.

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, as of September 30, 2016, December 31, 2015 and 2014, 96% was collateralized by properties located in the U.S. and the majority of the remainder was collateralized by properties located in the U.K. The carrying value as a percentage of total commercial and agricultural mortgage loans for the top three states in the U.S. is as follows as of:

	September 30, 2016	December 31, 2015	December 31, 2014
State			
California	24%	26%	27%
New York	16%	17%	18%
Texas	10%	10%	8%

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.

We manage our residential mortgage loan portfolio in a similar manner to reduce risk of concentration. All residential mortgage loans were collateralized by properties located in the U.S. at both September 30, 2016 and December 31, 2015. There were no residential mortgage loans as of December 31, 2014. The carrying value as a percentage of total residential mortgage loans for the top three states in the U.S. is as follows as of:

	September 30, 2016	December 31, 2015	December 31, 2014
State			
California	37%	40%	— %
Florida	12%	13%	— %
New York	8%	8%	— %

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 as of September 30, 2016 and December 31, 2015 and 2014. The tables below present the diversification across geographic regions and property types of commercial mortgage loans as of:

	September 30,		December 31,			
	2016		2015		2014	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
			(Dollars in millions)			
Region						
Pacific	$1,504	24.5%	$1,537	27.9%	$1,188	26.6%
Middle Atlantic	1,422	23.2	1,281	23.2	1,095	24.5
South Atlantic	1,072	17.5	835	15.2	767	17.2
West South Central	701	11.4	663	12.0	440	9.8
East North Central	344	5.6	381	6.9	254	5.7
International	285	4.6	211	3.8	181	4.1
New England	217	3.4	204	3.7	150	3.4
Mountain	274	4.5	175	3.2	181	4.1
West North Central	102	1.7	54	1.0	—	—
East South Central	22	0.4	35	0.6	27	0.6
Multi-Region and Other	199	3.2	139	2.5	179	4.0
Total recorded investment	6,142	100.0%	5,515	100.0%	4,462	100.0%
Less: valuation allowances	33		29		22	
Carrying value, net of valuation allowances	$6,109		$5,486		$4,440	
Property Type						
Office	$2,761	45.0%	$2,631	47.7%	$2,484	55.7%
Retail	1,907	31.0	1,810	32.8	1,277	28.6
Hotel	558	9.1	517	9.4	320	7.2
Apartment	624	10.2	457	8.3	286	6.4
Industrial	277	4.5	100	1.8	95	2.1
Other	15	0.2	—	—	—	—
Total recorded investment	6,142	100.0%	5,515	100.0%	4,462	100.0%
Less: valuation allowances	33		29		22	
Carrying value, net of valuation allowances	$6,109		$5,486		$4,440	

Mortgage Loan Credit Quality — Monitoring Process. We monitor our mortgage loan investments on an ongoing basis, including a review of loans that are current, past due, restructured and under foreclosure. *See* Note 7 of the notes to the combined financial statements and Note 4 of the notes to the interim condensed combined financial statements for information on mortgage loans by credit quality indicator, past due and nonaccrual mortgage loans, as well as impaired 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 roll-over 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 sector basis. We review our residential mortgage loans on an ongoing basis. *See* Note 7 of the notes to the combined financial statements and Note 4 of the notes to the interim condensed combined financial statements for information on our evaluation of residential mortgage loans and related valuation allowance methodology.

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 49% at both September 30, 2016 and December 31, 2015 and 45% at December 31, 2014, respectively, and our average debt service coverage ratio was 2.2x, 2.3x and 2.1x as of September 30, 2016 and December 31, 2015 and 2014, respectively. The debt service coverage ratio, as well as the values utilized in calculating the ratio, is updated annually on a rolling basis, with a portion of the portfolio updated each quarter. In addition, the loan-to-value ratio is routinely updated for all but the lowest risk loans as part of our ongoing review of our commercial mortgage loan portfolio. For our agricultural mortgage loans, our average loan-to-value ratio was 39%, 40% and 41% as of September 30, 2016 and December 31, 2015 and 2014, 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, 7 and 9 of the notes to the combined financial statements and Notes 4 and 6 of the notes to the interim condensed combined 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 nine months ended September 30, 2016 and 2015 and the years ended December 31, 2015, 2014 and 2013.

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Real Estate and Real Estate Joint Ventures

Real estate investments by type consisted of the following at:

	September 30, 2016		December 31, 2015		December 31, 2014	
	Carrying Value	% of Total	Carrying Value	% of Total	Carrying Value	% of Total
	(Dollars in millions)					
Traditional	$ 103	49.0%	$ 450	71.2%	$ 575	64.0%
Real estate joint ventures and funds	107	51.0	177	28.0	230	25.6
Real estate held-for-investment	210	100.0	627	99.2	805	89.6
Real estate held-for-sale	—	—	5	0.8	93	10.4
Total real estate and real estate joint ventures	$ 210	100.0%	$ 632	100.0%	$ 898	100.0%

We classify within Traditional real estate our investment in income-producing real estate, which is comprised of wholly owned real estate and joint ventures with interests in single property income-producing real estate and multi-property funds with stable income-producing properties. The estimated fair value of the Traditional and Held-for-sale real estate investment portfolios was $234 million, $541 million and $808 million as of September 30, 2016 and December 31, 2015 and 2014, 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 a runoff portfolio of real estate private equity funds. From time to time, if we intend to retain an interest in the property, we transfer investments from these joint ventures to traditional real estate after the completed property commences operations.

We diversify our real estate investments by both property type and geographic region to reduce risk of concentration.

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

	September 30, 2016		December 31, 2015		December 31, 2014	
	Carrying Value	% of Total	Carrying Value	% of Total	Carrying Value	% of Total
	(Dollars in millions)					
Real estate investment funds	$ 114	54.3%	$ 151	23.9%	$ 84	9.4%
Office	28	13.3	275	43.5	527	58.7
Hotel	40	19.1	55	8.7	32	3.6
Apartment	7	3.3	39	6.2	35	3.9
Retail	—	—	37	5.9	39	4.3
Agriculture	21	10.0	17	2.7	21	2.3
Industrial	—	—	28	4.4	74	8.2
Other	—	—	30	4.7	86	9.6
Total real estate and real estate joint ventures	$ 210	100.0%	$ 632	100.0%	$ 898	100.0%

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Real estate funds, including those classified within Traditional, were 68% of our real estate investments, at September 30, 2016. The majority of these funds hold underlying real estate investments that are well diversified across the U.S. Approximately 47%, 90% and 95% of our real estate investments, excluding funds, were located in the U.S. and approximately 31%, 5% and 3% were located in Brazil as of September 30, 2016, December 2015 and 2014, respectively. The carrying value as a percentage of total real estate investments, excluding funds, for the top geographies in the U.S. is as follows as of:

	September 30, 2016	December 31, 2015	December 31, 2014
State			
District of Columbia	— %	32%	18%
Florida	10%	3%	2%
Georgia	37%	9%	20%

Impairments recognized on real estate and real estate joint ventures were $33 million, $1 million, $1 million, $10 million and $1 million for the nine months ended September 30, 2016 and 2015 and for the years ended December 31, 2015, 2014 and 2013, respectively. Depreciation expense on real estate investments was $1 million, $5 million, $6 million, $10 million and $11 million for the nine months ended September 30, 2016 and 2015 and for the years ended December 31, 2015, 2014 and 2013, respectively. Real estate investments are net of accumulated depreciation of $34 million, $36 million and $59 million as of September 30, 2016 and December 31, 2015 and 2014, respectively.

Other Limited Partnership Interests

Other limited partnership interests are comprised of private equity funds and hedge funds. The carrying value of other limited partnership interests was $1.7 billion, $1.9 billion and $2.2 billion as of September 30, 2016 and December 31, 2015 and 2014, respectively, which included $291 million, $479 million and $725 million of hedge funds, as of September 30, 2016 and December 31, 2015 and 2014, respectively. Cash distributions on these investments will be generated from investment gains, from operating income from the underlying investments of the funds and from liquidation of the underlying assets of the funds. It is estimated that the underlying assets of the funds will be liquidated over the next two to 10 years.

Other Invested Assets

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

	September 30,		December 31,			
	2016		2015		2014	
	Carrying Value	% of Total	Carrying Value	% of Total	Carrying Value	% of Total
	(Dollars in millions)					
Freestanding derivatives with positive estimated fair values	$ 5,648	73.5%	$ 3,917	65.4%	$ 3,590	62.5%
Loans to affiliates (primarily MetLife, Inc.)	1,109	14.4	1,178	19.7	1,273	22.2
Funds withheld	736	9.6	703	11.7	691	12.0
Tax credit and renewable energy partnerships	113	1.5	116	1.9	117	2.0
Leveraged leases, net of non-recourse debt	70	0.9	71	1.2	72	1.2
Other	10	0.1	1	0.1	3	0.1
Total	$ 7,686	100.0%	$ 5,986	100.0%	$ 5,746	100.0%

See Notes 7 and 8 of the notes to the combined financial statements and Notes 4 and 5 of the notes to the interim condensed combined financial statements for information regarding loans to affiliates, tax credit partnerships, leveraged leases and freestanding derivatives with positive estimated fair values, respectively. *See* Note 1 of the notes to the combined financial statements for further information about loans to affiliates, funds withheld and tax credit and renewable energy partnerships.

Short-term Investments and Cash Equivalents

The carrying value of short-term investments, which approximates estimated fair value, was $3.7 billion, $1.8 billion and $1.5 billion, or 3.6%, 2.2% and 1.9% of total cash and invested assets, as of September 30, 2016 and December 31, 2015 and 2014, respectively. The carrying value of cash equivalents, which approximates estimated fair value, was $2.1 billion, $1.2 billion and $984 million, or 2.0%, 1.4% and 1.2% of total cash and invested assets, as of September 30, 2016 and December 31, 2015 and 2014, 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 8 of the notes to the combined financial statements and Note 5 of the notes to the interim condensed combined 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 gross notional amount, estimated fair value, and primary underlying risk exposure of our derivatives by type of hedge designation, excluding embedded derivatives held as of September 30, 2016, December 31, 2015 and 2014.
- The statement of operations effects of derivatives in cash flow, fair value, or nonqualifying hedge relationships for the nine months ended September 30, 2016 and 2015 and the years ended December 31, 2015, 2014 and 2013.

See "Business — Description of our Segments, Products and Operations — Variable Annuity Risk Management" and "Business — Description of our Segments, Products and Operations — Life — Products —ULSG Market Risk Exposure Management" for more information about our use of derivatives by major hedge programs.

Fair Value Hierarchy

See Note 9 of the notes to the combined financial statements and Note 6 of the notes to the interim condensed combined 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 both September 30, 2016 and December 31, 2015 include: interest rate forwards with maturities which extend beyond the observable portion of the yield curve; interest rate total return swaps with unobservable repurchase rates; 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 index options with unobservable correlation inputs. At both September 30, 2016 and December 31, 2015, less than 1% of the estimated fair value of our derivatives was priced through independent broker quotations.

See Note 9 of the notes to the combined financial statements and Note 6 of the notes to the interim condensed combined financial statements for a roll-forward of the fair value measurements for derivatives measured at estimated fair value on a recurring basis using significant unobservable (Level 3) inputs.

The gain (loss) on Level 3 derivatives primarily relates to interest rate total return swaps with unobservable repurchase rates, certain purchased equity index 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. 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 gain (loss) on Level 3 derivatives, percentage of gain (loss) attributable to observable and unobservable inputs, and the primary drivers of observable gain (loss) are summarized as follows as of:

	Nine Months Ended September 30, 2016	Year Ended December 31, 2015
Gain (loss) recognized in net income (loss)	($76) million	($74) million
Percentage of gain (loss) attributable to observable inputs	86%	48%
Primary drivers of observable gain (loss)	Decreases in certain equity volatility levels; and increases in certain equity index levels.	Increases in equity index levels; and increases in short-term interest rates.
Percentage of gain (loss) attributable to unobservable inputs	14%	52%

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

Credit Risk

See Note 8 of the notes to the combined financial statements and Note 5 of the notes to the interim condensed combined 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 combined balance sheets, and does not affect our legal right of offset.

Credit Derivatives

The following tables present the gross notional amount and estimated fair value of credit default swaps as of:

	September 30,			
	2016		2015	
Credit Default Swaps	Gross Notional Amount	Estimated Fair Value	Gross Notional Amount	Estimated Fair Value
	(In millions)			
Purchased	$ 56	$ (1)	$ 30	$ (1)
Written	1,848	23	2,141	8
Total	$ 1,904	$ 22	$ 2,171	$ 7

Credit Default Swaps	December 31, 2015 Gross Notional Amount	2015 Estimated Fair Value	2014 Gross Notional Amount	2014 Estimated Fair Value
	(In millions)			
Purchased	$ 24	$ —	$ 48	$ (1)
Written	2,126	12	1,957	29
Total	$ 2,150	$ 12	$ 2,005	$ 28

The following tables present the gross gains, gross losses and net gain (losses) recognized in net derivative gains (losses) for credit default swaps as follows as of:

Credit Default Swaps	Nine Months Ended September 30, 2016 Gross Gains	2016 Gross Losses	2016 Net Gains (Losses)	2015 Gross Gains	2015 Gross Losses	2015 Net Gains (Losses)
	(In millions)					
Purchased (1)	$ —	$ —	$ —	$ —	$ —	$ —
Written (1)	11	(3)	8	2	(22)	(20)
Total	$ 11	$ (3)	$ 8	$ 2	$ (22)	$ (20)

Credit Default Swaps	Years Ended December 31, 2015 Gross Gains	2015 Gross Losses	2015 Net Gains (Losses)	2014 Gross Gains	2014 Gross Losses	2014 Net Gains (Losses)
	(In millions)					
Purchased (1)	$ —	$ —	$ —	$ 1	$ (23)	$ (22)
Written (1)	4	(18)	(14)	27	(9)	18
Total	$ 4	$ (18)	$ (14)	$ 28	$ (32)	$ (4)

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

The maximum amount at risk related to our written credit default swaps is equal to the corresponding gross notional amount. 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 9 of the notes to the combined financial statements and Note 6 of the notes to the interim condensed combined financial statements for information about embedded derivatives measured at estimated fair value on a recurring basis and their corresponding fair value hierarchy.

See Note 9 of the notes to the combined financial statements and Note 6 of the notes to the interim condensed combined financial statements for a roll-forward of the fair value measurements for embedded derivatives measured at estimated fair value on a recurring basis using significant unobservable (Level 3) inputs.

See Note 8 of the notes to the combined financial statements and Note 5 of the notes to the interim condensed combined 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" and "— Derivatives" for further information on the estimates and assumptions that affect embedded derivatives.

Off-Balance Sheet Arrangements

Credit and Committed Facilities

We had access to an unsecured credit facility and certain committed facilities from various banks. *See* "— Liquidity and Capital Resources — The Company — Historical Primary Sources of Liquidity and Capital — Credit and Committed Facilities" for further descriptions of such arrangements. 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, *see* Note 11 of the notes to the combined financial statements.

Collateral for Securities Lending, Repurchase Agreement Transactions 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, which cannot be sold or repledged, and which is not recorded on our combined balance sheets. The amount of this collateral was $81 million, $23 million and $60 million at estimated fair value as of September 30, 2016 and December 31, 2015 and 2014, respectively. *See* Notes 1 and 7 of the notes to the combined financial statements and Note 4 of the notes to the interim condensed combined 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 participate in repurchase and reverse repurchase agreement transactions. In connection with these transactions, we obtain fixed maturity securities as collateral from unaffiliated financial institutions, which can be repledged, and which are not recorded on our combined balance sheets. The amount of these securities and the amount which were repledged was $306 million and $114 million, respectively, at estimated fair value as of September 30, 2016. We had no such securities as of December 31, 2015 or 2014. *See* Note 4 of the notes to the interim condensed combined financial statements for discussion of our repurchase and reverse repurchase agreements, and the classification of the associated net receivable/payable and expense.

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 repledged subject to certain constraints, and which has not been recorded on our combined balance sheets. The amount of this non-cash collateral was $951 million, $554 million and $1.3 billion as of September 30, 2016 and December 31, 2015 and 2014, respectively. In certain instances, cash collateral pledged to the Company as initial margin for bilateral contracts between two counterparties ("*OTC-bilateral*") derivatives is held in separate custodial accounts and is not recorded on our combined balance sheets because the account title is in the name of the counterparty (but segregated for the benefit of the Company). The amount of this cash collateral was $0, $0 and $121 million as of September 30, 2016 and December 31, 2015 and 2014, respectively. *See* "— Liquidity and Capital Resources — The Company — Historical Liquidity and Capital Uses — Pledged Collateral" and Note 8 of the notes to the combined financial statements and Note 5 of the notes to the interim condensed combined financial statements for information regarding the earned income on and the gross notional amount, estimated fair value of assets and liabilities and primary underlying risk exposure of our derivatives.

Guarantees

See “Guarantees” in Note 16 of the notes to the combined financial statements and Note 9 of the notes to the interim condensed combined financial statements.

Other

Additionally, we enter into commitments in the normal course of business for the purpose of enhancing the total return on our investment portfolio: mortgage loan commitments and commitments to fund partnerships, bank credit facilities and private corporate bond investments. *See* “Net Investment Income” and “Net Investment Gains (Losses)” in Note 7 of the notes to the combined financial statements and Note 4 of the notes to the interim condensed combined financial statements for information on the investment income, investment expense, gains and losses from such investments. *See* also “— Investments — Fixed Maturity and Equity Securities AFS” and “— Investments — 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.

Other than the commitments disclosed in Note 16 of the notes to the combined financial statements and Note 9 of the notes to the interim condensed combined financial statements, there are no other material obligations or liabilities arising from the commitments to fund mortgage loans, partnerships, bank credit facilities, and private corporate bond investments. For further information on commitments to fund partnership investments, mortgage loans, bank credit facilities and private corporate bond investments *see* “— Liquidity and Capital Resources — The Company — Contractual Obligations.”

Insolvency Assessments

See Note 16 of the notes to the combined 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 combined 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 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 assumptions supporting our estimates of actuarial liabilities for future policy benefits. 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.

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.

See “Regulation — Insurance Regulation — Policy and Contract Reserve Adequacy Analysis” and “Risk Factors — Risks Related to our Business” for further information.

Future Policy Benefits

We establish liabilities for amounts payable under insurance policies. *See* Notes 1 and 4 of the notes to the combined financial statements, Note 3 of the notes to the interim condensed combined financial statements and “— Summary of Critical Accounting Estimates — Liability for Future Policy Benefits.” A discussion of future policy benefits by segment (as well as Corporate & Other) follows.

Annuities

Future policy benefits for the annuities business are comprised mainly of liabilities for life-contingent income annuities, and liabilities for the variable annuity guaranteed minimum benefits accounted for as insurance.

Life

Future policy benefits for the life business 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, 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.

Run-off

Future policy benefits primarily include liabilities for payout annuities, including pension risk transfers and structured settlement annuities. There is no interest rate crediting flexibility on the liabilities for payout annuities. 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 derivative positions, primarily interest rate swaps, to mitigate the risks associated with such scenario.

Corporate & Other

Future policy benefits primarily include liabilities for certain run-off long-term care and workers’ compensation business. Additionally, future policy benefits historically included liabilities for variable annuity guaranteed minimum benefits assumed from a former operating joint venture in Japan that were accounted for as insurance prior to 2014.

Policyholder Account Balances

Policyholder account balances are generally equal to the account value, which includes accrued interest credited, but excludes the impact of any applicable charge that may be incurred upon surrender. *See* “Quantitative and Qualitative Disclosures About Market Risk — Market Risk — Fair Value Exposures — Interest Rates” and “— Variable Annuity Guarantees.” *See* also Notes 1 and 4 of the notes to the combined financial statements and Note 3 of the notes to the interim condensed combined financial statements for additional information. A discussion of policyholder account balances by segment (as well as Corporate & Other) follows.

Annuities

Policyholder account balances for annuities 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 policyholder account balances. We have various derivative positions, including interest rate floors, to partially mitigate the risks associated with such a scenario. Additionally, policyholder account balances 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 Annuities as of:

	September 30, 2016		December 31, 2015	
Guaranteed Minimum Crediting Rate	**Account Value (1)**	**Account Value at Guarantee (1)**	**Account Value (1)**	**Account Value at Guarantee (1)**
	(In millions)			
Annuities				
Greater than 0% but less than 2%	$ 1,574	$ 1,091	$ 1,468	$ 1,073
Equal to or greater than 2% but less than 4%	$16,142	$ 14,696	$16,487	$ 14,331
Equal to or greater than 4%	$ 580	$ 580	$ 593	$ 592

(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. As of September 30, 2016 and December 31, 2015, excess interest reserves for Annuities were $321 million and $326 million, respectively.

Life

Life policyholder account balances are held for retained asset accounts, universal life policies and the fixed account of universal variable life insurance policies. 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 policyholder account balances. We have various derivative positions, including 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 Life as of:

	September 30, 2016		December 31, 2015	
Guaranteed Minimum Crediting Rate	**Account Value (1)**	**Account Value at Guarantee (1)**	**Account Value (1)**	**Account Value at Guarantee (1)**
	(In millions)			
Life				
Greater than 0% but less than 2%	$ 185	$ 185	$ 145	$ 145
Equal to or greater than 2% but less than 4%	$ 6,823	$ 736	$ 6,589	$ 662
Equal to or greater than 4%	$ 2,681	$ 1,780	$ 2,708	$ 1,816

(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. As of September 30, 2016 and December 31, 2015, excess interest reserves for Life were $103 million and $110 million, respectively.

Run-off

Policyholder account balances in Run-off are comprised of funding agreements and the fixed account of leveraged life insurance policies. 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 (one-month or three-month) London InterBank Offered Rate (“*LIBOR*”). We are exposed to interest rate risks, when guaranteeing payment of interest and return on principal at the contractual maturity date. We may invest in floating rate assets or enter into receive-floating 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.

Corporate & Other

Policyholder account balances were historically held for variable annuity guaranteed minimum benefits assumed from a former operating joint venture in Japan that were accounted for as embedded derivatives prior to 2014.

Variable Annuity Guarantees

We issue 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 combined financial statements and Note 3 of the notes to the interim condensed combined financial statements and “Business — Description of our Segments, Products and Operations — Annuities — Variable Annuities” for additional information.

Liquidity and Capital Resources

Liquidity refers to our ability to generate adequate cash flows from our normal operations to meet the cash requirements of our operating, investing and financing activities. Capital refers to our long-term financial resources available to support our business operations and contribute to future growth. Our ability to generate and maintain sufficient liquidity and capital depends on the profitability of the businesses, timing of cash flows on investments and products, general economic conditions and access to the capital markets and the alternate sources of liquidity and capital described herein.

Parent Company

Liquidity

In evaluating liquidity it is important to distinguish the cash flow needs of the parent company, Brighthouse Financial, Inc., from the cash flow needs of the combined group of companies. Brighthouse Financial, Inc. is largely dependent on cash flows from its insurance company subsidiaries to meet its obligations. The principal sources of funds available to Brighthouse Financial, Inc. will include dividends and returns of capital from its insurance company subsidiaries, as well as its cash and short-term investments. These sources of funds may be supplemented by alternate sources of liquidity described below either directly or indirectly through our insurance company subsidiaries. In the future, we may also establish an internal liquidity facility to provide liquidity within and across the combined group of companies. *See* “Risk Factors — Capital-Related Risks — As a holding company, Brighthouse Financial, Inc. depends on the ability of its subsidiaries to pay dividends.”

Capital

In connection with the separation, we expect to maintain adequate liquidity at Brighthouse Financial, Inc., a debt-to-capital ratio of approximately 20% and an initial funding of $3.0 billion of assets in excess of CTE95 to support our variable annuity contracts, which we expect to result in a combined company action level RBC ratio of approximately 700%.

On December 2, 2016, Brighthouse Financial, Inc. entered into a $3.0 billion three-year senior unsecured delayed draw term loan agreement with a bank syndicate. Borrowings under the term loan agreement may be used for general corporate purposes, including in connection with the separation and distribution. The term loan agreement provides that borrowings may be made prior to the separation. Amounts under the term loan agreement are available after the completion of the contribution by MetLife, Inc. of entities to Brighthouse Intermediate Company ("*Initial Contribution*") as described under "Formation of Brighthouse and the Restructuring — Formation of Brighthouse — Formation and Contribution Transactions" and the completion of the contribution by MetLife, Inc. of Brighthouse Intermediate Company to Brighthouse Financial, Inc. (the "*Final Contribution*") as described under "Formation of Brighthouse and the Restructuring — Brighthouse." Alternatively, after the Initial Contribution, Brighthouse Financial, Inc. may draw down amounts from available commitments provided that Brighthouse Intermediate Company provides a guaranty of repayment of such obligations. There were no outstanding borrowings as of December 5, 2016. On December 2, 2016, Brighthouse Financial, Inc. also entered into a $2.0 billion five-year senior unsecured revolving credit facility with a bank syndicate. Borrowings and letters of credit under the revolving credit agreement may be used for general corporate purposes, including to pay a portion of the dividends to be made by Brighthouse Financial, Inc. to MetLife, Inc. in connection with the distribution. Borrowings and issuances of letters of credit may commence after completion of the distribution, and shortly prior to the distribution if certain conditions are satisfied. Both the term loan agreement and the revolving credit facility contain certain administrative, reporting, legal and financial covenants, including requirements to maintain a specified minimum consolidated net worth and to maintain a ratio of indebtedness to total capitalization not in excess of a specified percentage, and limitations on the dollar amount of indebtedness that may be incurred by our subsidiaries, which could restrict our operations and use of funds.

Brighthouse Financial, Inc. may also offer debt securities prior to or shortly after the separation and distribution. We have not yet finalized all of the types of financing we may incur. Such financings may include the issuance of debt securities in one or more registered offerings or private placements, as well as preferred stock or common stock. Furthermore, we have not yet finalized when we expect to complete all of the financing and incur all of the expected debt in accordance with the separation and the distribution. It is anticipated that a significant portion of the pre-separation financing proceeds would be dividended to MetLife, Inc. prior to the distribution.

See also "— The Company — Capital" for a discussion of how we manage our capital for the combined group of companies.

Following the distribution, we expect to establish a dividend policy and initially we may pay an annual cash dividend on our common stock, although the timing, declaration, amount and payment of future dividends to shareholders will fall within the discretion of our Board. In addition, the declaration of any future cash dividends and, if declared by our board of directors, the amount of any such dividends, will be subject to our financial condition, results of operations, future prospects, cash and capital requirements, financial covenants and other contractual restrictions.

The Company

Sources and Uses of Liquidity and Capital

Our principal sources of liquidity are insurance premiums and annuity considerations, net investment income and proceeds from the maturity and sale of investments. Historically, we have also sourced liquidity from debt issuances and borrowing facilities, capital contributions from our parent, MetLife, and securities lending. The primary uses of these funds are investing activities, payments of policyholder benefits, commissions and operating expenses, and contract maturities, withdrawals and surrenders.

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Summary of the Historical Primary Sources and Uses of Liquidity and Capital

The following table presents a summary of the historical primary sources and uses of liquidity and capital as of:

	Nine Months Ended September 30,		Years Ended December 31,		
	2016	2015	2015	2014	2013
			(In millions)		
Sources:					
Operating activities, net	$2,605	$2,608	$4,631	$5,361	$4,413
Investing activities, net	—	—	—	—	1,988
Changes in payables for collateral under securities loaned and other transactions, net	3,059	4,053	3,126	710	—
Long-term debt issued (1)	—	—	175	—	—
Cash received from MetLife in connection with shareholder's net investment	1,726	385	406	476	150
Total sources	7,390	7,046	8,338	6,547	6,551
Uses:					
Investing activities, net	5,074	6,786	7,042	467	—
Changes in policyholder account balances, net	754	173	225	2,335	1,129
Changes in payables for collateral under securities loaned and other transactions, net	—	—	—	—	3,194
Long-term debt repaid (1)	21	76	235	1,379	1,009
Financing element on certain derivative instruments	228	73	96	413	197
Cash paid to MetLife in connection with shareholder's net investment (2)	58	554	771	1,727	1,411
Other, net	—	—	—	—	27
Effect of change in foreign currency exchange rates on cash and cash equivalents	—	2	2	45	46
Total uses	6,135	7,664	8,371	6,366	7,013
Net increase (decrease) in cash and cash equivalents	$1,255	$ (618)	$ (33)	$ 181	$ (462)

(1) Long-term debt repaid includes $21 million and $75 million for the nine months ended September 30, 2016 and 2015, respectively, and $87 million, $1.3 billion and $1.0 billion for the years ended December 31, 2015, 2014 and 2013, respectively, of reductions on long-term debt of CSEs for which offsetting amounts are included within investing activities, net, related to corresponding reductions in the associated invested assets of these CSEs. Total repayments of long-term debt and total redemptions of the associated invested assets of these CSEs do not affect the liquidity and capital of the Company. We consolidate CSEs that are structured as CMBS. The assets of these entities can only be used to settle their respective liabilities, and under no circumstances is the Company liable for any principal or interest shortfalls should any arise. Our exposure was limited to that of its remaining investment in these entities of $98 million, $105 million and $123 million at estimated fair value as of September 30, 2016, December 31, 2015 and December 31, 2014, respectively. *See* Note 7 of the notes to the combined financial statements and Note 4 of the notes to the interim condensed combined financial statements for more information regarding CSEs. Long-term debt issued and long-term debt repaid includes $175 million and $147 million, respectively, for the year ended December 31, 2015 relating to investment joint ventures consolidated and deconsolidated in 2015.

(2) See "— Capital — Restrictions on Dividends and Returns of Capital from Insurance Company Subsidiaries" for further information on historical dividends paid to the entities' parent company in the MetLife group of companies.

Cash Flows from Operations. The principal cash inflows from our insurance activities come from insurance premiums, net investment income and annuity considerations. The principal cash outflows relate to life insurance and annuity products and operating expenses, as well as interest expense.

Cash Flows from Investments. The principal cash inflows from our investment activities come from repayments of principal, proceeds from maturities and sales of investments and settlements of freestanding derivatives. The principal cash outflows relate to purchases of investments and settlements of freestanding derivatives. 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.

Cash Flows from Financing:

Parent Company. The principal cash inflows from parent company financing activities will be proceeds from the term loan agreement and revolving credit facility and any subsequently issued debt securities, private placements, preferred stock, common stock or any additional bank loans. The principal cash outflows from parent company financing activities will be from repayments of debt, dividends on and repurchases of common or preferred stock and capital contributions to subsidiaries.

The Company. The principal cash inflows from our financing activities come from deposits of funds associated with the Federal Home Loan Bank (the "*FHLB*") funding agreements reported within policyholder account balances, lending of securities, capital contributions from the parent company and issuances of affiliated debt. The principal cash outflows come from withdrawals associated with FHLB funding agreements reported within policyholder account balances, the return of securities on loan, repayments of affiliated debt or unaffiliated surplus notes and dividends paid and other changes in the shareholder's net investment.

Liquidity

Liquidity Management

Based upon our capitalization, expectations regarding maintaining our ratings, business mix and funding sources available to us, we believe we have sufficient liquidity to meet business requirements under current market conditions and certain stress scenarios. We continuously monitor and adjust our liquidity and capital plans in light of market conditions, as well as changing needs and opportunities.

Historically, MetLife has provided financing, cash management and other services to manage our capital and liquidity. Following the separation, our Treasury Department, led by the Treasurer, will be responsible for this process. Immediately following the separation, MetLife will continue to provide cash management and other treasury services through the Transition Services Agreement. In the longer term, such services will be performed by our Treasury Department.

After the separation, we expect to maintain separate financing functions including the management of term loans, revolving credit facilities, senior debt securities and equity securities.

We determine our liquidity needs based on a rolling 12-month forecast by portfolio of invested assets which we monitor daily. We adjust the general account asset and derivatives mix and general account asset maturities based on this rolling 12-month forecast. To support this forecast, we conduct cash flow and stress testing, which include various scenarios of the potential increase to post or return collateral, reduction to new business sales, and risk of early contract holder and policyholder withdrawals, and lapses and surrenders of existing policies and contracts. We include provisions limiting withdrawal rights on many of our products. 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, sales of liquid assets, collateralized borrowing arrangements, such as from the FHLB, and following the separation, any undrawn capacity under the revolving credit facility will be a potential source of liquidity.

Short-term Liquidity and Liquid Assets

Short-term Liquidity. We maintain a substantial combined short-term liquidity position, which was $2.0 billion, $1.7 billion and $2.1 billion as of September 30, 2016, December 31, 2015 and December 31, 2014, respectively.

Liquid Assets. An integral part of our liquidity management includes managing our combined level of liquid assets, which was $34.8 billion, $30.4 billion and $30.3 billion as of September 30, 2016, December 31, 2015 and December 31, 2014, respectively.

Following the separation, additional short-term liquidity and liquid assets are expected to be available from amounts initially drawn upon prior to the separation under the term loan agreement and the revolving credit facility. In addition, any undrawn capacity under the revolving credit facility will be a potential source of liquidity.

Short-term liquidity includes cash, cash equivalents and short-term investments, excluding assets that are pledged or otherwise committed. Liquid assets include cash, cash equivalents, short-term investments and publicly-traded securities, excluding assets that are pledged or otherwise committed. Assets pledged or otherwise committed include those in connection with securities lending, derivatives, regulatory deposits and custodial accounts, the collateral financing arrangement and funding agreements.

Capital

We manage our capital position to maintain our financial strength and credit ratings. Following the separation, our capital position will be supported by our ability to generate cash flows within our insurance companies, our ability to effectively manage the risk of our businesses and our expected ability to borrow funds, and raise additional capital to meet operating and growth needs in the event of adverse market and economic conditions.

Capital Management

Our Board and senior management will be directly involved in the development and maintenance of our capital policy. The capital policy will set 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 annual capital plan, capital targets or capital policy, will be approved by the Board. In connection with the separation, we will be undertaking various capitalization activities. *See* “Recapitalization.” Following the separation, we are targeting a debt-to-total capitalization ratio commensurate with our parent company credit ratings and our insurance company subsidiaries’ financial strength ratings.

Statutory Capital

Our insurance companies have statutory surplus above the level needed to meet current regulatory requirements.

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, claim, expense and statutory reserve items. The formula takes into account the risk characteristics of the insurer, including asset risk, insurance risk, interest rate risk, market 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 our insurance company subsidiaries. State insurance laws provide 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 insurance company subsidiaries subject to these requirements was in excess of each of those RBC levels.

Restrictions on Dividends and Returns of Capital from Insurance Company Subsidiaries

Our business is primarily conducted through our insurance company subsidiaries. The insurance company subsidiaries are subject to regulatory restrictions on the payment of dividends and other distributions imposed by the regulators of their respective state domiciles. For example, the insurance statutes of Delaware and Massachusetts require an insurance company to pay a dividend or distribution out of earned surplus (generally defined as "unassigned funds (surplus)," subject to possible adjustments), unless it receives the prior approval of its domiciliary state insurance regulator. The insurance statutes of New York were amended, effective for dividends paid in 2016 and thereafter, to permit payment of ordinary dividends without regulatory approval based on one of two standards. One standard allows a domestic stock life insurer to pay an ordinary dividend out of earned surplus. The second standard allows an insurer to pay an ordinary dividend out of other than earned surplus if such insurer does not have sufficient positive earned surplus to pay an ordinary dividend. Furthermore, dividends in excess of prescribed limits, based on the prior year's earnings and surplus of the insurance company, established by the applicable state regulations are considered to be extraordinary transactions and require explicit approval from the applicable regulator. *See* Note 13 of the notes to the combined financial statements. Prior to the distribution, we intend to pay a cash dividend from Brighthouse Financial, Inc., the parent company, to MetLife, Inc., and may also pay a dividend from our insurance company subsidiaries, which may affect the dividend capacity of our insurance company subsidiaries. In connection with our reinsurance subsidiary restructuring, we have been granted approval from the Delaware Insurance Department to pay a dividend of up to $900 million from BRCD to MetLife USA. Any requested payment of dividends by MetLife USA to Brighthouse Financial, Inc. in excess of the 2016 limit of $586 million set forth in the table below would be considered an extraordinary dividend subject to prior approval by the Delaware Insurance Department. *See* "Recapitalization." 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. *See* "Regulation."

The table below sets forth the dividends permitted to be paid by our insurance subsidiaries without insurance regulatory approval and the respective dividends paid to the entities' parent company in the MetLife group of companies. After separation, dividends from insurance company subsidiaries would be paid to Brighthouse Financial, Inc. or the immediate parent of the applicable insurance company subsidiary.

	2016		2015		2014		2013	
Company	**Paid (1)**	**Permitted without Approval (2)**	**Paid (1)**	**Permitted without Approval (3)**	**Paid (1)**	**Permitted without Approval (3)**	**Paid (1)**	**Permitted without Approval (3)**
				(In millions)				
MetLife Insurance Company USA (4)	$ —	$ 586	$ 500	$ 3,056	$ 155	$ 1,133	$1,261	$ 1,459
New England Life Insurance Company	$ —	$ 156	$ 199	$ 199	$ 227(5)	$ 102	$ 77	$ 77
First MetLife Investors Insurance Company (6)	$ —	$ 16	$ —	$ 10	$ —	$ —	$ —	$ —

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

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(2) Reflects dividend amounts that may be paid during 2016 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 2016, some or all of such dividends may require regulatory approval.

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

(4) In August 2014, MICC, a wholly owned subsidiary of MetLife, Inc., redeemed for $1.4 billion and retired 4,595,317 shares of its common stock owned by MetLife Investors Group, LLC ("*MLIG*"). Following the redemption, in August 2014, MLIG paid a dividend of $1.4 billion to MetLife, Inc. In November 2014, MICC, re-domesticated from Connecticut to Delaware, changed its name to MetLife USA and merged with its subsidiary, MLI-USA, and its affiliate, MLIIC, each a U.S. insurance company that issued variable annuity products in addition to other products, and Exeter, a former offshore reinsurance subsidiary of MetLife, Inc. and affiliate of MICC that mainly reinsured guarantees associated with variable annuity products. The surviving entity of this merger was MetLife USA. In 2014, Exeter paid dividends of $155 million on its preferred stock and MetLife USA did not pay dividends. In 2013, MICC paid dividends of $1.0 billion, and Exeter paid dividends of $132 million on its preferred stock. The dividends permitted without approval in 2014, dividends paid in 2013 and dividends permitted without approval in 2013 of MetLife USA as shown in the table have been increased by $120 million, $129 million, and $129 million, respectively, for amounts attributable to MLIIC, which was merged into MetLife USA in 2014.

(5) During December 2014, NELICO distributed shares of its former subsidiary to MLIC, its parent company at that time, as an extraordinary in-kind dividend of $113 million, as calculated on a statutory basis, and also paid an extraordinary cash dividend to MLIC in the amount of $114 million.

(6) The New York Insurance Law was amended, permitting the Company to pay dividends without prior regulatory approval under one of two alternative formulations beginning in 2016. *See* Note 13 of the notes to the combined financial statements.

In addition to the amounts presented above, the following transactions occurred:

- NELICO paid an $8 million cash return of capital to its parent during the year ended December 31, 2013.
- The Company paid cash dividends to certain MetLife affiliates related to a profit sharing agreement of $58 million, $72 million, $67 million and $65 million, for the nine months ended September 30, 2016 and the years ended December 31, 2015, 2014 and 2013, respectively. *See* Note 13 to the notes to the combined financial statements.

There were no additional cash dividends or returns of capital paid by our subsidiaries for either the nine months ended September 30, 2016 or the years ended December 31, 2015, 2014 and 2013.

Rating Agencies

In connection with the separation, distribution and recapitalization activities, rating agencies have updated the insurer financial strength ratings of our insurance company subsidiaries and are expected to assign issuer credit ratings to our parent company, Brighthouse Financial, Inc. Financial strength ratings represent the opinion of rating agencies regarding the ability of an insurance company to pay obligations under insurance policies and contracts in accordance with their terms. 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 and capital. 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. Rating agencies may 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* "Risk Factors — Risks Related to our Business — A downgrade or

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a potential downgrade in our financial strength or credit ratings could result in a loss of business and materially adversely affect our financial condition and results of operations."

Rating agencies use an "outlook statement" of "positive," "stable," ''negative'' or "developing" to indicate a medium- or long-term trend in credit fundamentals which, if continued, may lead to a rating change. A rating may have a "stable" outlook to indicate that the rating is not expected to change; however, a "stable" rating does not preclude a rating agency from changing a rating at any time, without notice. Certain rating agencies assign rating modifiers such as "CreditWatch" or "under review" to indicate their opinion regarding the potential direction of a rating. These ratings modifiers are generally assigned in connection with certain events such as potential mergers, acquisitions, dispositions or material changes in a company's results, in order for the rating agency to perform its analysis to fully determine the rating implications of the event.

The following insurer financial strength ratings represent each rating agency's opinion of our principal insurance subsidiaries' ability to pay obligations under insurance policies and contracts in accordance with their terms and are not evaluations directed toward the protection of investors in our securities. Insurer financial strength ratings are not statements of fact nor are they recommendations to purchase, hold or sell any security, contract or policy. Each rating should be evaluated independently of any other rating.

Our insurer financial strength ratings at the date of this information statement are indicated in the following table. Additional information about financial strength ratings can be found on the respective websites of the rating agencies.

Ratings Structure	**A.M. Best**	**Fitch**	**Moody's**	**S&P**
	"A++ (superior)" to "S (suspended)"	*"AAA (exceptionally strong)" to "C (distressed)"*	*"Aaa (highest quality)" to "C (lowest rated)"*	*"AAA (extremely strong)" to "SD (Selective Default)" or "D (Default)"*
MetLife Insurance Company USA	**A**	**A+**	**A3**	**A+**
	3rd of 16	5th of 19	7th of 21	5th of 22
New England Life Insurance Company	**A**	**A+**	**A3**	**A+**
	3rd of 16	5th of 19	7th of 21	5th of 22
First MetLife Investors Insurance Company	**A**	**NR**	**NR**	**A+**
	3rd of 16			5th of 22

Rating Agency Actions

In response to the filing of the registration statement on Form 10, in which this information statement forms a part, on October 5, 2016, the following rating agencies announced the following rating actions.

- On October 5, 2016 Moody's downgraded the insurance financial strength ratings of MetLife USA and NELICO from "Aa3" to "A3." The ratings outlook was revised to stable from negative. Moody's does not currently rate FMLI.
- On October 5, 2016 S&P Global Ratings affirmed its "A+" insurance financial strength ratings on MetLife USA, NELICO and FMLI. The ratings outlook remains negative.
- On October 6, 2016 Fitch Ratings downgraded the insurance financial strength ratings of MetLife USA and NELICO from "AA-" to "A+." The ratings outlook was revised to stable from negative. Fitch Ratings does not currently rate FMLI.
- On October 7, 2016 A.M. Best downgraded the insurance financial strength ratings of MetLife USA, NELICO and FMLI from "A+" to "A." The ratings outlook was revised to stable from negative.

Downgrades in the insurer financial strength ratings of our life insurance and annuity companies could have a material adverse effect on our financial condition, results of operations and liquidity in many ways, including:

- reducing new sales of insurance products and annuity products;
- adversely affecting our relationships with independent sales intermediaries;

- increasing the number or amount of policy surrenders and withdrawals by contract holders and policyholders;
- requiring us to reduce prices for many of our products and services to remain competitive;
- providing termination rights for the benefit of our derivative instrument counterparties;
- triggering termination and recapture rights under certain of our ceded reinsurance agreements;
- adversely affecting our ability to obtain reinsurance at reasonable prices, if at all; and
- subjecting us to potentially increased regulatory scrutiny.

A downgrade in the credit ratings of Brighthouse Financial, Inc., the parent company, would likely impact us in many ways, including the cost and availability of financing for Brighthouse Financial, Inc., and its subsidiaries.

Affiliated Reinsurance Subsidiaries Transactions

MetLife formed certain affiliated reinsurance subsidiaries to efficiently manage its capital and risk exposures. These subsidiaries support various operations, including the operations that will become Brighthouse. These entities were formed individually over a period of several years. We intend to continue the use of affiliated reinsurance arrangements and related reserve financing. As part of the restructuring, MetLife's existing affiliated reinsurance subsidiaries that support the business interests of Brighthouse will become a part of Brighthouse. Simultaneously with the reinsurance subsidiary restructuring, the existing reserve financing arrangements of the affected reinsurance subsidiaries will be terminated and replaced with a single financing arrangement supported by a pool of highly rated third-party reinsurers, which we anticipate will be at a lower cost than the existing financing arrangements. *See* "Formation of Brighthouse and the Restructuring" for further information.

MetLife USA and NELICO currently cede a portion of their term and universal life insurance risk subject to XXX/AXXX reserve standards to the affiliated reinsurers (the "a*ffiliated reinsurance subsidiaries*") listed below:

- MetLife Reinsurance Company of Delaware — Cell 1 ("*MRD Cell 1*");
- MetLife Reinsurance Company of Delaware — Cell 2 ("*MRD Cell 2*");
- MetLife Reinsurance Company of Vermont — Cell 2 ("*MRV Cell 2*"); and
- MetLife Reinsurance Company of South Carolina ("*MRSC*").

The affiliated reinsurance subsidiaries reinsure different tranches of life insurance risk written by MetLife USA and NELICO spanning from 2003 to 2015 under either quota share or secondary guarantee rider-only reinsurance agreements. In connection with the separation, MetLife intends to combine the assets and liabilities of these four affiliated reinsurance subsidiaries through a sequence of conversions, novations and/or mergers into BRCD. Aggregation of the affiliated reinsurance subsidiaries will increase operating efficiency and will provide greater asset-liability matching by, among other things, allowing the establishment of an interest rate hedging program.

The existing underlying reinsurance agreements will require several modifications. The co-funds withheld agreements related to MRD Cells 1 and 2, as well as MRV Cell 2 define premiums and benefit reimbursements as net of other reinsurance, which includes internal YRT Recapture reinsurance from NELICO and MetLife USA to MLIC for net amounts at risk between the direct writer's retention and amounts ceded to third party reinsurers. Subject to obtaining certain regulatory approvals, MetLife intends to terminate these internal reinsurance agreements simultaneously on the effective date of a single program. The reinsurance agreement for MRD Cell 2 will be amended to include term business subject to XXX reserve standards written in 2016. MRSC and MRV Cell 2 reinsurance agreements will no longer have collateral requirements for MetLife USA business since both reinsurer and cedant will be domiciled in Delaware, which obviates the need for collateral.

There are several reserve financing facilities in place which support the business in the affiliated reinsurance subsidiaries. MetLife intends to terminate all associated existing excess reserve financing arrangements and replace them with a single program supported by a pool of highly rated third-party reinsurers.

BRCD will be capitalized with cash and invested assets, including funds withheld, ("*Minimum Initial Target Assets*"), at a level that is sufficient to satisfy all of its future cash obligations assuming a permanent level yield curve, consistent with NAIC cash flow testing scenarios. BRCD will utilize the new financing program to cover the difference between full required statutory assets (*i.e.*, XXX/AXXX reserves plus target RBC) and Minimum Initial Target Assets. An admitted deferred tax asset, if any, would also serve to reduce the amount of funding required under the new financing program. Assuming the reinsurance subsidiary restructuring and the new reinsurance financing had occurred, as of September 30, 2016, BRCD would have had statutory reserves of $17 billion financed with cash and invested assets of $5 billion, funds withheld assets of $5 billion and an admitted asset from the new financing of $7 billion as of such date.

See "Formation of Brighthouse and the Restructuring" and "Recapitalization" for a discussion of the new reserve financing arrangements.

Historical Primary Sources of Liquidity and Capital

Liquidity historically has been provided by a variety of funding sources, including funding agreements. In addition, as a potential source of liquidity for itself and its affiliates, MetLife, Inc. maintains an unsecured credit facility. Capital historically has been provided by a variety of funding sources, including unaffiliated long-term debt, affiliated surplus notes and reserve financing facilities including affiliated surplus notes debt and a collateral financing arrangement. The diversity of our historical funding sources enhanced our funding flexibility, limited dependence on any one market or source of funds and generally lowered the cost of funds.

After the separation, we do not expect to continue all of these funding sources described below, however we expect to have availability under our revolving credit facility which will be a potential source of liquidity and the capacity to secure debt and equity financing.

Our primary historic funding sources include:

Federal Home Loan Bank Funding Agreements, Reported in Policyholder Account Balances

MetLife USA is a member of the FHLB of Pittsburgh and has obligations outstanding with certain regional banks in the FHLB system. During the nine months ended September 30, 2016 and 2015, we issued $4.2 billion and $1.6 billion, respectively, and repaid $4.2 billion and $870 million, respectively, under funding agreements with certain regional FHLBs. During the years ended December 31, 2015, 2014 and 2013, we issued $4.1 billion, $3.8 billion and $1.0 billion, respectively, and repaid $3.3 billion, $3.8 billion and $830 million, respectively, under funding agreements with certain regional FHLBs. As of September 30, 2016 and December 31, 2015 and 2014, total obligations outstanding under these funding agreements were $1.9 billion, $1.9 billion and $1.2 billion, respectively. *See* Note 4 of the notes to the combined financial statements. Activity related to these funding agreements is reported in the Run-off segment.

We intend to maintain a funding agreement program with the FHLB to support our liquidity needs; whereas historically this program was used in the spread-based business.

Special Purpose Entity Funding Agreements, Reported in Policyholder Account Balances

MetLife USA issued fixed and floating rate funding agreements which are denominated in either U.S. dollars or foreign currencies, to certain special purpose entities that have issued either debt securities or commercial paper for which payment of interest and principal is secured by such funding agreements. During the nine months ended September 30, 2016 and 2015, we issued $1.4 billion and $10.1 billion, respectively, and repaid $3.4 billion and $11.5 billion, respectively, under such funding agreements. During the years ended December 31, 2015, 2014 and 2013, we issued $13.0 billion, $12.2 billion and $10.9 billion, respectively, and repaid $14.4 billion, $13.9 billion and $11.7 billion, respectively, under such funding agreements. As of September 30, 2016 and December 31, 2015 and 2014, total obligations outstanding under these funding agreements were $132 million, $2.2 billion and $3.5 billion, respectively. A funding agreement issued by MetLife USA to secure commercial paper will be terminated as all outstanding commercial paper secured by that funding agreement matured in July 2016. *See* Note 4 of the notes to the combined financial statements. Activity related to these funding agreements is reported in the Run-off segment.

Following the separation, we do not intend to maintain this funding agreement program to support our liquidity needs.

Federal Agricultural Mortgage Corporation Funding Agreements, Reported in Policyholder Account Balances

MetLife USA issued funding agreements to a subsidiary of the Federal Agricultural Mortgage Corporation. The obligations under all such funding agreements are secured by a pledge of certain eligible agricultural real estate mortgage loans. During the nine months ended September 30, 2016 and 2015, there were no issuances and we repaid $0 and $200 million, respectively, under such funding agreements. During the year ended December 31, 2015, we issued $0 and repaid $200 million under such funding agreements. During the years ended December 31, 2014 and 2013, there were no issuances or repayments under such funding agreements. As of September 30, 2016 and December 31, 2015, there were no obligations outstanding under these funding agreements and as of December 31, 2014, total obligations outstanding under these funding agreements was $200 million. *See* Note 4 of the notes to the combined financial statements. Activities related to these funding agreements are reported in the Run-off segment.

Following the separation, we do not intend to maintain this funding agreement program to support our liquidity needs.

Credit and Committed Facilities

In connection with the separation, we have entered into a term loan agreement and a revolving credit facility. *See* "Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — Parent Company — Capital." Historically, we have had access to an unsecured credit facility and certain committed facilities available to MetLife, Inc. for the benefit of the companies of Brighthouse Financial, Inc., MetLife, Inc. and certain other subsidiaries of MetLife, Inc. We do not expect to have access to these MetLife credit and committed facilities following the separation.

See Note 11 of the notes to the combined financial statements for further information about the historical MetLife credit and committed facilities.

Outstanding Debt and Collateral Financing Arrangement

The following table summarizes our outstanding debt and collateral financing arrangement liability as of:

	September 30, 2016	December 31, 2015	December 31, 2014
	(In millions)		
Surplus notes — affiliated (excluding reserve financing surplus notes — affiliated) (1)	$ 750	$ 750	$ 750
Reserve financing surplus notes — affiliated (1)	$ 1,100	$1,100	$1,100
Long-term debt (2), (3)	$ 37	$ 38	$ 39
Collateral financing arrangement (1)	$ 2,797	$2,797	$2,797

(1) *See* further information below.
(2) Excludes $27 million, $48 million and $139 million as of September 30, 2016 and December 31, 2015 and 2014, respectively, of long-term debt relating to CSEs — FVO. *See* Note 7 of the notes to the combined financial statements and Note 4 of the notes to the interim condensed combined financial statements. For more information regarding long-term debt, *see* Note 11 of the notes to the combined financial statements.
(3) Represents non-recourse debt for which creditors have no access, subject to customary exceptions, to the general assets of the Company other than recourse to certain investment companies.

Surplus Notes - Affiliated (Excluding Reserve Financing Surplus Notes - Affiliated)

In 2008, MetLife USA issued $750 million aggregate principal amount, 8.595% surplus notes to an affiliated trust, MetLife Capital Trust X. The affiliated trust issued $750 million aggregate liquidation preference, 9.250% Fixed-to-Floating Rate Exchangeable Surplus Trust Securities to third-party investors. The exchangeable surplus trust securities will be exchanged for $750 million aggregate principal amount of MetLife, Inc. 9.250% fixed-to-floating rate junior subordinated debentures on the scheduled redemption date in 2038, and prior to such date, the exchangeable surplus trust securities will be mandatorily exchanged under certain circumstances and exchanged at any time at MetLife, Inc.'s option. See Note 11 of the notes to the combined financial statements for further information.

In connection with the recapitalization, MetLife, Inc. will become the beneficial owner of the surplus notes and forgive MetLife USA's obligations under such surplus notes. *See* "Recapitalization" for further information.

Reserve Financing Surplus Notes - Affiliated

Certain reserves associated with business reinsured by MRD were secured with long-term financing involving the exchange of notes between MRD and MetLife, Inc. *See* Note 11 of the notes to the combined financial statements for further information.

MetLife intends to terminate this reserve financing arrangement and replace it and other affiliated reinsurance financing agreements with a single program supported by a pool of highly rated third-party reinsurers. *See* "— Affiliated Reinsurance Subsidiaries Transactions" for further information.

Collateral Financing Arrangement

In 2007, MetLife, Inc. and MRSC entered into a 30-year collateral financing arrangement with an unaffiliated financial institution that provides up to $3.5 billion of statutory reserve support for MRSC associated with reinsurance obligations under affiliated reinsurance agreements. Such statutory reserves are associated with ULSG and are required under the U.S. Valuation of Life Policies Model Regulation (commonly referred to as Regulation A-XXX). *See* Note 12 of the notes to the combined financial statements.

MetLife intends to terminate this reserve financing arrangement and replace it and other affiliated reinsurance financing arrangements with a single program supported by a pool of highly rated third-party reinsurers. *See* "— Affiliated Reinsurance Subsidiaries Transactions" for further information.

Debt and Facility Covenants

Certain of the Company's debt instruments and committed facilities contain financial covenants. The Company is not aware of any non-compliance with these financial covenants as of September 30, 2016.

Both the term loan agreement and the revolving credit facility, the Brighthouse Credit Facilities, contain certain administrative, reporting, legal and financial covenants, including requirements to maintain a specified minimum consolidated net worth and to maintain a ratio of indebtedness to total capitalization not in excess of a specified percentage, and limitations on the dollar amount of indebtedness that may be incurred by our subsidiaries, which could restrict our operations and use of funds.

Dispositions

During the nine months ended September 30, 2016 and 2015, there were no cash proceeds from dispositions. Cash proceeds from dispositions during the years ended December 31, 2015, 2014 and 2013 were $0, $702 million and $0, respectively. *See* Note 3 of the notes to the combined financial statements for additional information.

Historical Liquidity and Capital Uses

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

Common Stock Repurchases

In August 2014, MICC, the predecessor to MetLife USA, redeemed for $1.4 billion and retired 4,595,317 shares of its common stock owned by MLIG.

Debt Repayments

See Note 11 of the notes to the combined financial statements for further information on long-term debt, including the December 2014 MetLife USA repayment in cash at maturity of its $75 million 6.798% affiliated note.

Insurance Liabilities

Liabilities arising from our insurance activities primarily relate to benefit payments under various life insurance products, and annuity products, as well as payments for policy surrenders, withdrawals and loans. For annuity or deposit type products, surrender or lapse behavior differs somewhat by segment. In the Annuities segment, which includes individual annuities, lapses and surrenders tend to occur in the normal course of business. During each of the nine months ended September 30, 2016 and 2015, general account surrenders and withdrawals from annuity products were $1.4 billion. During the years ended December 31, 2015 and 2014, general account surrenders and withdrawals from annuity products were $2.2 billion and $2.4 billion, respectively.

Pledged Collateral

We pledge collateral to, and have collateral pledged to us by, counterparties in connection with our derivatives. As of September 30, 2016 and December 31, 2015 and 2014, we were obligated to return cash collateral pledged to the Company of $3.0 billion, $1.6 billion and $817 million, respectively. As of September 30, 2016 and December 31, 2015 and 2014, we had pledged cash collateral of $0, $70 million and $48 million, respectively. *See* Note 8 of the notes to the combined financial statements and Note 5 of the notes to the interim condensed combined financial statements for additional information about collateral pledged to us and collateral we pledge.

We pledged collateral from time to time in connection with funding agreements. *See* Note 4 of the notes to the combined 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 $10.7 billion, $9.0 billion and $6.8 billion as of September 30, 2016 and December 31, 2015 and 2014, respectively. Of these amounts, $2.7 billion, $2.6 billion and $2.7 billion as of September 30, 2016 and December 31, 2015 and 2014, 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 as of September 30, 2016 and December 31, 2015 was $2.7 billion and $2.6 billion, over 99% and 99%, respectively, of which were U.S. government and agency securities which, if put to us, could be immediately sold to satisfy the cash requirements to immediately return the cash collateral. *See* Note 7 of the notes to the combined financial statements and Note 4 of the notes to the interim condensed combined financial statements.

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 combined 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, and taxpayer. 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 16 of the notes to the combined financial statements and Note 9 of the notes to the interim condensed combined 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 combined net income or cash flows in particular quarterly or annual periods.

Historical Support Agreements

Historically the affiliated reinsurance subsidiaries of Brighthouse were party to various capital support commitments and guarantees with MetLife, Inc. Under these arrangements, MetLife, Inc. has historically agreed to cause each such entity to meet specified capital and surplus levels. MetLife, Inc. also guarantees the obligations of certain of its subsidiaries including certain Brighthouse entities under committed facilities with third-party banks. *See* Note 11 of the notes to the combined financial statements.

In connection with the separation, these support agreements in whole, or with respect to MRV, the portion applicable to MRV Cell 2, will be canceled.

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Contractual Obligations

The following table summarizes our major contractual obligations as of December 31, 2015:

	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	$ 84,807	$ 5,113	$ 5,127	$ 5,474	$ 69,093
Policyholder account balances	66,111	5,280	3,959	4,125	52,747
Payables for collateral under securities loaned and other transactions	10,637	10,637	—	—	—
Debt	8,078	170	339	340	7,229
Investment commitments	1,149	1,132	4	13	—
Other	4,113	4,006	—	—	107
Total	$174,895	$26,338	$ 9,429	$ 9,952	$129,176

Insurance Liabilities

Insurance liabilities include future policy benefits and other policy-related balances, which are reported on the combined balance sheet and are more fully described in Notes 1 and 4 of the notes to the combined financial statements and Note 3 of the notes to the interim condensed combined 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. 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 $84.8 billion exceeds the liability amounts of $34.4 billion included on the combined 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 (such as interest reserves and unearned revenue), or which are not contractually due, which are excluded.

Actual cash payments may differ significantly from the liabilities as presented in the combined balance sheet 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 policyholder account balances, as presented, are derived from the annual asset adequacy analysis used to develop actuarial opinions of statutory reserve adequacy for state regulatory purposes. *See* "— Policyholder Account Balances."

Policyholder Account Balances

See Notes 1 and 4 of the notes to the combined financial statements and Note 3 of the notes to the interim condensed combined financial statements for a description of the components of policyholder account balances. *See* "— Insurance Liabilities" regarding the source and uncertainties associated with the estimation of the contractual obligations related to future policy benefits and policyholder account balances.

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 $66.1 billion exceeds the liability amount of $37.5 billion included on the combined balance sheet 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 (such as interest reserves and embedded derivatives), 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 combined balance sheet of $577 million as of December 31, 2015.

Debt

Amounts presented for debt include long-term debt and a collateral financing arrangement, the total of which differs from the total of the corresponding amounts presented on the combined balance sheet due to the following: (i) the amounts presented herein do not include premiums or discounts upon issuance; (ii) the amounts presented herein include future interest on such obligations for the period from January 1, 2016 through maturity; and (iii) the amounts presented herein do not include $48 million as of December 31, 2015 of long-term debt relating to CSEs — FVO as such debt does not represent our contractual obligation. Future interest on variable rate debt was computed using prevailing rates as of December 31, 2015 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. Total debt as of December 31, 2015 included affiliated debt obligations of $4.4 billion. Pursuant to the historical collateral financing arrangement, MetLife, Inc. may be required to deliver cash or pledge collateral to the respective unaffiliated financial institutions. *See* Note 12 of the notes to the combined financial statements.

Investment Commitments

To enhance the return on our investment portfolio, we commit to lend funds under mortgage loans, bank credit facilities 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 generally presented in the one year or less category. *See* Note 16 of the notes to the combined financial statements, and Note 9 of the notes to the interim condensed combined financial statements and "— Off-Balance Sheet Arrangements."

Other

Other obligations presented are principally comprised of amounts due under reinsurance agreements, payables related to securities purchased but not yet settled, accrued interest on debt obligations, estimated fair value of derivative obligations, deferred compensation arrangements, guaranty liabilities, and accruals and accounts payable due under contractual obligations, which are all reported in other liabilities on the combined balance sheet. 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 combined balance sheet 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 $71 million 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 combined results of operations or financial position as of December 31, 2015.

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

Adoption of New Accounting Pronouncements

See Note 1 of the notes to the combined financial statements and Note 1 of the notes to the interim condensed combined financial statements.

Future Adoption of New Accounting Pronouncements

See Note 1 of the notes to the combined financial statements and Note 1 of the notes to the interim condensed combined financial statements.

Non-GAAP and other Financial Disclosures

In this information statement, we present certain measures of our performance that are not calculated in accordance with GAAP. We believe that these non-GAAP financial measures enhance the understanding of our performance by highlighting the results of operations and the underlying profitability drivers of our business. The following non-GAAP financial measures should not be viewed as substitutes for the most directly comparable financial measures calculated in accordance with GAAP:

Non-GAAP financial measures:	Comparable GAAP financial measures:
(i) operating revenues	(i) revenues
(ii) operating earnings	(ii) net income (loss)

See "— Results of Operations" and "Business — Description of our Segments, Products and Operations" for reconciliations of these measures to the most directly comparable historical GAAP measures. 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 without unreasonable efforts 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 material impact on net income (loss).

Our definitions of the various non-GAAP and other financial measures discussed in this information statement may differ from those used by other companies. For example, as indicated below, we exclude GMIB revenues and related embedded derivatives gains (losses) as well as GMIB benefits and associated DAC and VOBA offsets from operating earnings, thereby excluding substantially all GMLB activity from operating earnings.

Operating earnings

This is a measure used by management to evaluate performance and allocate resources. Consistent with GAAP guidance for segment reporting, operating earnings is also our GAAP measure of segment performance. Operating earnings allows analysis of our performance and facilitates comparisons to industry results.

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

Operating revenues and operating expenses

These financial measures focus on our primary businesses principally by excluding the impact of market volatility, which could distort trends, and revenues and costs related to non-core products and divested businesses and certain entities required to be consolidated under GAAP. Also, these measures exclude results of discontinued operations and other businesses that have been or will be sold or exited by the Company and are referred to as divested businesses.

The following are excluded from total revenues in calculating operating revenues:

- Net investment gains (losses);
- Net derivative gains (losses) except: (i) earned income on derivatives and amortization of premium on derivatives that are hedges of investments or that are used to replicate certain investments, but do not qualify for hedge accounting treatment, and (ii) earned income on derivatives and amortization of premium on derivatives that are hedges of policyholder account balances but do not qualify for hedge accounting treatment;
- Amortization of unearned revenue related to net investment gains (losses) and net derivative gains (losses) and certain variable annuity GMIB fees ("*GMIB Fees*");
- Certain amounts related to securitization entities that are VIEs consolidated under GAAP; and
- Results of discontinued operations and other businesses that have been or will be sold or exited by the Company ("*Divested Businesses*").

The following are excluded from total expenses in calculating operating expenses:

- Amounts associated with periodic crediting rate adjustments based on the total return of a contractually referenced pool of assets, benefits and hedging costs related to GMIBs ("*GMIB Costs*") and market value adjustments associated with surrenders or terminations of contracts ("*Market Value Adjustments*");
- Amounts related to: (i) net investment gains (losses) and net derivative gains (losses), and (ii) GMIB Fees and GMIB Costs included in amortization of DAC and VOBA;
- 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;
- Results of discontinued operations and Divested Businesses;
- Amounts related to securitization entities that are VIEs consolidated under GAAP;
- Goodwill impairment; and
- Costs related to: (i) implementation of new insurance regulatory requirements and (ii) acquisition and integration costs.

The tax impact of the adjustments mentioned are calculated net of the U.S. or foreign statutory tax rate, which could differ from the Company's effective tax rate.

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Further, the table below illustrates how each component of operating earnings is calculated from the GAAP statement of operations line items:

Component of Operating Earnings	How Derived from GAAP (1)(2)
(i) Fee income	(i) *Universal life and investment-type policy fee*s (excluding (a) unearned revenue adjustments related to net investment gains (losses) and net derivative gains (losses) and (b) GMIB fees) plus *Other revenues* (excluding other revenues related to affiliated reinsurance) and amortization of deferred gain on reinsurance.
(ii) Net investment spread	(ii) *Net investment income* (excluding securitization entities income) plus investment hedge adjustments and interest received on ceded fixed annuity reinsurance deposit funds reduced by *Interest credited to policyholder account balances* and interest on future policy benefits.
(iii) Insurance-related activities	(iii) *Premiums* less *Policyholder benefits and claims* (excluding (a) GMIB costs, (b) pass through and market adjustments, (c) interest on future policy benefits, (d) amortization of deferred gain on reinsurance and (e) amortization of deferred sales inducements) plus the pass through of performance of ceded separate accounts.
(iv) Amortization of DAC and VOBA	(iv) *Amortization of DAC and VOBA* (excluding amounts related to (a) net investment gains (losses), (b) net derivative gains (losses), (c) GMIB fees, (d) GMIB costs and (e) market value adjustments) plus amortization of deferred sales inducements.
(v) Other expenses, net of DAC capitalization	(v) *Other expenses* reduced by capitalization of DAC and securitization entities expense.
(vi) Provision for income tax expense (benefit)	(vi) Tax impact of the above items.

(1) Amounts related to Divested Business are excluded from all components of operating earnings.
(2) *Italicized* items indicate GAAP statement of operations line items.

The following additional information is relevant to an understanding of our performance results:

- We sometimes refer to sales activity for various products. Statistical sales information for Life sales are calculated using the LIMRA definition of sales for core direct sales, excluding company-sponsored internal exchanges, corporate-owned life insurance, bank-owned life insurance, and private placement variable universal life insurance. Annuity sales consist of 10% of direct statutory premiums, excluding company sponsored internal exchanges. These sales statistics do not correspond to revenues under GAAP, but are used as relevant measures of business activity.
- Allocated equity is the portion of total shareholder's net investment that management allocates to each of its segments and sub-segments. *See* "— Forward-Looking Statements and Other Financial Information — Operating Earnings."

Subsequent Events

See Note 18 of the notes to the combined financial statements and Note 11 of the notes to the interim condensed combined financial statements.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Risk Management

We intend to implement an integrated process for managing risk exposures, which is coordinated among our Risk Management, Treasury, Actuarial and Investment Departments. The process is designed to assess and manage exposures on a consolidated, company-wide basis. Brighthouse Financial Inc. will establish a Balance Sheet and Financial Risk Management Committee ("*BSFRM*") which will be responsible for periodically reviewing all material financial risks to us and, in the event risks exceed desired tolerances, informing the Board of Directors, considering possible courses of action, and determining how best to resolve or mitigate such risks. In taking such actions, the BSFRM will consider industry best practices and the current economic environment. The BSFRM will also review and approve target investment portfolios in order to align them with our liability profile, and will establish guidelines and limits for various risk taking departments, such as the Investment Department. The membership of the BSFRM will include the following members of senior management: Chief Executive Officer, Chief Financial Officer and Chief Investment Officer. Prior to the distribution, MetLife's Enterprise Risk Committee, through the activities of MetLife's Global Risk Management Department, will continue to oversee Brighthouse's risk management strategies and activities. Our Treasury Department will be responsible for coordinating our asset/liability management strategies throughout the enterprise

Our significant market risk management practices include, but are not limited to, the following:

Interest rate risk management: To manage interest rate risk, we employ product design, pricing and ALM strategies to mitigate 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. Our ALM strategies include the use of derivatives and duration mismatch limits.

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. State insurance department regulations require that we perform some of these analyses annually as part of our review of the sufficiency of our regulatory reserves. 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, fixed maturity securities and mortgage loan prepayments and defaults.

We also use common industry metrics, such as duration and convexity, to measure the relative sensitivity of asset and liability values to changes in interest rates. In computing the duration of liabilities, we consider all policyholder guarantees and how indeterminate policy elements such as interest credits or dividends are set. Each asset portfolio has a duration target based on the liability duration and the investment objectives of that portfolio.

Equity market and foreign currency exchange rate risk management: We manage equity market risk in a coordinated process across our Investments and Treasury Departments primarily by holding sufficient capital to permit us to absorb modest losses, which may be temporary, from changes in equity markets and interest rates without adversely affecting our financial strength ratings and through the use of derivatives, such as equity index options contracts, exchange-traded equity futures, equity variance swaps, and equity total return swaps. We may also employ reinsurance strategies to manage these exposures. Key management objectives include limiting losses, minimizing exposures to significant risks, and providing additional capital capacity for future growth. *See* "Business — Description of our Segments, Products and Operations — Variable Annuity Risk Management —Description of Proposed Variable Annuity Exposure Management Strategy." The Investments and Treasury

Departments are also responsible for managing the exposure to foreign currency denominated investments. We use foreign currency swaps and forwards to mitigate the exposure, risk of loss and financial statement volatility associated with foreign currency denominated fixed income investments.

Market Risk - Fair Value Exposures

We regularly analyze our exposure to interest rate, equity market 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, equity markets and foreign currency exchange rates. We have exposure to market risk through our insurance and annuity operations and general account investment activities. For purposes of this discussion, "market risk" is defined as changes in fair value resulting from changes in interest rates, equity markets and foreign currency exchange rates. We may have additional financial impacts, in addition to changes in fair value, which are beyond the scope of this discussion. *See* "Risk Factors" for additional disclosure regarding our market risk and related sensitivities.

Interest Rates

Our fair value exposure to changes in interest rates arises most significantly from our holdings of fixed maturity securities and mortgage loans, as well as our interest rate sensitive liabilities. Our fixed maturity securities include U.S. and foreign government bonds, securities issued by government agencies, corporate bonds, mortgage-backed securities and ABS, while mortgage loans include commercial, agricultural and residential loans, all of which are mainly exposed to changes in medium- and long-term interest rates. Our interest rate sensitive liabilities include debt, policyholder account balances related to certain investment type contracts, and 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. *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 and net income to vary from period to period."

Equity Market

Along with investments in equity securities, we have fair value exposure to equity market risk through certain liabilities that involve long-term guarantees on equity performance such as embedded derivatives on variable annuities with guaranteed minimum benefits and certain policyholder account balances.

Foreign Currency Exchange Rates

Our fair value 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. The principal currencies that create foreign currency exchange rate risk in our investment portfolios and liabilities are the Euro and the British pound.

Risk Measurement: Sensitivity Analysis

In the following discussion and 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 as of December 31, 2015. 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 estimated fair value of our equity positions due to a 10% change (increase or decrease) in equity market prices; and
- the U.S. dollar equivalent of estimated fair values of our foreign currency exposures due to a 10% change (increase in the value of the U.S. dollar compared to the foreign currency or decrease in the value of the U.S. dollar compared to the foreign currency) in foreign currency exchange rates.

The sensitivity analysis is an estimate and should not be viewed as predictive of our future financial performance. Our actual losses in any particular period may vary from the amounts indicated in the table below. Limitations related to this sensitivity analysis include:

- interest sensitive liabilities do not include $34.4 billion of insurance contracts, which are accounted for on a book value basis. Management believes that the changes in the economic value of those contracts under changing interest rates would offset a significant portion of the fair value changes of interest sensitive assets;
- 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;
- foreign currency exchange rate risk is not isolated for certain embedded derivatives within host asset and liability contracts, as the risk on these instruments is reflected as equity;
- 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 real estate holdings and limited partnership interests; and
- the model assumes that the composition of assets and liabilities remains unchanged throughout the period.

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

The table below illustrates the potential loss in estimated fair value for each market risk exposure of our market sensitive assets and liabilities as of December 31, 2015:

	December 31, 2015 (In millions)
Interest rate risk	$ 1,319
Equity market risk	$ 168
Foreign currency exchange rate risk	$ 39

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The table below provides additional detail regarding the potential loss in estimated fair value of our interest sensitive financial instruments due to a 10% change in yield curve by type of asset or liability as of:

	December 31, 2015		
	Notional Amount	Estimated Fair Value (1)	Assuming a 10% Increase in the Yield Curve
		(In millions)	
Assets			
Fixed maturity securities		$ 63,656	$ (1,283)
Equity securities		$ 457	—
Mortgage loans		$ 7,661	(78)
Policy loans		$ 1,935	(19)
Short-term investments		$ 1,832	—
Loans to affiliates		$ 1,178	(34)
Cash and cash equivalents		$ 1,570	—
Accrued investment income		$ 612	—
Premiums, reinsurance and other receivables		$ 8,021	(123)
Embedded derivatives within asset host contracts (2)		$ 601	(71)
Total assets			$ (1,608)
Liabilities (3)			
Policyholder account balances		$ 21,893	$ 147
Payables for collateral under securities loaned and other transactions		$ 10,637	—
Long-term debt		$ 2,320	56
Other liabilities		$ 301	22
Embedded derivatives within liability host contracts (2)		$ 569	361
Total liabilities			$ 586
Derivative Instruments	$133,352	$ 2,135	$ (297)
Net Change			$ (1,319)

(1) Separate account assets and liabilities, which are interest rate sensitive, are not included herein as any interest rate risk is borne by the contract holder. Mortgage loans and long-term debt exclude $172 million and $48 million, respectively, related to CSEs. *See* Note 7 of the notes to the combined financial statements and Note 4 of the notes to the interim condensed combined financial statements for information regarding CSEs.

(2) Embedded derivatives are recognized in the combined balance sheet in the same caption as the host contract.

(3) Excludes $34.4 billion of liabilities, at carrying value, pursuant to insurance contracts reported within future policy benefits and other policy-related balances. Management believes that the changes in the economic value of those contracts under changing interest rates would offset a significant portion of the fair value changes of interest sensitive assets.

Based on the sensitivity analysis performed, interest rate risk increased by $266 million, or 25%, to $1.3 billion as of December 31, 2015 from $1.1 billion as of December 31, 2014. This change was primarily due to an increase of $281 million from our fixed maturity securities portfolio as a result of increased balances, yields and duration. This increase was partially offset by the net impact of reinsurance, affiliated embedded derivatives and the use of derivatives.

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The table below provides additional detail regarding the potential loss in estimated fair value of our portfolio due to a 10% change in equity market price by type of asset or liability as of:

	December 31, 2015		
	Notional Amount	Estimated Fair Value (1)	Assuming a 10% Increase in Equity Prices
		(In millions)	
Assets			
Equity securities		$ 457	$ 46
Embedded derivatives within asset host contracts (2)		$ 601	(81)
Total assets			(35)
Liabilities			
Policyholder account balances		$ 21,893	—
Embedded derivatives within liability host contracts (2)		$ 569	668
Total liabilities			$ 668
Derivative Instruments	$133,352	$ 2,135	$ (801)
Net Change			$ (168)

(1) Does not necessarily represent those financial instruments solely subject to equity market price risk. Additionally, separate account assets and liabilities, which are equity market sensitive, are not included herein as any equity market risk is borne by the contract holder.
(2) Embedded derivatives are recognized in the combined balance sheet in the same caption as the host contract.

Based on the sensitivity analysis performed, equity market price risk decreased by $86 million to $168 million as of December 31, 2015 from $254 million as of December 31, 2014. This decrease was primarily due to the net impact of derivatives used by the Company.

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 by type of asset or liability as of:

	December 31, 2015		
	Notional Amount	Estimated Fair Value (1)	Assuming a 10% Decrease in the Foreign Exchange Rate
		(In millions)	
Assets			
Fixed maturity securities		$ 63,656	$ 120
Equity securities		$ 457	1
Mortgage loans		$ 7,661	26
Total assets			$ 147
Liabilities			
Policyholder account balances		$ 21,893	$ (16)
Total liabilities			$ (16)
Derivative Instruments	$133,352	$ 2,135	$ (170)
Net Change			$ (39)

(1) Does not necessarily represent those financial instruments solely subject to foreign currency exchange rate risk. Separate account assets and liabilities, which are foreign currency exchange rate sensitive, are not

included herein as any foreign currency exchange rate risk is borne by the contract holder. Mortgage loans exclude $172 million related to CSEs. *See* Note 7 of the notes to combined financial statements and Note 4 of the notes to the interim condensed combined financial statements for information regarding CSEs.

Based on the sensitivity analysis performed, foreign currency exchange rate risk increased by $15 million, or 63%, to $39 million as of December 31, 2015 from $24 million as of December 31, 2014. The increase in risk was primarily due to a $28 million increase in foreign currency exchange rate exposure due to the use of derivatives. Mostly offsetting this increase was a lower foreign currency denominated base which decreased our foreign currency exchange rate exposure by $13 million.

BUSINESS

Our Company

We are a major provider of life insurance and annuity products in the United States with $241 billion of total assets and shareholder's net investment of $15.7 billion, as of September 30, 2016, and approximately $630 billion of life insurance face amount in-force as of December 31, 2015. Our in-force book of products consists of approximately 2.8 million insurance policies and annuity contracts, which includes variable, fixed, index-linked and income annuities, variable life, universal life, term life and whole life insurance policies as of September 30, 2016. We offer our products solely in the United States through multiple independent distribution channels and marketing arrangements with a diverse network of distribution partners.

Our Background and Overview

Prior to the distribution, the companies that will become our subsidiaries were wholly owned by MetLife, a global insurance holding company with a corporate history beginning in 1868. MetLife USA, which will be our largest operating subsidiary, was formed in November 2014 through the merger of three affiliated life insurance companies and a former offshore, internal reinsurance subsidiary that mainly reinsured guarantees associated with variable annuity products issued by MetLife affiliates. The principal purpose of the merger was to provide increased transparency relative to capital allocation and variable annuity risk management. In order to further our capabilities to market and distribute our products, prior to the distribution, MetLife will contribute to us (i) several entities including MetLife USA, NELICO and FMLI, (ii) a licensed broker-dealer, (iii) a licensed investment advisor and (iv) other entities which are necessary for the execution of our strategy. *See* "Formation of Brighthouse and the Restructuring — Our History."

In 2012, MetLife changed the organizational structure of its Retail segment, of which we formed the principal part, to implement an integrated operating model with dedicated management. Consistent with this restructuring, over the succeeding four years MetLife has implemented certain actions with respect to its former Retail segment, including the establishment of a centralized office campus in Charlotte, North Carolina, and further bolstering the management team. This team, which has been responsible for managing MetLife's retail business prior to the distribution, will continue to manage our business as a separate company.

We will seek to be a financially disciplined and, over time, a cost-competitive product manufacturer with an emphasis on independent distribution. We aim to leverage our large block of in-force life insurance policies and annuity contracts to operate more efficiently. We believe that our strategy of offering a targeted set of products to serve our customers and distribution partners, each of which is intended to produce positive statutory distributable cash flows on an accelerated basis compared to our legacy products, will enhance our ability to invest in our business and distribute cash to our shareholders over time. We also believe that our product strategy of offering a more tailored set of new products and our recent agreement to outsource a significant portion of our client administration and service processes, are consistent with our focus on reducing our expense structure over time.

Risk management of both our in-force book and our new business to enhance sustained, long-term shareholder value is fundamental to our strategy. Consequently, in writing new business we intend to prioritize the value of the new business we write over sales volumes. We assess the value of new products by taking into account the amount and timing of cash flows, the use and cost of capital required to support our insurance financial strength ratings and the cost of risk mitigation. We will remain focused on maintaining our strong capital base and we have established a risk management approach which will be implemented in connection with the separation that seeks to mitigate the effects of severe market disruptions and other economic events on our business. *See* "— Description of our Segments, Products and Operations — Variable Annuity Risk Management," "— Description of our Segments, Products and Operations — Life — Products — ULSG Market Risk Exposure Management" and "Risk Factors — Risks Related to our Business — Our proposed variable annuity exposure management strategy may not be fully implemented prior to the distribution, may not be effective, may result in net income volatility and may negatively affect our statutory capital."

We believe that general demographic trends in the U.S. population, the increase in under-insured individuals, the potential risk to governmental social safety net programs and the shifting of responsibility for retirement planning and financial security from employers and other institutions to individuals will create opportunities to generate significant demand for our products. We also believe our transition to an independent distribution system will enhance our ability to operate most effectively within the emerging requirements of the April 6, 2016 DOL Fiduciary Rule that sets forth a new regulatory framework for the sale of insurance and annuity products to Employee Retirement Income Security Act of 1974 ("*ERISA*") qualified plans, which is a significant market for annuity products.

For the year ended December 31, 2015 we generated $1.1 billion of net income and $1.5 billion of operating earnings. For the nine months ended September 30, 2016 we had a net loss of $1.2 billion, as compared to net income of $1.0 billion in the nine months ended September 30, 2015. The net loss reflects our reserve strengthening including the effect of our annual review of actuarial assumptions for our variable annuities business. For the nine months ended September 30, 2016 and 2015, we generated $748 million and $1.2 billion of operating earnings, respectively, with the September 30, 2016 period being adversely affected by our second quarter 2016 refinement in the actuarial model which we use to calculate the reserves for our in-force ULSG book. *See* "Management's Discussion and Analysis of Financial Condition and Results of Operations — Results of Operations — Combined Results for the Nine Months Ended September 30, 2016 and 2015." Operating earnings is a non-GAAP financial measure. For a reconciliation of operating earnings to net income (loss), *see* "Management's Discussion and Analysis of Financial Condition and Results of Operations — Results of Operations."

Our Segments

For operating purposes, the Company has established three new reporting segments: (i) Annuities, (ii) Life and (iii) Run-off. Our Run-off segment consists of operations related to products which we are not actively selling and which are separately managed. In addition, the Company reports certain of its results of operations not included in the segments in Corporate & Other. We provide an overview of our reporting segments and Corporate & Other below.

Annuities

We are a major provider of annuity products in the United States, with $157.3 and $148.4 billion in total annuity assets as of September 30, 2016 and December 31, 2015, respectively. Our annuity product offerings include variable, fixed, index-linked and income annuities designed to address contract holders' needs for protected wealth accumulation on a tax-deferred basis, wealth transfer and income security. We earn various types of fee revenue based on the account value, fund assets and guarantee benefit base of our variable annuity products, as well as the investment spread which we earn on the general account assets supporting our annuity products. Based on $136.5 billion of assets under management ("*AUM*"), which we define as our general account investments and our separate account assets, we believe we would have ranked fifth among U.S. life insurers in annuity AUM as of December 31, 2015.

We seek to manage changes in equity market and interest rate exposures to our existing book of annuity business through our strong capitalization and our selection of derivative instruments, which will be driven in part by our goal of preserving our ability to benefit from positive changes to equity markets and interest rates. *See* "— Description of our Segments, Products and Operations — Variable Annuity Risk Management." With respect to new business, we intend to be disciplined in our risk selection, innovative in our product design and seek to diversify our product mix. Beginning in 2013, we began to shift our new annuity business towards products with diversifying market and contract holder behavioral risk attributes and improved risk-adjusted cash returns. Examples of this include transitioning from the sale of variable annuities with guaranteed minimum income benefits ("*GMIB*") to the sale of variable annuities with guaranteed minimum withdrawal benefits ("*GMWB*"), and our increased emphasis on MetLife Shield Level Selector[SM] Annuity ("*Shield Level Selector*"), a single premium deferred index-linked annuity product for which we had new deposits of approximately $1.2 billion and $900 million for the nine months ended September 30, 2016 and the year ended December 31, 2015, respectively.

Life

We are also one of the largest life insurance companies in the United States based on ordinary and term life insurance issued, with approximately 1.3 million policies in-force and approximately $630 billion of life insurance face amount in-force as of December 31, 2015. Our in-force book of life insurance includes variable life, universal life, term life and whole life policies. Our life insurance product offerings are designed to address our policyholders' needs for financial security and protected wealth transfer, which may be provided on a tax-advantaged basis. In addition to contributing to our revenues and earnings, mortality protection-based products offered by our Life segment permit us to diversify the longevity and other risks in our annuity segment.

In the first quarter of 2017, we intend to focus on term life and universal life and suspend sales of participating whole life. We aim to be innovative in introducing new life products that meet the needs of our target markets and distribution partners and increase value for our shareholders. For example, starting in 2013, we significantly scaled back our sales of ULSG especially those with guarantees beyond age 100 (*i.e.*, "lifetime" guarantees). We are currently evaluating our ULSG business and, based on that determination, we may in the future report ULSG business in the Run-off segment. In 2015, we introduced the Premier Accumulator Universal Life[SM] product ("*PAUL*"), a universal life policy with levelized commissions over time that provides clients with death benefit protection with an asset base that may accumulate and no secondary guarantees. Consistent with our strategy of prioritizing the value of the new business we write over sales volume, we expect our total face amount of life insurance policies to decline, but, over time, for our new life insurance business to provide better shareholder value creation.

Run-off

This segment consists of operations related to products which we are not actively selling and which are separately managed, which products primarily include structured settlements, COLI policies, BOLI policies and funding agreements. These legacy business lines were not part of MetLife's former Retail segment, but were produced by certain of the legal entities that are now part of Brighthouse. We are currently evaluating our ULSG business and, based on that determination, we may in the future report ULSG business in the Run-off segment. *See* "Management's Discussion and Analysis of Financial Condition and Results of Operations — Executive Summary — Overview."

Corporate & Other

Corporate & Other contains the excess capital not allocated to the segments, the results of part of MetLife's ancillary international operations and ancillary U.S. direct business sold directly to consumers, which were written out of our insurance entities prior to the separation, and interest expense related to the majority of our outstanding debt, as well as expenses associated with certain legal proceedings and income tax audit issues. Additionally, Corporate & Other includes certain assumed reinsurance and the elimination of intersegment amounts.

Market Environment and Opportunities

We believe the shift away from defined benefit plans and the concern over government social safety net programs, occurring at a time of significant demographic change in the United States, as baby boomers transition to retirement, present an opportunity to assist individuals in planning for their long-term financial security. We believe we are well positioned to benefit from this environment and the changes and trends affecting it, including the following:

- ***Largest individual insurance market in the world.*** The U.S. life insurance market has $2.7 trillion[13] net assets in annuities and approximately $11.9 trillion of individual life insurance face amount in-force. This represents a large opportunity pool for the Company from which we expect to benefit because of the scale and scope of our life and annuity products, risk management and distribution capabilities, and our ability to operate nationally.

- ***Shifting of responsibility for retirement planning and life time income security from employers and other institutions to individuals.*** The shift away from traditional defined benefit plans, together with increased life expectancy, has increased the burden on individuals for retirement planning and financial security and created a significant risk that many people will outlive their retirement assets. The Employee Benefit Research Institute estimates that participation in an employment-based defined benefit plan among private sector workers declined from 38% in 1979 to 13% in 2013. Fifty-one percent of households have no retirement savings in a defined contribution plan or IRA,[14] and Social Security provides an average of 40% of the retirement income of retired households.[15] According to the U.S. Government Accountability Office, among the 48% of households age 55 and older with some retirement savings, the median amount is approximately $109,000.[16] The individual life insurance and retirement industry has traditionally offered solutions that address this underserved need among consumers, such as annuities, which represent an alternative means of generating pension-like income to permit contract holders to secure guaranteed income for life. We believe our simplified suite of annuity products will be attractive to consumers as a supplement to Social Security or employer provided pension income.

- ***Favorable demographic trends.*** There are several demographic trends that we believe we can take advantage of, including:

  - The ongoing transition of baby boomers into retirement offers opportunities for the accumulation of wealth, as well as its distribution and transfer. According to the Insured Retirement Institute, each day 10,000 Americans reach the age of 65 and this is expected to continue through at least 2030.[17] One of the market segments we target, the Secure Seniors, includes individuals from the baby boomer demographic and is projected to grow by 15% between 2015 and 2025.[18] *See* "— Our Business Strategy — Focus on target market segments."

  - The emergence of Generation X and Millennials as a larger and fast growing, potentially ethnically diverse segment of the U.S population. Many of these individuals are in their prime earning years and we believe they will increase their focus on savings for wealth and protection products. As Generation X and Millennials continue to age into the Middle Aged Strivers and Diverse and Protected segments that we target, we believe we have an opportunity to increase our share of the industry profit pool represented by these groups. *See* "— Our Business Strategy — Focus on target market segments."

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13 Insured Retirement Institute, IRI Fact Book 2016.
14 LIMRA, The Retirement Income Reference Book, 2015.
15 LIMRA, The Retirement Income Reference Book, 2015.
16 U.S. Government Accountability Office, "Retirement Security: Report to the Ranking Member, Subcommittee on Primary Health and Retirement Security, Committee on Health, Education, Labor, and Pensions, U.S. Senate," May 2015.
17 Insured Retirement Institute, IRI Fact Book 2016.
18 MetLife Accelerating Value Consumer Survey, June 2015; Census projections.

- ***Underinsured and underserved population is growing.*** According to a recent survey, 50% of U.S. households believe that they need more life insurance.[19] Six in 10 Americans have life insurance,[20] but ownership of individual coverage has declined over a 50-year period.[21] We believe the products and solutions we offer will address the financial security needs of the under-insured portion of the U.S. population, which are our target segments.
- ***Regulatory changes.*** Regulatory and compliance requirements in the insurance and financial services industries have increased over the past several years and resulted in new regulation and enhanced supervision. For example, the DOL issued new rules on April 6, 2016 that, starting in April 2017, raise the standards for sales of variable and index-linked annuities into retirement accounts to a fiduciary standard, meaning that sales must consider the customer's interest above all factors. These rules are expected to require meaningful changes to distribution practices and disclosures and affect sales of annuity products from providers with proprietary distribution. We believe our history of navigating a changing regulatory environment and our transition to independent distribution may present us with an opportunity to capture market share from those who are less able to adapt to changing regulatory requirements.

We believe these trends, together with our competitive strengths and strategy discussed below, provide us a unique opportunity to increase the value of our business.

Our Competitive Strengths

We believe that our large in-force book of business, strong balance sheet, risk management strategy, experienced management team and focus on expense reduction will allow us to capitalize on the attractive market environment and opportunities as we complete our separation from MetLife and develop and grow our business on an independent basis.

- ***Large in-force book of business.*** We are a major provider of life insurance and annuity products in the United States, with approximately 2.8 million insurance policies and annuity contracts as of September 30, 2016. We believe our size and long-standing market presence position us well for potential future growth and margin expansion following the completion of our transition to a separate company.
  - Our size provides opportunities to achieve economies of scale, permitting us to spread our fixed general and administrative costs, including expenditures on branding, over a large revenue base, resulting in a competitive expense ratio.
  - Our large policyholder base provides us with an opportunity to leverage underlying data to develop risk and policyholder insights as well as implement operational best practices, permitting us to effectively differentiate ourselves from our competitors with the design and management of our products.
  - Our in-force book of business was sold by a wide range of distribution partners to whom we continue to pay trail commissions on the policies and contracts sold by them. For the year ended December 31, 2015, over 1,000 distribution firms or general agencies of our distributors received trail commissions. We believe this enhances our ability to maintain connectivity and relevance to those distributors.
- ***Strong balance sheet.*** As of September 30, 2016, we had total assets of $241 billion; total policyholder liabilities and other policy-related balances, including separate accounts, of $194.5 billion; and total shareholder's net investment of $18.2 billion. Following the separation, we intend to maintain the strong capitalization and financial strength ratings of our insurance company subsidiaries, as well as the diversity of invested asset classes.

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19 LIMRA, The Facts of Life and Annuities, 2015 Update.
20 LIMRA, 2016 Insurance Barometer Study.
21 LIMRA, The Facts of Life and Annuities, 2015 Update.

- Our insurance company subsidiaries had combined statutory TAC of approximately $7.5 billion resulting in a combined RBC ratio of 689% of the company action level as of December 31, 2015. We intend to support our variable annuity business with assets consistent with a CTE95 standard. As of September 30, 2016, assuming the transactions to be executed in connection with the separation had occurred on such date, we estimate that we would have held $3.0 billion of assets in excess of CTE95 to support our variable annuity book, which would be equivalent to holding assets in excess of CTE98 as of such date.
- We have strong financial strength ratings from the rating agencies that rate us. Financial strength ratings represent the opinions of the rating agencies regarding the ability of our insurance company subsidiaries to meet their financial obligations to policyholders and contract holders and are not designed or intended for use by investors in evaluating our securities.
- We have a diversified, high quality investment portfolio with $99.6 billion of general account assets as of September 30, 2016, comprised of over 76% fixed maturity securities, of which over 96% were investment grade and 56% were U.S. corporate, government and agency securities.
- Following MetLife's policyholder assumption review of variable annuities issued by its U.S. insurance companies we have updated our actuarial assumptions and strengthened the GAAP reserves of our insurance company subsidiaries based on a range of possible market scenarios and expected policyholder behavior.
- As of September 30, 2016, our balance sheet reflected $6.6 billion of GAAP intangible assets equal to approximately 36% of total shareholder's net investment, comprised of DAC and VOBA.

- ***Proven risk management and capital management expertise.*** We will bring to Brighthouse the strong risk management culture which we inherited as part of MetLife as demonstrated by our product decisions in recent years and our focused risk and capital management strategies for our existing book of business. We believe we have initially capitalized our insurance company subsidiaries with capital which is sufficient to maintain our financial strength ratings notwithstanding modest fluctuations in equity markets and interest rates in any given period. Further, over time by increasing the proportion of non-derivative, income-generating invested assets compared to derivative instruments supporting our variable annuity book of business, we believe our capital profile will be stronger and more able to mitigate a broader range of risk exposures.
- ***Experienced senior management team with a proven track record of execution including producing cost savings.*** Our senior management team has an average of 20 years of insurance industry experience. They have worked together to manage our business and reduce the cost base prior to this distribution and will continue to manage our business as a separate and focused individual life insurance and annuity company. The senior management team has taken significant actions over the last four years, including the following:

  - In 2012, MetLife announced a multi-year $1 billion gross expense savings initiative, which was substantially completed in 2015. This management team delivered approximately $200 million of expense savings with respect to MetLife's former Retail segment under that initiative.
  - The merger of three affiliated life insurance companies and a former offshore, reinsurance company affiliate that mainly reinsured guarantees associated with variable annuity products issued by MetLife affiliates to form our largest operating subsidiary, MetLife USA.
  - The consolidation of MetLife's former Retail segment in Charlotte, North Carolina, which, in addition to generating expense savings noted above, permitted our management to work together collaboratively at the same geographic location.
  - The sale of MetLife's former Retail segment's proprietary distribution channel, MPCG, to MassMutual, completing our transition to a more efficient acquisition cost distribution model

through independent, third-party channel partners. As part of the sale, MetLife reduced its former Retail segment employee base by approximately 3,900 advisors and over 2,000 support employees, which we estimate will result in a net reduction in our annual expenses of approximately $125 million. The sale of the proprietary distribution channel will also enable us to pursue a simplified, capital efficient product suite and reduce our fixed expense structure.

- On July 31, 2016, MetLife entered into a multi-year outsourcing arrangement for the administration of certain in-force policies currently housed on up to 20 systems. Pursuant to this arrangement, at least 13 of such systems will be consolidated down to one. We expect this arrangement to result in a phased net reduction in our overall expenses for policyholder and contract holder maintenance over the next three to five years. We intend to pursue similar opportunities to take advantage of technology and systems improvements and flexible, modular operating models to reduce costs.

Our Business Strategy

Our objective is to leverage our competitive strengths, to distinguish ourselves in the individual life insurance and annuity markets and over time increase the amount of statutory distributable cash generated by our business. We will seek to achieve this by being a focused product manufacturer with an emphasis on independent distribution, while having a competitive expense ratio relative to our competitors. We intend to achieve our goals by executing on the following strategies:

- ***Focus on target market segments.*** We intend to focus our sales and marketing efforts on those specific market segments where we believe we will best be able to sell products capable of producing attractive long-term value to our shareholders.
  - In 2015 we conducted a survey of 7,000 U.S. customers with the goal of understanding our different market segments. Ultimately, the study revealed seven distinct segments based on both traditional demographic information including socio-economic information and an analysis of customer needs, attitudes and behaviors. Our review of the customer segmentation data resulted in our focusing product design and marketing on the following target customer segments:
    - **Secure Seniors.** This segment represents approximately 15% of the current U.S. population. Because the customer segments are designed to reflect attitudes and behaviors, in addition to other factors, this segment includes a broad range in age, but is composed primarily of individuals between the ages of 55 to 70 about to retire or already in retirement, of which a majority have investible assets of greater than $500,000. Secure Seniors have higher net worth relative to the other customer segments and exhibit a strong desire to work with financial advisors. The larger share of assets, relative to the other segments, may make Secure Seniors an attractive market for financial security products and solutions.
    - **Middle Aged Strivers.** This segment represents approximately 23% of the current U.S. population and is the largest customer segment of those identified by our survey. There is more diversity in this segment compared to the Secure Seniors in terms of amount of investible assets, age, life stage and potential lifetime value to us. The study indicates that these individuals tend to be in the early to later stages of family formation. Almost half of the population in this segment is between the ages of 40 and 55. They are focused on certain core needs, such as paying bills, reducing debt and protecting family wealth. We believe Middle Aged Strivers are an attractive market for protection products and many of these individuals will graduate to wealth and retirement products in their later years.
    - **Diverse and Protected.** This is the most diverse segment of the population, but is also the smallest constituting only 8% of the current U.S. population. While this segment has lower income and investible assets than Secure Seniors and Middle Aged Strivers, our study

indicates that they are active purchasers of insurance products. We believe that a portion of this segment, as they become older and more affluent, may purchase our annuity products in addition to our insurance products.

We believe that these three customer segments represent a significant portion of the market opportunity, and by focusing our product development and marketing efforts to meeting the needs of these segments we will be able to offer a targeted set of products which will benefit our expense ratio thereby increasing our profitability. Our study also indicates that Secure Seniors, Middle Aged Strivers and Diverse and Protected customer segments are open to financial guidance and, accordingly, will be receptive to the products we intend to sell and we can share our insights about these segments to our distribution partners to increase the targeting efficiency of our sales efforts with them.

- ***Focused manufacturer, with a simpler product suite designed to meet our customers' and distributors' needs.*** We intend to be financially disciplined in terms of the number of products which we offer and their risk-adjusted return profile, while being responsive to the needs of our customers and distribution partners.
  - We seek to manage our existing book of annuity business to mitigate the effects of severe market downturns and other economic effects on our statutory capital while preserving the ability to benefit from positive changes in equity markets and interest rates through our selection of derivative instruments.
  - We intend to offer products designed to produce statutory distributable cash flows on a more accelerated basis than those of some of our legacy in-force products. We will also focus on offering products which are more capital efficient with lower RBC requirements than our pre-2013 generation of products. Our product design and sales strategies will focus on achieving long-term risk-adjusted distributable cash flows, rather than generating sales volumes or purchasing market share. We believe this approach aligns well with long-term value creation for our shareholders.
  - Shield Level Selector and our latest generation universal life insurance product, PAUL, represent two examples of products which we believe are responsive to our customers' and distributors' needs while allowing us to generate statutory distributable cash flows on a more accelerated basis than our pre-2013 generation of products. Shield Level Selector is an individual-customer, single-premium, deferred index-linked annuity that provides contract holders with a specified level of market downside protection, sharing the balance of market downside risk with the contract holder, along with offering the contract holder tax-deferred accumulation. In addition, we believe Shield Level Selector permits us to more effectively manage the market risk exposure inherent in our variable annuities with living benefit riders. Since its state-by-state phased introduction beginning in 2013, Shield Level Selector has received positive market acceptance and has been a meaningful contributor to our sales. In addition, on a smaller scale, we recently received positive market response to PAUL. PAUL is a universal life policy with levelized commissions over time and no secondary guarantees. We expect both products to produce attractive risk-adjusted margins and level product cash flows.
- ***Independent distribution with enhanced support and collaboration with key distributors.*** We believe that the completion of our transition from a captive sales force to an independent and diverse distribution network will enhance our distribution focus and improve our profitability and capital efficiency.
  - We have proactively chosen to focus on independent distribution, which we believe aligns with our focus on product manufacturing. We believe distributing our products through only the independent distribution channel will enhance our ability to control our fixed costs, target our resources more appropriately and increase our profitability because we will be better able to leverage our product development and wholesale distribution capabilities.

- Since 2001 we have successfully built third-party distribution relationships. Following the sale of MPCG to MassMutual, we are dedicated to supporting and expanding these relationships. These relationships have been strengthened by a focus on fulfilling customer needs and better alignment with our distribution partners on product development and sales support. We therefore seek to become a leading provider of insurance and annuity products for our leading distribution partners by leveraging our marketing strengths which include customer segmentation, distribution servicing and sales support as well as our product management competencies. We believe that our distribution strategy will result in deeper relationships with these distribution partners.
- We will also pursue a collaborative approach with key distributors and leverage our product design expertise to seek to provide white label type product arrangements for their distribution systems. An example of this collaborative approach is the recent agreement with MassMutual pursuant to which we are exploring the joint development of certain annuity products that may be distributed through the thousands of agents in the MassMutual career agency channel, including agents formerly affiliated with MetLife.

- ***Maintain strong statutory capitalization through an exposure management program intended to be effective across market environments.***
  - The principal objective of our exposure management programs is to manage the risk to our statutory capitalization resulting from changes to equity markets and interest rates. This permits us to focus on the management of the long-term statutory distributable cash flow profile of our business and the underlying long-term returns of our product guarantees. *See* "— Description of our Segments, Products and Operations — Variable Annuity Risk Management."
  - Our variable annuity exposure management program has four components:
    - We intend to support our variable annuities with assets consistent with those required at a CTE95 standard. As of September 30, 2016, assuming the transactions to be executed in connection with the separation had occurred as of such date, we estimate that we would have held $3.0 billion in assets in excess of CTE95, which would be equivalent to holding assets in excess of CTE98 as of such date. We believe these excess assets will permit us to absorb modest losses, which may be temporary, from changes in equity markets and interest rates without adversely affecting our financial strength ratings.
    - We will continue to enter into derivative instruments to offset the impact on our statutory capital from more significant changes to equity markets and interest rates.
    - We believe the earnings from our large and seasoned block of in-force business will provide an additional means of increasing and regenerating our statutory capital organically to the extent it has been eroded due to periodic changes in equity markets and interest rates.
    - We intend to invest a portion of the assets supporting our variable annuity asset requirements in income-generating investments, which we believe will provide an additional means to increase or regenerate our statutory capital.
  - We have a large in-force block of life insurance policies and annuity contracts that we intend to more actively manage to improve profitability, prudently minimize exposures, grow cash margins and release capital for shareholders in the medium to long-term.

- ***Focus on operating cost and flexibility.*** A key element of our strategy is to leverage our infrastructure over time to be a lean, flexible cost competitive operator.
  - We will continue our focus on reducing our cost base while maintaining strong service levels for our policyholders and contract holders. As part of separating our business processes and systems from MetLife, we are taking a phased approach to re-engineering our processes and systems across all functional areas. This phased transition is expected to occur through 2020. We are

currently targeting run-rate operating cost reductions as part of this initiative, with the objective of achieving competitive expense ratios.

- We have identified and are actively pursuing several initiatives that we expect will make our business less complex, more flexible and better able to adapt to changing market conditions. Consistent with this strategy, MetLife recently sold MPCG to MassMutual, completing our transition to a more efficient acquisition cost distribution model and reducing its former Retail segment employee base by approximately 5,900 employees.
- We intend to leverage emerging technology and outsourcing arrangements to become more profitable. An example of this is our senior management team's recent agreement to outsource the administration of certain in-force policies housed on up to 20 systems. Pursuant to this arrangement at least 13 of such systems will be consolidated down to one.

Our Brand

Our company's reputation in the insurance industry is founded on the history of the "MetLife" brand, which stands for breaking down the barriers to enable and embolden consumers to act to build financial security. Since MetLife announced the plan to separate its former Retail segment, we have worked to find the right name for the new company we are creating. We first developed a list of approximately 1,500 possible names, then narrowed it down to six finalist names, and arrived at the name Brighthouse.

As we become a stand-alone company, we plan to leverage our high brand awareness and brand strength to transition to the "Brighthouse" brand, which we believe captures our optimistic outlook on what we will create for people's financial futures, coupled with our guiding principles of simplicity and transparency.

We have been acting on our detailed plans for executing both the operational and legal entity rebranding efforts to move to "Brighthouse." We will continue these actions as we shift from the MetLife brand to Brighthouse. *See* "Risk Factors — Risks Related to Our Separation from, and Continuing Relationship with, MetLife — Our separation from MetLife could adversely affect our business and profitability due to MetLife's strong brand and reputation."

Segments and Corporate & Other

The Company is organized into three segments: two ongoing segments, Annuities and Life, and a Run-off segment. In addition, the Company reports certain of its results of operations in Corporate & Other.

Annuities

Our Annuities business includes a portfolio of variable, fixed, index-linked, and income annuities designed to help meet the financial security needs of individuals as they approach and enter retirement.

Life

Our Life insurance business currently includes term life, whole life, universal life and variable life products. In the first quarter of 2017, we intend to focus on term life and universal life products. We may also in the future issue individual disability income products as riders to some of our life insurance policies.

Run-off

This segment consists of operations related to products which we are not actively selling and which are separately managed, including structured settlements, COLI policies, BOLI policies and funding agreements. These legacy business lines were not part of MetLife's former Retail segment, but were issued by certain of the legal entities that are now part of Brighthouse.

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We are currently evaluating our ULSG business and, based on that determination, we may in the future report ULSG business in the Run-off segment.

Corporate & Other

Corporate & Other contains the excess capital not allocated to the segments, the results of part of MetLife's ancillary international operations and ancillary U.S. direct business sold directly to consumers, which were written out of our insurance entities prior to the separation, and interest expense related to the majority of our outstanding debt, as well as expenses associated with certain legal proceedings and income tax audit issues. Additionally, Corporate & Other includes assumed reinsurance of certain variable annuity products from a former affiliated operating joint venture in Japan. Under this reinsurance agreement, we reinsured living and death benefit guarantees issued in connection with variable annuity products. Also, Corporate & Other includes a reinsurance agreement to assume certain blocks of indemnity reinsurance from an affiliate. These reinsurance agreements were recaptured effective November 1, 2014. Corporate & Other also includes the elimination of intersegment amounts.

Description of our Segments, Products and Operations

The following table presents the relevant contributions of each of our segments to our revenues, for our ongoing business and for the total Company for the nine months ended September 30, 2016 and 2015 and for the years ended December 31, 2015, 2014 and 2013:

	Nine Months Ended September 30,		Years Ended December 31,		
	2016	2015	2015	2014	2013
			(In millions)		
Annuities	$ 3,809	$ 3,893	$5,229	$5,386	$4,707
Life	1,896	1,928	2,571	2,550	2,510
Total ongoing business	5,705	5,821	7,800	7,936	7,217
Run-off	753	703	933	909	1,114
Corporate & Other	291	269	415	358	419
Total operating revenues	6,749	6,793	9,148	9,203	8,750
Adjustments:					
Net investment gains (losses)	(15)	(3)	7	(435)	7
Net derivative gains (losses)	(3,181)	(69)	(326)	423	(474)
Other adjustments	18	53	62	257	505
Total	$ 3,571	$6,774	$8,891	$9,448	$8,788

The following table presents the total assets for each of our segments and Corporate & Other as of September 30, 2016 and December 31, 2015, 2014 and 2013:

	Nine Months Ended September 30,	Years Ended December 31,		
	2016	2015	2014	2013
		(In millions)		
Annuities	$ 157,276	$148,407	$156,059	$154,109
Life	$ 40,454	$ 36,982	$ 35,376	$ 31,814
Run-off	$ 23,366	$ 24,964	$ 25,240	$ 30,958
Corporate & Other	$ 19,833	$ 16,372	$ 14,945	$ 19,849

The following table presents the relevant contributions of our annuity products to our ANP for the nine months ended September 30, 2016 and 2015 and for the years ended December 31, 2015, 2014 and 2013:

	Nine Months Ended September 30,		Years Ended December 31,		
	2016	2015	2015	2014	2013
			(In millions)		
Variable	$178	$298	$397	$360	$618
Fixed (1)	52	74	105	108	45
Indexed	120	59	91	38	16
Total	$350	$431	$593	$506	$679

(1) Includes both fixed and income annuities as described below.

The following table presents the relevant contributions of our life insurance products to our ANP for the nine months ended September 30, 2016 and 2015 and for the years ended December 31, 2015, 2014 and 2013:

	Nine Months Ended September 30,		Years Ended December 31,		
	2016	2015	2015	2014	2013
			(In millions)		
Term	$ 44	$ 59	$ 79	$ 57	$ 92
Whole	64	86	115	98	97
Universal	34	30	42	35	103
Variable	9	18	23	34	31
Total	$ 151	$ 193	$ 259	$ 224	$ 323
Total Traditional	$ 108	$ 145	$ 194	$ 155	$ 189
Total Universal and Variable	$ 43	$ 48	$ 65	$ 69	$ 134

Annuities

Overview

The Annuities segment offers a variety of variable, fixed, index-linked and income annuities that are sold to individuals through multiple third-party distribution channels. Annuities are used by consumers for pre-retirement wealth accumulation and post-retirement income management. The "fixed" and "variable" classifications describe generally whether we or the contract holders bear the investment risk of the assets supporting the contract, and determine the manner in which we earn profits from these products, as investment spreads for fixed products or as asset-based fees charged to variable products. Additionally, indexed annuities allow the contract holder to participate in returns from equity indices. Income annuities provide a guaranteed monthly income for a specified period of years and/or for the life of the annuitant.

Our Annuities segment generated operating earnings of $1.1 billion for the year ended December 31, 2015 and $860 million for the nine months ended September 30, 2016. Based on $136.5 billion of AUM, which we define as our general account investments and our separate account assets, we believe we would have ranked fifth among U.S. life insurers in annuity AUM as of December 31, 2015. A substantial amount of this AUM backs deferred annuities that contain surrender charges.

The following table presents account value by remaining surrender charge as of September 30, 2016.

Surrender Charge	Variable Annuities (1)	Fixed Annuities	Total
		(In millions)	
0%	$ 56,189	$ 8,478	$ 64,667
>0 to 2%	23,572	2,588	26,160
>2% to 4%	24,088	1,100	25,188
>4% to 6%	6,988	769	7,757
>6%	4,725	166	4,891
Total	$ 115,562	$ 13,101	$128,663

(1) Indexed annuities are included with variable annuities.

We seek to meet our risk-adjusted return objectives in our Annuities segment through a disciplined risk-selection approach and innovative product design, balancing bottom line profitability with top line growth, while remaining focused on margin preservation. Our underwriting approach and product design take into account numerous criteria, including evolving consumer demographics and macroeconomic market conditions, offering a suite of products tailored to respond to external factors without compromising internal constraints. As an example, between 2011 and 2015 we reduced our ANP of our variable annuity contracts by approximately 80% and introduced Shield Level Selector in state by state phases starting in 2013, a single premium deferred index-linked annuity product, to respond to market downturns and consumer demands without compromising our risk-adjusted return hurdles and while maintaining our distribution access where necessary. We believe we have the product design capabilities and distribution relationships to permit us to design and offer new products meeting our risk-adjusted return requirements. We believe these capabilities will enhance our ability to maintain market presence and relevance over the long-term. We intend to meet our risk management objectives by continuing to hedge market risks associated with our existing annuity products as well as new business. *See* "— Variable Annuity Risk Management."

The following table presents the insurance liabilities on directly written in-force annuity products within the Annuities segment as of December 31, 2015, 2014 and 2013:

	As of December 31,		
	2015	2014	2013
		(In millions)	
Variable (1)	$ 5,374	$ 5,477	$ 5,714
Fixed	$14,300	$15,173	$16,245
Index-Linked	$ 1,418	$ 530	$ 159
Income	$ 4,184	$ 3,544	$ 2,834

(1) Includes the contract holder account balances and does not include the liabilities for guaranteed minimum benefits.

Current Products

Our Annuities segment product offerings include fixed, variable, indexed and income annuities (each as described below) and are designed to address customer needs for tax-deferred asset accumulation and retirement income and their wealth-protection concerns. Under our variable annuities, the contract holder can choose to invest his or her purchase payments in either the separate account or the general account investment options under the contract. For the separate account options, the contract holder can elect among several internally and externally managed subaccounts offered at that time. For the general account options, Brighthouse credits the contract's account value with the net purchase payment and credits interest to the contract holder at rates declared periodically, subject to a guaranteed minimum crediting rate. Some of our annuity products are immediate income annuities, for which the contract holder can choose to receive periodic income payments beginning within 13 months after the first purchase payment is received. Our other annuities are known as deferred annuities, for which the contract holder may defer beginning periodic income payments until a later date. In 2013 we began a shift in our business towards products with lower crediting rates, variable annuity products with less risky living benefits and increased emphasis on Shield Level Selector, a suite of single premium index-linked deferred annuity contracts. Since 2014 our new guarantees sales have primarily consisted of variable annuities with simplified living benefits and Shield Level Selector. As a separate, publicly traded company, we believe we can continue to innovate in response to customer and distributer needs and market conditions.

Fixed Annuities

In contrast to variable annuities, where contract holders can invest in both equity and debt instruments and bear risk of loss of their investment, fixed annuities address asset accumulation needs by offering an interest crediting rate that we declare from time to time, subject to a guaranteed minimum rate, and providing a guarantee related to the preservation of principal and interest credited. Purchase payments under deferred fixed annuity contracts are allocated to our general account and are credited with interest at rates we determine, subject to specified guaranteed minimums. Credited interest rates are guaranteed for at least one year. To protect from premature withdrawals, we impose surrender charges. Surrender charges are typically applicable during the early years of the annuity contract, with a declining level of surrender charges over time. We expect to earn a spread between what we earn on the underlying general account investments supporting the fixed annuity product line and what we credit to our fixed annuity contract holders' accounts. Surrender charges allow us to recoup amounts we expended to initially market and sell such annuities.

Index-Linked Annuities

The index-linked family of annuities combines certain features of variable and fixed annuities. Shield Level Selector is a suite of single premium deferred annuity contracts that provides for accumulation of retirement savings and is intended for retirement or other long-term investment purposes. The index-linked annuities we currently offer provide the ability for the contract holder to participate in the appreciation of certain financial markets up to a stated level (*i.e*., a "cap"), while offering protection from a portion of declines in the applicable indices or benchmark (*i.e*., a "shield" or "protection level") unlike a variable annuity, which typically passes through the performance of the relevant separate account assets. Rather than allocating purchase payments directly into the equity market, the customer has an opportunity to participate in the returns of a particular market index, such as the S&P 500, for a specified term. The contract is credited interest based on the performance of that index over a period of time, with certain parameters on the maximum level of performance as of the end of the selected term, as well as protection from losses up to a specified level. The reserve assets are held in a book value non-unitized separate account, but the issuing insurance company is obligated to pay distributions and benefits irrespective of the value of the separate account assets. Interest is calculated based on parameters that are periodically declared by us for both the initial and subsequent periods. Certain index-linked annuities also have optional minimum death benefits that guarantee a return of premium.

Income Annuities

Income annuities are annuity contracts under which the contract holder contributes a portion of their retirement assets in exchange for a steady stream of retirement income, lasting either for a specified period of time or as long as the life of the annuitant.

We offer two types of income annuities: immediate income annuities, referred to as "single premium immediate annuities" ("*SPIAs*") and deferred income annuities ("*DIAs*"). Both products provide guaranteed lifetime income that can be used to supplement other retirement income sources. SPIAs are single premium annuity products that provide a guaranteed level of income to the contract holder for a specified number of years or the duration of the life of the annuitant(s) beginning during the first 13 months (in certain products longer) from the SPIA's start date. DIAs differ from SPIAs in that they require the contract holder to wait at least 15 months before starting income payments. If a contract holder makes multiple purchase payments on the DIA to build pension-like income over time, each payment will restart the waiting period. SPIAs and DIAs are priced based on considerations consistent with the annuitant's age, gender and, in the case of DIAs, the deferral period. DIAs provide a pension-like stream of income payments after a specified deferral period. DIAs are flexible premium payment products that guarantee a specified amount of income, based on the contract holder's age, gender and deferral period. Income annuities offered currently allow level or increasing income payments, as well as optional guaranteed death benefits.

Variable Annuities

We issue variable annuity contracts that offer contract holders a tax-deferred basis for wealth accumulation and rights to receive a future stream of payments. The contract holder can choose to invest his or her purchase payments in the separate account or, if available, the general account investment options under the contract. For the separate account options, the contract holder can elect among several internally and externally managed subaccounts offered at that time, and unless the contract holder has elected to pay additional amounts for guaranteed minimum benefits ("*GMxBs*"), as discussed below, the contract holder bears the entire risk and receives all of the net returns resulting from the variable investment option chosen. For the general account options, Brighthouse credits the contract's account value with the net purchase payment and credits interest to the contract holder at rates declared periodically, subject to a guaranteed minimum crediting rate. The account value of most types of general account options is guaranteed and is not exposed to market risk, because the insurance company rather than the contract holder directly bears the risk that the value of the underlying general account investments of the insurance companies may decline. All IRAs and other tax qualified plan investment vehicles offer tax-deferral. There should be reasons other than tax deferral for purchasing a variable annuity. As of September 30, 2016, our variable annuity total account value was $112.5 billion, consisting of $107 billion of contract holder separate account assets and $5.5 billion of contract holder general account assets.

The majority of the deferred variable annuities we have issued have GMxBs, which we believe make these products attractive to our customers in periods of economic uncertainty. These GMxBs must be chosen by the contract holder no later than at the issuance of the contract. The primary types of GMxBs are those that guarantee death benefits payable upon the death of a contract holder, known as GMDBs and those that guarantee benefits payable while the contract holder or annuitant is alive, which are called GMLBs. There are three primary types of GMLBs: GMIB, GMWB and GMAB. We ceased issuing GMIBs for new purchase in February 2016.

The guaranteed benefit received by a contract holder pursuant to the GMxBs is calculated based on a notional amount called the "*Benefit Base*." The calculation of the Benefit Base varies by benefit type and may differ in value from the contract holder's account value for the following reasons:

- The Benefit Base is defined to exclude the effect of a decline in the market value of the contract holder's account value. By excluding market declines, actual claim payments to be made in the future to the contract holder will be determined without giving effect to equity market declines.
- The terms of the Benefit Base may allow it to increase at a guaranteed rate irrespective of the rate of return on the contract holder's account value.
- The Benefit Base may also increase with subsequent purchase payments, after the initial purchase payment made by the contract holder at the issuance of the contract, or at the contract holder's election with an increase in the account value due to market performance.

GMxBs provide the contract holder with protection against the possibility that a downturn in the markets will reduce the specified benefits that can be claimed under the contract. The principal features of our in-force block of variable annuity contracts with GMxBs are as follows:

- GMDBs, a contract holder's beneficiaries are entitled to the greater of (a) the account value or (b) the Benefit Base upon the death of the annuitant;

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- GMIBs, a contract holder is entitled to annuitize the policy and receive a minimum amount of lifetime income based on pre-determined payout factors and the Benefit Base, which could be greater than the underlying account value;
- GMWBs, a contract holder is entitled to withdraw each year a maximum amount of their Benefit Base, which could be greater than the underlying account value; and
- GMABs, a contract holder is entitled to a percentage of the Benefit Base, which could be greater than the account value, after the specified accumulation period, regardless of actual investment performance.

Variable annuities may have more than one GMxB. Variable annuities with a GMLB may also have a GMDB. Additional detail concerning our GMxBs is provided in "— Variable Annuity Risk Management." In addition to our directly written business, we also currently assume from an affiliate certain GMxBs pursuant to a coinsurance agreement. A significant amount of this assumed business was recaptured in connection with the formation of MetLife USA in November 2014 with an expectation that the remaining risks will be fully recaptured on or before the separation. *See* "Formation of Brighthouse and the Restructuring." Accordingly, the remainder of this section only covers the variable annuity contracts which we directly issue.

Fees on Account Value and Benefit Base

For the account value that the contract holder has elected to invest through a separate account, we earn various types of fee revenue based on account value, fund assets and Benefit Base. In general, GMxB fees calculated based on the Benefit Base, are more stable in market downturns compared to fees based on the account value.

Mortality & Expense and Administrative Fees. We earn mortality and expense fees ("*M&E Fees*") as well as administrative fees on variable annuity contracts. The M&E Fees are calculated based on the portion of the contract holder's account value allocated to the separate accounts and are expressed as an annual percentage deducted daily. These fees are used to offset the insurance and operating expenses relating to our variable annuity contracts. Additionally, the administrative fees are charged either based on the daily average of the net asset values in the subaccounts or when contracts fall below minimum values based on a flat annual fee per contract.

Surrender Charges. Many, but not all, variable annuity contracts depending on their share class may also impose surrender charges on withdrawals for a period of time after the purchase and in certain products for a period of time after each subsequent deposit, also known as the surrender charge period. A surrender charge is a deduction of a percentage of the contract holder's account value prior to distribution to him or her. Surrender charges generally decline gradually over the surrender charge period, which can range from zero to 10 years. Our variable annuity contracts typically permit contract holders to withdraw up to 10% of their account value each year without any surrender charge, although their guarantees may be significantly impacted by such withdrawals. Contracts may also specify circumstances when no surrender charges apply, for example, upon payment of a death benefit.

Investment Management Fees. We charge investment management fees for managing the proprietary mutual funds managed by our subsidiary Brighthouse Investment Advisors, LLC, that are offered as investments under the variable annuities. Investment management fees are also paid on the non-proprietary funds managed by investment advisors unaffiliated with us, to the unaffiliated investment advisors. Investment management fees differ by fund. A portion of the investment management fees charged on proprietary funds managed by subadvisors unaffiliated with us are paid by us to the subadvisors. Investment management fees reduce the net returns on the variable annuity investments.

12b-1 Fees and other revenue. 12b-1 fees are paid by the mutual funds which our contract holders chose to invest in and are calculated based on the net assets of the funds allocated to our subaccounts. These fees reduce the returns contract holders earn from these funds. Additionally, mutual fund companies with funds which are available to contract holders through the variable annuity subaccounts pay us fees consistent with the terms of administrative service agreements. These fees are funded from the fund companies' net revenues.

Death Benefit Rider Fees. We may earn fees in addition to the base mortality and expense fees for promising to pay GMDBs. The fees earned vary by generation and rider type. For some death benefits, the fees are calculated based on account value, but for enhanced death benefits, the fees are normally calculated based on the Benefit Base. In general, these fees were set at a level intended to be sufficient to cover the anticipated expenses of covering claim payments and hedge costs associated with these benefits.

Living Benefit Riders Fees. We earn these fees for promising to pay guaranteed benefits while the contract holder is alive, such as for any type of GMLB (including GMIBs, GMWBs and GMABs). The fees earned vary by generation and rider type and are calculated based on the Benefit Base. In general these fees were set at a level intended to be sufficient to cover the anticipated expenses of covering claim payments and hedge costs associated with these benefits.

The following table presents the fees and charges we earn on our variable annuity contracts invested in separate accounts, by type of fee, for the nine months ended September 30, 2016 and the year ended December 31, 2015:

	Fees and Charges (1) (2)	
	Nine Months Ended September 30, 2016	Year Ended December 31, 2015
	(In millions)	
M&E and Administrative Fees	$ 940	$ 1,348
Surrender Charges	23	35
Investment Management	183	277
12B-1 and Other Revenue	185	278
Death Benefit Rider	160	210
Living Benefit Riders (2)	712	923
Total Fees	$ 2,203	$ 3,071

(1) The fees and charges in this table are gross fees and charges and do not incorporate related expenses.
(2) Includes fees and charges attributed to embedded derivatives that are not reflected as fee revenue in the combined income statements.

In addition to fees, we also earn a spread on the portion of the account value allocated to the general account.

Pricing and Risk Selection

Product pricing reflects our pricing standards and guidelines. Annuities are priced based on various factors, which may include investment returns, expenses, persistency, longevity, policyholder behavior, equity market returns, and interest rate scenarios.

Rates for annuity products are highly regulated and generally the forms of which must be approved by the regulators of the jurisdictions in which the product is sold. The offer and sale of variable annuity products are regulated by the Securities and Exchange Commission (the "*SEC*"). Generally, these products include pricing terms that are guaranteed for a certain period of time. Such products generally include surrender charges for early withdrawals and fees for guaranteed benefits. We periodically reevaluate the costs associated with such guarantees and may adjust pricing levels accordingly. Further, from time to time, we may also reevaluate the type and level of guarantee features being offered. *See* "Management's Discussion and Analysis of Financial Condition and Results of Operations — Summary of Critical Accounting Estimates."

We continually review our pricing guidelines in light of applicable regulations and to ensure that our policies remain competitive and supportive of our marketing strategies and profitability goals.

Variable Annuity Risk Management

<u>Evolution of our Variable Annuity Business</u>

Our in-force variable annuity block reflects a wide variety of product offerings within each type of guarantee, reflecting the changing nature of these products over the past two decades. The changes in product features and terms over time are driven partially by customer demand but also reflect our continually refined evaluation of the guarantees, their expected long-term claims costs and the most effective market risk management strategies in the prevailing market conditions.

We introduced our variable annuity product over 50 years ago and began offering GMIBs, which were our first living benefit riders, in 2001. The design of our more recent generations of GMIBs have been modified to reduce payouts in certain circumstances. Beginning in 2009, we reduced the minimum payments we guaranteed if the contract holder were to annuitize, in 2012 we began to reduce the guaranteed roll-up rates on the benefit base, and, after first reducing the maximum equity allocation in separate accounts, in 2011 we introduced managed volatility funds for all our GMLBs.

While we added GMWBs to our variable annuity product suite in 2003, we shifted our marketing focus from GMIBs to GMWBs in 2015 with the release of FlexChoice[SM], our latest GMWB with lifetime payments ("*GMWB4L*"). We ceased offering GMIBs for new purchase in February 2016 and to the extent permitted, we have suspended subsequent premium payments on all but our final generation of GMIBs.

In 2013, we introduced Shield Level Selector, which generated approximately $900 million and $1.2 billion of new deposits for the year ended December 31, 2015 and the nine months ended September 30, 2016, respectively, representing 19% and 40% of our annuity deposits for the year ended December 31, 2015 and the nine months ended September 30, 2016, respectively. We intend to increase sales of Shield Level Selector due to growing consumer demand for the product. In addition, we believe that the Shield Level Selector may provide us with risk diversification to the GMxBs offered in our traditional variable annuity products. As of September 30, 2016, there was $2.7 billion of policyholder account balances for Shield Level Selector.

With the goal of continuing to diversify and better manage our in-force block, in the future we intend to focus on selling the following products:

- variable annuities with GMWBs;
- variable annuities without GMLBs; and
- index-linked annuities, including the Shield Level Selector.

The table below presents our variable and index-linked annuity deposits and ANP for the nine months ended September 30, 2016 and the year ended December 31, 2015.

	Deposits		Annual New Premium	
	Nine Months Ended September 30, 2016	Year Ended December 31, 2015	Nine Months Ended September 30, 2016	Year Ended December 31, 2015
	(In millions)			
GMIB (1)	$ 301	$ 859	$ 30	$ 86
GMWB (2)	996	1,869	100	187
GMAB	54	509	5	51
GMDB only	422	705	43	73
Shield Level Selector	1,198	905	120	91
Total	$ 2,971	$ 4,847	$ 298	$ 488

(1) We ceased issuing GMIBs for new purchase in February 2016.
(2) The decline in sales of GMWBs and GMABs reflects the sales suspension by a significant distributor in 2016.

We describe below in more detail the product features and relative account values, benefit base and net amount at risk ("*NAR*") for our death benefit and living benefit guarantees.

Guaranteed Death Benefits

Since 2001, we have offered a variety of GMDBs to our contract holders, which include the following (with no additional charge unless noted):

- *Account Value Death Benefit*. The Account Value Death Benefit returns the account value at the time of the claim with no imposition of surrender charges at the time of the claim.
- *Return of Premium Death Benefit*. The Return of Premium Death Benefit, also referred to as Principal Protection, comes standard with many of our base contracts and pays the greater of the contract holder's account value at the time of the claim or their total purchase payments, adjusted proportionately for any withdrawals.
- *Interval Reset*. The Reset Death Benefit enables the contract holder to lock in their guaranteed death benefit on the interval anniversary date with this level of death benefit being reset (either up or down) on the next interval anniversary date. This may only be available through a maximum age. This death benefit pays the greater of the contract holder's account value at the time of the claim, their total purchase payments, adjusted proportionately for any withdrawals, or the interval reset value, adjusted proportionally for any withdrawals. We no longer offer this guarantee.
- *Annual Step-Up Death Benefit*. Contract holders may elect, for an additional fee, the option to step up their guaranteed death benefit on any contract anniversary through age 80. The Annual Step-Up Death Benefit allows for the contract holder to lock in the high water mark on their death benefit adjusted proportionally for any withdrawals. This death benefit may only be elected at issue through age 79. Fees charged for this benefit are usually based on account value. This death benefit pays the greater of the contract holder's account value at the time of the claim, their total purchase payments, adjusted proportionately for any withdrawals, or the highest anniversary value, adjusted proportionally for any withdrawals.
- *Combination Death Benefit*. Contract holders may elect, for an additional fee, a combination death benefit that, in addition to the Annual Step-Up Death Benefit as described above, includes a roll-up feature which accumulates aggregate purchase payments at a predetermined roll-up rate, as adjusted for withdrawals. Descriptions of the two principal versions of this guaranteed death benefit are as follows:
    - Compounded-Plus Death Benefit. The death benefit is the greater of (i) the account value at time of the claim, (ii) highest anniversary value (highest anniversary value/high water mark through age 80, adjusted proportionately for any withdrawals) or (iii) a roll-up benefit base, which rolls up through age 80, and is adjusted proportionally for withdrawals. Fees for this benefit are calculated and charged against the account value. We stopped offering this rider in 2013.
    - Enhanced Death Benefit ("*EDB*"). The death benefit is equal to the benefit base which is defined as the greater of (i) the highest anniversary value benefit base (highest anniversary value/high water mark through age 80, adjusted proportionately for any withdrawals) or (ii) a roll-up benefit, which may apply to the step-up (rollup applies through age 90), which allows for dollar-for-dollar withdrawals up to the permitted amount for that contract year and proportional adjustments for withdrawals in excess of the permitted amount. The fee may be increased upon step-up of the roll-up benefit base. Fees charged for this benefit are calculated based on the benefit base and charged annually against the account value. We stopped offering this rider on a stand-alone basis in 2011.

In addition, we currently also offer an optional death benefit for an additional fee with our FlexChoice℠ GMWB4L rider, available at issue through age 65, which has a similar level of death benefit protection as the benefit base for the living benefit rider. However, the benefit base for this death benefit is adjusted for all withdrawals.

The table below presents the breakdown of account value and benefit base as of September 30, 2016 and December 31, 2015 for the above described GMDBs:

	September 30, 2016 (1)		December 31, 2015 (1)	
	Account Value	Benefit Base	Account Value	Benefit Base
	(In millions)			
Account Value / Other	$ 3,055	$ 3,055	$ 3,012	$ 3,012
Return of Premium	50,052	50,148	49,563	49,780
Interval Reset	5,623	5,668	5,678	5,727
Annual Step-Up	23,389	23,757	23,742	24,921
Combination Death Benefit (2)	30,702	35,233	30,216	34,971
Total	$ 112,821	$ 117,861	$ 112,211	$ 118,411

(1) Many of our annuity contracts offer more than one type of guarantee such that death benefit guarantee amounts listed above are not mutually exclusive to the amounts in the GMLBs table below.
(2) "Combination Death Benefit" includes Compounded-Plus Death Benefit, Enhanced Death Benefit, and FlexChoice℠ death benefit.

Guaranteed Living Benefits

Our in-force block of variable annuities consists of three varieties of GMLBs, including variable annuities with GMIBs, GMWBs and GMABs. Since 2001, we have offered a variety of guaranteed living benefit riders to our contract holders. Based on total account value, approximately 80% of our variable annuity block included living benefit guarantees at both September 30, 2016 and December 31, 2015.

GMIBs. GMIBs are our largest block of living benefit guarantees based on in-force account value. Contract holders must wait for a defined period, usually 10 years, before they can elect to receive income through guaranteed annuity payments. This initial period when the contract holder invests their account value in the separate and/or general account to grow on a tax-deferred basis is often referred to as the accumulation phase. The contract holder may elect to continue the accumulation phase beyond the waiting period in order to maintain access to their account value or continue to participate in the growth of both the account value and benefit base pursuant to the contract terms. During the accumulation phase, the contract holder still has access to his or her account value through the following choices, although their benefit base may be adjusted downward consistent with these choices:

- Partial surrender or withdrawal to a maximum specified amount each year (typically 10% of account value). This action does not trigger surrender charges, but the benefit base is adjusted downward depending on the contract terms;
- Full surrender or lapse of the contract, with the net proceeds paid to the contract holder being the then prevailing account value less surrender charges defined in the contract; or
- Limited "Dollar-for-Dollar Withdrawal" from the account value as described in the paragraph below.

The second phase of the contract starts upon annuitization. The occurrence and timing of annuitization depends on how contract holders choose to utilize the multiple benefit options available to them in their annuity contract. Below are examples of contract holder benefit utilization choices that can affect benefit payment patterns and reserves:

- *Lapse*. The contract holder may lapse or exit the contract at which time all GMxB guarantees are cancelled. If he or she partially exits, the GMxB benefit base may be reduced in accordance with the contract terms.

- *Use of Guaranteed Principal Option after waiting period*. For certain GMIB contracts issued since 2005, the contract holder has the option to receive a lump sum return of initial premium less withdrawals (the benefit base does not apply) in exchange for cancellation of the GMIB optional benefit.
- *Dollar-for-Dollar Withdrawal*. The contract holder may, in any year, withdraw, without penalty and regardless of the underlying account value, a portion of his or her account value up to a percentage of the benefit base ("*roll-up rate*"). The withdrawal reduces the contract holder's benefit base "dollar-for-dollar." If making such withdrawals in combination with market movements reduces the account value to zero, the contract may have an automatic annuitization feature, which entitles the contract holder to receive a stream of lifetime (with period certain) annuity payments based on a variety of factors, including the benefit base, the age and gender of the annuitant, and predetermined annuity interest rates and mortality rates. The benefit base depends on the contract terms, but the majority of our in-force has a greater of roll-up or step-up combination benefit base similar to the roll-up and step-up benefit base described above in "— Guaranteed Death Benefits." Any withdrawal greater than the roll-up rate would result in a penalty which may be a proportional reduction in the benefit base.
- *Elective Annuitization*. The contract holder may elect to annuitize the account value or exercise the guaranteed annuitization under the GMIB. The guaranteed annuitization entitles the contract holder to receive a stream of lifetime (with period certain) annuity payments based on the same factors that would be used as if the contract holder elected to annuitize.
- *Do nothing*. If the contract holder elects to continue to remain in the accumulation phase past the maximum age for electing annuitization under the GMIB and the account value has not depleted to zero, then the contract will continue as a variable annuity with a death benefit. The benefit base for the death benefit may be the same as the benefit base for the GMIB.

Contract holder behaviors around choosing a particular option cannot be predicted with certainty at the time of contract issuance or thereafter. The incidents and timing of benefit elections and the resulting benefit payments may materially differ from those we anticipate at the time we issue a variable annuity contract. As we observe actual contract holder behavior, we periodically update our assumptions with respect to contract holder behavior and take appropriate action with respect to the amount of the reserves we establish for the future payment of such benefits. *See* "Risk Factors — Risks Related to our Business — Guarantees within certain of our products may decrease our earnings, decrease our capitalization, increase the volatility of our results, result in higher risk management costs and expose us to increased counterparty risk" and "Management's Discussion and Analysis of Financial Condition and Results of Operations — Summary of Critical Accounting Estimates."

We have employed several risk exposure reduction strategies at the product level. These include reducing the interest rates used to determine annuity payout rates on GMIBs from 2.5% to 0.5% over time, partially in response to the low interest rate environment. In addition, we increased the setback period used to determine the annuity payout rates for contract holders from seven years to 10 years. For example, a 10 year age setback would determine actual annuitization monthly payout rates for a contract holder assuming they were 10 years younger than their actual age at the time of annuitization, thereby reducing the monthly guaranteed annuity claim payments. We have also reduced the guarantee roll-up rates from 6% to 4%.

Additionally, we introduced limitations on fund selections inside variable annuity contracts. In 2005, we reduced the maximum equity allocation in the separate accounts. Additionally, in 2011 we introduced managed volatility funds to our fund offerings in conjunction with the introduction of our last generation GMIB product "Max." Approximately 33% of the $66.1 billion and 32% of the $65.9 billion of GMIB total account value was invested in managed volatility funds as of September 30, 2016 and December 31, 2015, respectively. The managers of these funds seek to reduce the risk of large, sudden declines in account value during market downturns by managing the volatility or draw-down risk of the underlying fund holdings by re-balancing the fund holdings within certain guidelines or overlaying hedging strategies at the fund level. We believe that these risk mitigation actions at the fund level reduce the amount of hedging or reinsurance we require to manage our risks arising from guarantees we provide on the underlying variable annuity separate accounts.

GMWBs. GMWBs have a benefit base that contract holders may roll up for up to 10 years. If contract holders take withdrawals early, the roll up may be less than 10 years. This is in contrast to GMIBs, in which roll ups may continue beyond 10 years. Therefore, the roll-up period for the benefit base on GMWBs is typically less uncertain and is shorter than those on GMIBs. Additionally, the contract holder may receive income only through withdrawal of his or her benefit base. These withdrawal percentages are defined in the contract and differ by the age when contract holders start to take withdrawals. Withdrawal rates may differ if they are offered on a single contract holder or a couple (joint life). GMWBs primarily come in two versions depending on if they are period certain or if they are lifetime payments, GMWB4L. Our latest generation of GMWB4L, FlexChoiceSM, includes the additional option to take the remaining lifetime payments in an actuarially calculated lump sum when the account value reaches zero.

GMABs. GMABs guarantee a minimum amount of account value to the contract holder after a set period of time, which can also include locking in capital market gains. This protects the value of the annuity from market fluctuations.

The table below presents the breakdown of our variable annuity account value and benefit base by type of GMLBs as of September 30, 2016 and December 31, 2015.

	September 30, 2016 (1) (2)		December 31, 2015 (1) (2)	
	Account Value	Benefit Base	Account Value	Benefit Base
	(In millions)			
GMIB	$ 66,147	$ 78,973	$ 65,875	$ 79,101
GMWB (3)	3,466	2,941	3,649	3,198
GMWB4L	19,409	20,303	18,717	19,995
GMAB	716	643	676	620
Total	$ 89,738	$ 102,860	$ 88,917	$ 102,914

(1) Many of our annuity contracts offer more than one type of guarantee such that living benefit guarantee amounts listed above are not mutually exclusive to the amounts in the GMDBs table above.
(2) As of September 30, 2016 and December 31, 2015, the total account value includes investments in the general account totaling $5.5 billion and $5.4 billion, respectively.
(3) Does not include GMWB4Ls.

Net Amount at Risk

The NAR for the GMDB is the amount of death benefit in excess of the account value (if any) as of the balance sheet date. It represents the amount of the claim we would incur if death claims were made 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.

The NAR for the GMWB and GMAB is the amount of guaranteed benefit in excess of the account values (if any) as of the balance sheet date. The NAR assumes utilization of benefits by all contract holders as of the balance sheet date. For the GMWB benefits, only a small portion of the benefit base is available for withdrawal on an annual basis. For the GMAB, the NAR would not be available until the GMAB maturity date.

The NAR for the GMWB4L is the amount (if any) that would be required to be added to the total account value to purchase a lifetime income stream, based on current annuity rates, equal to the lifetime amount provided under the guaranteed benefit. For contracts where the GMWB4L provides for a guaranteed cumulative dollar amount of payments, the NAR is based on the purchase of a lifetime with period certain income stream where the period certain ensures payment of this cumulative dollar amount. The NAR represents our potential economic exposure to such guarantees in the event all contract holders were to begin lifetime withdrawals on the balance sheet date regardless of age. Only a small portion of the benefit base is available for withdrawal on an annual basis.

The NAR for the GMIB is the amount (if any) that would be required to be added to the total account value to purchase a lifetime income stream, based on current annuity rates, equal to the minimum amount provided under the guaranteed benefit. This amount represents our potential economic exposure to such guarantees in the event all contract holders were to annuitize on the balance sheet date, even though the guaranteed amount under the contracts may not be annuitized until after the waiting period of the contract.

The account values and NAR of contract owners by type of guaranteed minimum benefit for variable annuity contracts are summarized below as of September 30, 2016 and December 31, 2015.

	As of September 30, 2016 (1)			
	Account Value	Death Benefit NAR (1)	Living Benefit NAR (1)	% of Account Value In-the-Money (2)
	(Dollars in millions)			
GMIB	$ 45,813	$ 2,143	$ 3,839	27.3%
GMIB Max w/ Enhanced DB	12,970	1,897	404	N/A
GMIB Max w/o Enhanced DB	7,364	13	94	N/A
GMWB4L (FlexChoiceSM)	1,257	2	—	N/A
GMAB	716	2	2	27.7%
GMWB (3)	3,466	42	31	14.9%
GMWB4L	18,152	112	840	31.6%
EDB Only	3,894	472	—	N/A
GMDB Only (Other than EDB)	19,189	356	—	N/A
Total	$ 112,821	$ 5,039	$ 5,210	

(1) The “Death Benefit NAR” and “Living Benefit NAR” are not additive at the contract level.
(2) In-The-Money is defined as any contract with a living benefit NAR in excess of zero.
(3) Does not include GMWB4Ls.

	As of December 31, 2015 (1)			
	Account Value	Death Benefit NAR (1)	Living Benefit NAR (1)	% of Account Value In-the-Money (2)
	(Dollars in millions)			
GMIB	$ 46,046	$ 2,579	$ 2,390	26.9%
GMIB Max w/ Enhanced DB	12,632	2,024	—	N/A
GMIB Max w/o Enhanced DB	7,197	81	—	N/A
GMWB4L (FlexChoiceSM)	508	11	—	N/A
GMAB	676	16	16	68.1%
GMWB (3)	3,649	94	73	34.9%
GMWB4L	18,209	295	387	34.5%
EDB Only	3,834	508	—	N/A
GMDB Only (Other than EDB)	19,460	562	—	N/A
Total	$ 112,211	$ 6,170	$ 2,866	

(1) The “Death Benefit NAR” and “Living Benefit NAR” are not additive at the contract level.
(2) In-The-Money is defined as any contract with a living benefit NAR in excess of zero.
(3) Does not include GMWB4Ls.

Reserves

Under GAAP, certain of our variable annuity guarantee features are accounted for as insurance liabilities and recorded on the balance sheet in Future Policy Benefits with changes reported in policyholder benefits and claims. These liabilities are accounted for using long term assumptions of equity and bond market returns and the level of interest rates. Therefore, these liabilities, valued at $3.4 billion as of September 30, 2016, are less sensitive than derivative instruments to periodic changes to equity and fixed income market returns and the level of interest rates. Guarantees accounted for in this manner include GMDBs as well as the life contingent portion of GMIBs and certain GMWBs. Other guarantees are accounted for as embedded derivatives and recorded on the balance sheet in Policyholder Account Balances with changes reported in net derivative gains (losses). These liabilities, valued at $4.0 billion as of September 30, 2016, are accounted for at fair value. Guarantees accounted for in this manner include GMABs, GMWBs and the non-life contingent portions of GMIBs. In some cases, a guarantee will have multiple features or options that require separate accounting such that the guarantee is not fully accounted for under only one of the accounting models (known as "*split accounting*"). *See* " Management's Discussion and Analysis of Financial Condition and Results of Operations — Summary of Critical Accounting Estimates."

The table below presents the GAAP reserve balances by guarantee type and accounting model as of September 30, 2016 and December 31, 2015.

	Reserves					
	As of September 30, 2016			As of December 31, 2015		
	Future Policy Benefits (1)	Policyholder Account Balances (2)	Total Reserves	Future Policy Benefits (1)	Policyholder Account Balances (2)	Total Reserves
	(In millions)					
GMDB	$ 953	$ —	$ 953	$ 741	$ —	$ 741
GMIB	2,022	2,916	4,938	1,836	109	1,945
GMIB Max	277	180	457	168	(262)	(94)
GMAB	—	16	16	—	9	9
GMWB (3)	—	72	72	—	83	83
GMWB4L	133	753	886	104	278	382
GMWB4L (FlexChoiceSM)	—	43	43	—	(81)	(81)
Total	$ 3,385	$ 3,980	$ 7,365	$ 2,849	$ 136	$ 2,985

(1) Does not include amounts assumed from an affiliate of $101 million and $88 million of insurance liabilities as of September 30, 2016 and December 31, 2015, respectively.
(2) Does not include $615 million and $428 million of embedded derivatives as of September 30, 2016 and December 31, 2015, respectively.
(3) Does not include GMWB4Ls.

The carrying values of these guarantees can change significantly during periods of sizable and sustained shifts in equity market performance, equity market volatility, or interest rates. Carrying values are also affected by our assumptions around mortality, separate account returns and policyholder behavior, including lapse, annuitization and withdrawal rates. *See* "Risk Factors — Risks Related to our Business — Guarantees within certain of our products may decrease our earnings, decrease our capitalization, increase the volatility of our results, result in higher risk management costs and expose us to increased counterparty risk." Furthermore, changes in policyholder behavior assumptions can cause shifts in the split accounting.

Description of Existing Variable Annuity Exposure Management Strategy

We currently use freestanding interest rate and equity derivatives to hedge the market risks inherent in our variable annuity contract guarantees. Our existing hedge program uses a combination of short-term and longer-term derivative instruments to reduce the need to execute transactions during periods of market disruption or higher volatility. We continually monitor the capital markets for opportunities to adjust our derivative positions for liability coverage, as appropriate. We also use swaps and futures to dynamically adjust the daily coverage levels as markets and liability exposures fluctuate.

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The table below presents the gross notional amount, estimated fair value, and primary underlying risk exposure of the derivatives in our existing hedge program for our variable annuity product guarantees as of September 30, 2016 and December 31, 2015:

Primary Underlying Risk Exposure	Instrument Type	September 30, 2016 Gross Notional Amount	September 30, 2016 Estimated Fair Value Assets	September 30, 2016 Estimated Fair Value Liabilities	December 31, 2015 Gross Notional Amount	December 31, 2015 Estimated Fair Value Assets	December 31, 2015 Estimated Fair Value Liabilities
		(In millions)					
Interest rate	Interest rate swaps	$ 16,651	$ 2,044	$ 576	$10,461	$ 946	$ 387
	Interest rate futures	3,012	—	25	630	2	—
	Interest rate options	15,520	783	—	18,620	472	6
Equity market	Equity futures	8,546	—	50	3,669	37	—
	Equity options	40,084	1,004	860	43,714	1,031	626
	Variance swaps	14,935	139	504	14,866	120	434
	Total rate of return swaps	3,767	5	78	2,814	31	49
	Total	$102,515	$ 3,975	$ 2,093	$94,774	$ 2,639	$ 1,502

For hedging guarantees that are accounted for under the insurance accrual based model the change in estimated fair value of our derivatives is reported in policyholder benefits and claims. For hedging guarantees that are accounted for as embedded derivatives the change in estimated fair value of our derivatives is recorded in net derivative gains (losses). Period to period changes in the amounts we record as future policy benefits and net derivatives gains (losses) affect our net income and stockholders equity in any given period. These effects can be material. *See* "Risk Factors — Risks Related to our Business — Our proposed variable annuity exposure management strategy may not be fully implemented prior to the distribution, may not be effective, may result in net income volatility and may negatively affect our statutory capital" and "Management's Discussion and Analysis of Financial Condition and Results of Operations — Summary of Critical Accounting Estimates."

Description of Proposed Variable Annuity Exposure Management Strategy

We intend to implement an exposure risk management program which seeks to mitigate the potential adverse effects of changes in equity markets and interest rates on our statutory capitalization and statutory distributable cash flows. The principal focus of our exposure risk management program will be to maintain assets supporting our variable annuity contracts at the variable annuity target funding level, which we intend to be CTE95 (the "*Variable Annuity Target Funding Level*"). As of September 30, 2016, assuming the transactions to be executed in connection with the separation had occurred as of such date, we estimate that we would have held $3.0 billion of assets in excess of CTE95, which would be equivalent to holding assets in excess of CTE98 as of September 30, 2016. We intend to hold assets supporting our variable annuity contracts to sustain asset adequacy during modest market downturns without substantial reliance on gains on derivative instruments and, accordingly, reduce the need for hedging the daily or weekly fluctuations from small movements in capital markets.

Conditional tail expectations, which we refer to as "*CTE*," is a statistical tail risk measure used to assess the adequacy of assets supporting variable annuity contract liabilities. In general, under applicable NAIC guidelines, the amount of assets required to support statutory reserves and capital for variable annuity contracts is substantially influenced by the outcome of 1,000 stochastic capital market scenarios and a single deterministic scenario (the "*Standard Scenario*"). Although the NAIC does not specify these scenarios, the 1,000 scenarios we select for purposes of our stochastic modeling must comply with guidelines promulgated by the NAIC. Under current NAIC guidelines the total amount of assets required to support the statutory reserves and capital relating to our variable annuity contracts, which we refer to as the "*Variable Annuity Total Asset Requirement*" or "*Variable Annuity TAR*," must be at least equal to the greater of (a) the average amount of assets needed to satisfy policyholder obligations (or, the greatest present value of accumulated deficiencies) in the worst 10% of these 1000 scenarios and (b) the total amount of assets required under the Standard Scenario. The result of averaging the worst “x” percent of the 1,000 scenarios is commonly described as CTE100 less “x”. Accordingly, the NAIC prescribed worst 10% is commonly referred to as CTE90. Our internal target is based on the worst 5%, and is referred to as CTE95.

We also intend to enter into certain derivative instruments to support our Variable Annuity Target Funding Level and protect our statutory capital from the effects of certain tail or worst-case scenarios beyond the scope of NAIC guidelines.

Severe market conditions could cause the assets supporting our variable annuity contracts to decline below a level corresponding to CTE95. In the event such assets decline, we intend to accumulate sufficient statutory earnings over time to increase the assets supporting our variable annuity contracts back to a level in excess of CTE95. At any given time we will seek to hold derivative instruments which would offset the effect of changes in equity markets and interest rates on the amount of assets necessary to support our variable annuity contracts at the Variable Annuity Target Funding Level.

The principal components of our proposed strategy are described in further detail below:

- Variable Annuity Assets — We intend to hold assets supporting our variable annuity contracts to sustain asset adequacy during modest market downturns without substantial reliance on gains on derivative instruments and accordingly, reduce the need for hedging the daily or weekly fluctuations from small movements in capital markets. As of September 30, 2016, assuming the transactions to be executed in connection with the separation had occurred as of such date, we estimate that we would have held $3.0 billion of assets in excess of those required under CTE95.
- Hedge Target — We intend to focus our hedging activities primarily on mitigating the risk from larger movements in capital markets, which may deplete contract holder account values, and may increase long-term guarantee claims. Additionally, we believe that holding longer dated assets including derivative instruments to support our Variable Annuity Target Funding Level is consistent with the long-term nature of our variable annuity contract guarantees. We believe this will result in our being less exposed to the risk that we will be unable to roll-over expiring derivative instruments into new derivative instruments consistent with our hedge strategy on economically attractive terms and conditions. Based on market conditions at September 30, 2016, we expect our initial hedge costs to be in line with our historical costs over the past three years. Over time, we expect our new variable annuity exposure management strategy, assuming its full implementation, to allow us to reduce net hedge costs and increase long-term value for our shareholders for various reasons, including:
    - *Protect against more significant market risks*. Protecting against larger market movements can be achieved at a lower cost through the use of derivatives with strike levels that are below the current market level, referred to as “out of the money.” These derivatives, typically, require a lower premium outlay than those with strike levels at the current market level, known as “at the money.” However, they may result in higher bid-ask spread or trading cost, if frequently re-balanced. Additionally, we believe this type of strategy will produce fewer losses from extreme volatility over a compressed time period, with potentially multiple up and down market movements, referred to as “gamma losses.”
    - *Reduce transaction costs associated with hedge execution*. Less frequent rebalancing of derivative positions can reduce trading costs. This approach is commonly described as a “semi-static hedging” approach. With a greater emphasis on semi-static hedging, we expect to potentially increase our use of longer-term option instruments. This will enable our transition away from our current hedging program which has significant elements of both first dollar dynamic hedging and semi-static hedging.
    - *Improve statutory results in rising markets*. First dollar dynamic hedging strategies, for example using futures or swaps, have similar symmetrical impacts in both rising and falling markets.

Therefore, while protecting for market downside situations, first dollar dynamic hedging strategies also incur losses in rising markets, which is what we refer to as selling upside. We intend to balance the use of selling market upside to manage the cost of downside protection, market conditions permitting. We believe this may result in higher statutory earnings for the Company should markets outperform our baseline expectations.

We believe the higher statutory earnings that our new strategy may generate can be used to increase financial flexibility and support deploying capital for growing long-term, sustainable shareholder value.

Further, by holding more non-derivative, income bearing assets in addition to derivative instruments to support our Variable Annuity Target Funding Level, we expect to benefit from earning additional investment income. This increases the sufficiency of assets supporting our Variable Annuity Target Funding Level and increases the possibility of generating excess capital over time, depending on market conditions. We believe this will enhance our financial condition across more market scenarios than an approach that relies purely on derivative instruments for protecting against market downside.

Our proposed hedge program does not seek to offset changes to GAAP liabilities or offset the effect of moderate market movements to our statutory capital to the same extent as our existing program. Therefore, the execution of our proposed hedge strategy will likely increase the volatility of our net income and statutory capital relative to the existing hedge program.

Transition to Proposed Variable Annuity Exposure Management Strategy

We have already begun the transition to our proposed exposure risk management program by increasing the amount of capital supporting our variable annuity contracts and executing supplemental hedges to our hedging program intended to support our Variable Annuity Target Funding Level. Furthermore, we expect to incorporate into our proposed derivatives portfolio a substantial portion of our existing derivatives portfolio representing in excess of approximately 81%, 96% and 73% of the gross notional amount and estimated fair value of the assets and liabilities, respectively, of the portfolio as of September 30, 2016. In addition, we intend to further refine our hedge positions to maintain or enhance downside protection while selling less upside in favorable capital markets to address the asymmetric nature of our hedge target. Accordingly, although a substantial portion of our hedge positions will be retained, some will likely be terminated and new hedge positions will be added.

Transition from our current strategy to our proposed strategy will continue throughout the separation process. Our goal is to own a portfolio of derivative instruments consistent with our hedge strategy along with accompanying governance policies and procedures within nine to twelve months of the distribution. The ultimate timing and manner of the final implementation of our hedge strategy will be determined by MetLife and Brighthouse and will be subject to conditions in the capital markets as well as regulatory requirements, including any regulatory approvals of modifications to our derivatives use plans to accommodate our proposed variable annuity exposure management strategy and potential changes to NAIC statutory requirements. Although we intend to select and acquire OTC and exchange traded derivatives which are generally available in the capital markets, the derivative instruments we require may not be available and, if available, may not be obtainable on economically attractive terms and conditions

Sensitivities

Set forth below are two tables which analyze the sensitivity of our Variable Annuity Assets, CTE95 and Statutory Total Asset Requirement ("*Statutory TAR*"), defined by the NAIC in its Risk Based Capital Formula, earnings to instantaneous changes in equity markets and interest rates. We also set forth below an additional table which shows the present value of our cash flows under certain economic scenarios.

The following table summarizes the estimated Variable Annuity Assets and assets supporting our variable annuity contracts at a CTE95 standard for various instantaneous changes in equity markets and interest rates. The estimated Variable Annuity Assets reflect changes in hedge gains or losses from the portfolio of derivative instruments (the "*Target Derivatives Portfolio*") we intend to acquire as part of our exposure risk management program assuming that such portfolio was held as of June 30, 2016. The impacts presented below are not representative of the aggregate changes that could result if a combination of such changes to equity markets and interest rates occurred.

	As of June 30, 2016										
	Equity Market (S&P 500)									Interest Rates (1)	
	(40)%	(25)%	(10)%	(5)%	Base	5%	10%	25%	40%	(1)%	1%
	(In billions)										
Variable Annuity Assets	$18.7	$15.7	$13.1	$12.4	**$11.7**(2)	$11.1	$10.5	$9.5	$9.1	$ 15.0	$ 9.3
CTE95	17.3	13.9	10.7	9.7	**8.7**	7.8	7.0	4.7	2.9	10.5	6.7
Assets Above CTE 95 (3)(4)(5)	$ 1.4	$ 1.8	$ 2.4	$ 2.7	**$ 3.0**	$ 3.3	$ 3.5	$4.8	$6.2	$ 4.5	$ 2.6
Change of Assets Above CTE 95 (6)	$ (1.6)	$ (1.2)	$ (0.6)	$ (0.3)		$ 0.3	$ 0.5	$1.8	$3.2	$ 1.5	$ (0.4)

(1) CTE calculations do not fully reflect the effect of interest rates on the adequacy of the assets we hold to support our variable annuity contracts. As part of our proposed risk management program, we intend to enter into derivative instruments designed to offset the impact of changes in interest rates resulting from certain scenarios which are not taken into account for purposes of establishing our Variable Annuity Target Funding Level. This may cause the assets supporting our variable annuity contracts relative to a CTE 95 target level to decrease when interest rates rise and increase when interest rates decrease, in an asymmetrical manner as shown in the table above.

(2) Variable Annuity Assets for purposes of this sensitivity analysis is the total amount of assets we hold to support our variable annuity contracts. Assuming the transactions to be executed in connection with the separation had occurred as of June 30, 2016, we estimate that our Variable Annuity Assets would have exceeded our Variable Annuity Target Funding Level by $3.0 billion.

(3) Assets Above CTE95 is the difference between the amount of assets necessary to support our variable annuities at a CTE95 standard and Variable Annuity Assets.

(4) Our proposed risk management program is designed to protect against larger equity market movements through the use of out of the money derivative instruments. The rate of change in the fair value of these derivative instruments increases as the level of equity markets approaches and goes below the strike level on these derivative instruments.

(5) We hold assets in excess of our Variable Annuity Target Funding Level, in order to mitigate the effect of adverse market scenarios on the adequacy of the assets supporting our variable annuity contracts. The table above shows sensitivities under instantaneous changes and does not reflect multiple effects across equity markets and interest rates or a failure of markets to recover following such change.

(6) Change of Assets Above CTE95 is the difference between the Assets Above CTE95 and the Base amount.

The Company is subject to regulatory minimum capital requirements, as expressed by the Statutory TAR. Statutory TAR may respond differently than CTE95 to equity market and interest rates, using the Target Derivatives Portfolio.

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The following table summarizes the estimated Variable Annuity Assets and Statutory TAR for various instantaneous changes in equity markets and interest rates. These estimates reflect our Target Derivatives Portfolio assuming that such portfolio was held as of June 30, 2016. The impacts presented below are not representative of the aggregate changes that could result if a combination of such changes to equity markets and interest rates occurred.

	As of June 30, 2016										
	Equity Market (S&P 500)									Interest Rates (1)	
	(40)%	(25)%	(10)%	(5)%	Base	5%	10%	25%	40%	(1)%	1%
					(In billions)						
Variable Annuity Assets	$18.7	$15.7	$13.1	$12.4	**$11.7**(2)	$11.1	$10.5	$9.5	$9.1	$ 15.0	$ 9.3
Statutory TAR	15.9	12.2	8.9	7.8	**6.8**	5.8	5.0	2.7	1.5	8.5	4.8
Assets Above TAR (3)	$ 2.8	$ 3.5	$ 4.2	$ 4.6	**$ 4.9**	$ 5.3	$ 5.5	$6.8	$7.6	$ 6.5	$ 4.5
Change of Assets Above TAR (4)	$ (2.1)	$ (1.5)	$ (0.7)	$ (0.3)		$ 0.4	$ 0.6	$1.9	$2.7	$ 1.6	$ (0.4)

(1) CTE calculations do not fully reflect the effect of interest rates on the adequacy of the assets we hold to support our variable annuity contracts. As part of our proposed risk management program, we intend to enter into derivative instruments designed to offset the impact of changes in interest rates resulting from certain scenarios which are not taken into account for purposes of establishing our Variable Annuity Target Funding Level. This may cause the assets supporting our variable annuity contracts relative to a Statutory TAR to decrease when interest rates rise and increase when interest rates decrease, in an asymmetrical manner as shown in the table above.

(2) Variable Annuity Assets for purposes of this sensitivity analysis is the total amount of assets we hold to support our variable annuity contracts. Assuming the transactions to be executed in connection with the separation had occurred as of June 30, 2016, we estimate that our Variable Annuity Assets would have exceeded our Variable Annuity Target Funding Level by $3.0 billion.

(3) Assets Above TAR is the difference between the Statutory TAR and Variable Annuity Assets.

(4) Change of Assets Above TAR is the difference between the Assets Above TAR and the Base amount.

In addition, the following tables illustrate the impact on variable annuity business cash flows across five capital market scenarios, outlined below, which reflect simultaneous changes in equity markets and interest rates as outlined below, assuming our proposed hedging program had been fully implemented as of June 30, 2016. Contract holder behavior in these five scenarios is based on current best estimate assumptions which include dynamic variables to reflect the impact of change in market levels.

	Assumptions
Scenario 1	Separate Account Returns: 6.5% Interest Rate Yields: mean reversion of 10 Year UST to 4.25% over 10 years
Scenario 2	Separate Account Returns: 9.0% Interest Rate Yields: mean reversion of 10 Year UST to 4.25% over 10 years
Scenario 3	Separate Account Returns: 4.0% Interest Rate Yields: mean reversion of 10 Year UST to 4.25% over 10 years
Scenario 4	Separate Account Returns: 4.0% Interest Rate Yields: follows the forward U.S. Treasury and swap interest rate curve as of June 30, 2016
Scenario 5	Separate Account Returns: (25)% shock to equities (~(17)% shock to separate account), then 6.5% separate account return Interest Rate Yields: 10-year U.S. Treasury interest rates drop to 1.0%, and then follows the implied forward rate

The table below estimates distributable statutory free cash flow from our variable annuity business for the three annual periods beginning June 30, 2016, under the above defined five capital market scenarios.

	Scenario 1 June 30, 2016 to June 30, 2019	Scenario 2 June 30, 2016 to June 30, 2019	Scenario 3 June 30, 2016 to June 30, 2019	Scenario 4 June 30, 2016 to June 30, 2019	Scenario 5 June 30, 2016 to June 30, 2019
			(In millions)		
Fees	$ 8,381	$ 8,603	$ 8,165	$ 8,164	$ 7,265
Hedge Gains (Losses)	(5,125)	(6,423)	(4,005)	(3,880)	1,670
Benefits and Expenses	(2,356)	(2,357)	(2,367)	(2,387)	(2,520)
Investment Income	1,095	1,040	1,131	1,080	1,142
Increase (Decrease) in CTE95	(1,980)	(362)	(3,427)	(3,424)	(6,961)
Taxes	527	578	621	602	(451)
VA Distributable Earnings	$ 542	$ 1,080	$ 117	$ 155	$ 145

The table below estimates distributable statutory free cash flow from our variable annuity business for the five annual periods beginning June 30, 2016, under the above defined five capital market scenarios.

	Scenario 1 June 30, 2016 to June 30, 2021	Scenario 2 June 30, 2016 to June 30, 2021	Scenario 3 June 30, 2016 to June 30, 2021	Scenario 4 June 30, 2016 to June 30, 2021	Scenario 5 June 30, 2016 to June 30, 2021
			(In millions)		
Fees	$ 13,229	$ 13,806	$ 12,688	$ 12,685	$ 11,459
Hedge Gains (Losses)	(6,366)	(8,059)	(4,928)	(4,928)	855
Benefits and Expenses	(3,834)	(3,813)	(3,906)	(3,980)	(4,318)
Investment Income	2,024	1,845	2,178	1,989	2,044
Increase (Decrease) in CTE95	(3,179)	(729)	(5,592)	(5,974)	(8,892)
Taxes	34	(62)	361	452	(738)
VA Distributable Earnings	$ 1,908	$ 2,989	$ 802	$ 245	$ 411

The table below presents, under these five scenarios, the present value, at a 4% discount rate of anticipated revenues net of all expenses and hedge costs, without reflecting the effect of capital and reserving requirements on the cash flows of this business.

	As of June 30, 2016				
	Scenario				
	Scenario 1	Scenario 2	Scenario 3	Scenario 4	Scenario 5
	(In billions)				
Present value of Pre-Tax Cash Flows	$ 8.5	$ 18.8	$ (0.2)	$ (2.4)	$ (3.3)
Present value of Hedge Costs/Gains	(6.5)	(8.6)	(4.9)	(5.3)	0.4
Total Present Value	$ 2.0	$ 10.2	$ (5.1)	$ (7.7)	$ (2.9)
Variable Annuity Assets	$ 11.7	$ 11.7	$ 11.7	$ 11.7	$ 11.7
Total (including Variable Annuity Assets)	$ 13.7	$ 21.9	$ 6.6	$ 4.0	$ 8.8

The preceding sensitivities and scenarios (the "*Analyses*") are estimates and are not intended to predict the future financial performance of our variable annuity hedging program or to represent an opinion of market value. They were selected for illustrative purposes only and they do not purport to encompass all of the many factors that may bear upon a market value and are based on a series of assumptions as to the future. It should be recognized that actual future results may differ from those shown, on account of changes in the operating and economic environments and natural variations in experience. The results shown are presented as of June 30, 2016 and no assurance can be given that future experience after these valuation dates will be in line with the assumptions made.

The five preceding Analyses assume that our proposed variable annuity hedging programs, and the portfolio of derivative instruments we believe are necessary to implement our proposed variable annuity hedging programs, were effective and in place as of June 30, 2016. Although our goal is to have selected and acquired the portfolio of derivative instruments consistent with our proposed variable annuity hedging programs within nine to twelve months following the distribution, we may not be able achieve this goal in that timeframe or at all. The derivative instruments we require may not be available and, if available, may not be obtained on economically attractive terms and conditions. Accordingly, the assumed derivative instrument portfolio upon which these sensitivity analyses are based may not bear any relationship to the portfolio of derivative instruments we actually acquire.

The Analyses use inputs which are difficult to approximate and may result in material differences in actual outcomes compared to the information shown above. These inputs include the following estimates:

- *Basis risk* — fund allocations are mapped to different equity or fixed income indices and the projected returns which we attribute to these indices may be materially different from estimates we used in our modeling. A material portion of our separate account asset value is also included in target volatility funds and our modeling is unable to capture the continuous equity and fixed income re-allocations within these types of funds;
- *Actuarial assumptions* — policyholder behavior and life expectancy may vary compared to our actuarial assumptions and much of the data that is used in formulating our actuarial assumptions is still developing, so we may have insufficient information on which to base the actuarial assumptions used in our modeling, which could result in material differences in actual outcomes compared to our modeling results; and
- *Management actions* — the Analyses assume no actions by management in response to developing facts, circumstances and experience, which is unlikely to be the case and could result in material deviations from our modeling results.

We have constructed the modeling used in our Analyses using in-force liability, or "grouping," which means that we group our liability mix under our outstanding variable annuity contracts into representative cohorts to reduce the time it takes to complete our sensitivity analyses. This practice is used regularly by the insurance industry, but it generally results in a greater deviation from actual results compared to models that use a seriatim approach, which looks at each individual variable annuity contract.

Although the NAIC has promulgated guidelines on the total amount of assets required to support statutory reserves and capital relating to variable annuities, neither the NAIC nor any state insurance department specifies the particular 1,000 stochastic capital market scenarios that an insurance company must use in its CTE calculation or whether or not those scenarios can be changed or need be held constant going forward. Therefore, each insurance company runs scenarios which it believes are appropriate to it at a particular time, and the CTE95 of one company, may be materially different than the CTE95 of another company. The NAIC is currently considering modifying its prescribed methodologies and assumptions. There is no guarantee it will implement these modifications or that it will not implement different modifications in the future, any of which may have a material impact on our statutory capitalization and our variable annuity hedging strategy, its implementation and timing.

In addition, the preceding sensitivity analyses do not take into account simultaneous shocks to equity markets, interest rates and market volatility. The actual effect of changes in equity markets and interest rates on the assets supporting our variable annuity contracts may vary depending on a number of factors which include but are not limited to (i) the Analyses are only valid as of the measurement date and (ii) changes in our proposed hedging program, policyholder behavior and underlying fund performance could materially affect the liabilities our assets support. In addition, the foregoing Analyses illustrate the estimated impact of the indicated shocks occurring instantaneously, and therefore give no effect to rebalancing over the course of the shock event. The estimates of equity market shocks reflect a shock to all equity markets, domestic and global, of the same magnitude. The estimates of interest rate shocks reflect a shock to rates at all durations (a parallel shift in the yield curve). Reserve numbers are based on our directly written guarantees only and do not include assumed affiliated reinsurance that we intend to recapture prior to separation. Furthermore, there can be no assurance that we will implement our proposed variable annuity hedging programs in the form and manner described above or at all.

Management of non-market risks

Our product guarantees are subject to uncertainty associated with the future behavior of contract holders with respect to the exercise of contractual options (*e.g*., annuitization for GMIBs), lapse, timing and extent of withdrawals and underlying mortality experience. We are required to make assumptions about these uncertainties when valuing the liabilities and update such assumptions annually. Because assumptions may not reflect the actual behaviors and patterns we experience in the future, they are subject to change, potentially resulting in significant increases or decreases to the carrying value of liabilities impacting earnings in the period of the change. After a comprehensive review of our assumptions in the second quarter of 2016, we reported a charge to net income of $1.7 billion, $1 billion of which related to changes to assumptions of contract holder behavior. It is possible that future assumption changes could produce reserve or CTE95 TAR hedge target changes in a magnitude that could require us to contribute a significant amount of additional capital to one or more of our insurance company subsidiaries, or could otherwise be material and adverse to the results of operations or financial condition of the Company.

Life

Overview

We are one of the largest life insurance companies in the United States by ordinary and term life insurance issued and in force. Our Life segment manufactures a range of products to serve our target segments through a broad independent distribution network. While our in-force book reflects that range of life products, beginning in the first quarter of 2017, we intend to focus on term life and universal life, consistent with our financial objectives, with a concentration on design and profitability over volume.

As of December 31, 2015, we had 1.3 million policies and approximately $630 billion of life insurance face amount in-force. By managing our in-force book of business, we expect to generate future revenue and profits for the Company. We aim to maximize our profits by focusing on operational excellence and cost optimization in order to continue to reduce the cost basis and underwriting expenses. Our life insurance in-force book provides natural diversification to our Annuity segment and a source of future profits.

In addition to managing our in-force book of life business, we aim to be an innovation leader by introducing new life products to generate growth to meet our cash flow, profit, risk and capital requirements and at the same time fulfill the needs of our customers and independent distributors. In 2015, we introduced PAUL, a product with levelized commissions over time, which serves primarily as a death benefit protection instrument with an asset accumulation component and no secondary guarantees. We will continue to develop and introduce new products based on sources of differentiation that add value to our independent distributors and customers. We believe by partnering with distributors where we can be most relevant, we will gain better insights into their product needs and be able to develop more financially attractive products.

The Life segment generates profits from premiums, investment margins, expense margins, mortality margins, morbidity margins and surrender fees. The Life segment earnings provide a diversification to our Company's results. *See* "— Annuities — Variable Annuities."

Products

We offer a variety of products to provide protection benefits, including term life and universal life.

The following table presents our in-force face amount and premiums received as of and for the year ended December 31, 2015, respectively, for the life insurance products that we offer:

	In-Force Face Amount As of December 31, 2015	Premiums (1) Year Ended December 31, 2015
	(In millions)	
Term	$ 454,531	$ 766
Whole (2)	$ 22,520	$ 489
Universal	$ 101,091	$ 1,100
Variable	$ 49,442	$ 374

(1) Universal Life and Variable Life represent statutory premiums.
(2) All new business written since 2013 is 90% coinsured to an affiliate.

Term Life

Term life products are designed to provide a fixed death benefit in exchange for a guaranteed level premium to be paid over a specified period of time, usually 10 to 30 years. A one-year term option is also offered. Our term life product does not include any cash value, accumulation or investment components. As a result, it is our most basic life insurance product offering and generally has lower premiums than other forms of life insurance. Term life products may allow the policyholder to continue coverage beyond the guaranteed level premium period, generally at an elevated cost. Some of our term life policies allow the policyholder to convert the policy during the conversion period to a permanent policy, and we will be making PAUL available for this purpose. Such conversion does not require additional medical or financial underwriting. Term life products allow us to spread expenses over a large number of policies while gaining mortality insights that come from high policy volumes.

Whole Life

Although we have a significant in-force book of whole life policies, we intend to suspend new sales of participating whole life and conversions into participating whole life in the first quarter of 2017. We may choose to issue new whole life products in the future. Whole life products provide a guaranteed death benefit in exchange for a guaranteed level premium for a specified period of time in order to maintain coverage for the life of the insured. Whole life products also have guaranteed minimum cash surrender values. Our whole life products provide for participation in the returns generated by the business, delivered to the policyholder in the form of non-guaranteed dividend payments. The policyholder can elect to receive the dividends in cash or to use them to increase the paid-up policy death benefit or pay the required premium. They can also be used for other purposes, including payment of loans and loan interest. The versatility of whole life allows it to be used for a variety of different purposes beyond just the primary purpose of death benefit protection. The policyholder can withdraw or borrow against the policy (sometimes on a tax favored basis), in order to provide anything from education costs to emergency funds to systematic income for retirement.

Universal Life

Universal life products provide a death benefit in return for payment of specified annual policy charges that are generally related to specific costs, which may change over time. To the extent that the policyholder chooses to pay more than the charges required in any given year to keep the policy in-force, the excess premium will be placed into the account value of the policy and credited with a stated interest rate on a monthly basis. This structure gives policyholders flexibility in the amount and timing of premium payments, subject to tax guidelines. Consequently, universal life policies can be used in a variety of different ways. We may market universal life policies focused on cash accumulation within the policy; this can be accessed later via surrender, withdrawals, loans or ultimate payment of the death benefit. Our policies may feature limited surrender charges and low initial compensation related to policy expenses, compared to our competitors.

Our current universal life offering, PAUL, has surrender charges that are 1% of those found in typical universal life contracts and advisor compensation based mostly on accumulated cash value instead of a “target premium” set by us. We believe PAUL provides greater flexibility for the policyholder in the form of a higher cash surrender value in the early contract years given its levelized commission over time structure and an appeal to different types of advisors with the compensation aligning to asset based business models. Advisors have incentive to service these policies based on its compensation model. These unique product features allow PAUL to be a differentiated product as compared to other universal life contracts offered in the industry and we believe PAUL demonstrates our ability to create new products that appeal to both consumers and advisors.

Variable Life

Although we have a significant in-force book of variable life policies, we intend to suspend new sales of certain variable life policies and conversions into certain variable life policies in the first quarter of 2017. We may choose to issue additional variable life products in the future. Variable life products operate similarly to universal life products, with the additional feature that the excess amount paid over policy charges can be directed by the policyholder into a variety of separate account investment options. In the separate account investment options, the policyholder bears the entire risk and returns of the investment results. We collect specified fees for the management of the investment options in addition to the base policy charges. In some instances, third-party asset management firms manage these investment options. The policyholder’s cash value reflects the investment return of the selected investment options, net of management fees and insurance-related charges. With some products, by maintaining a certain premium level, policyholders may also have the advantage of various guarantees designed to protect the death benefit from adverse investment experience.

ULSG Market Risk Exposure Management

The ULSG block includes the business ceded to affiliated reinsurance companies providing reserve financing support and business that remains in our operating companies. The primary market risk associated with our ULSG block is future levels of U.S. interest rates and bond yields. To help ensure Brighthouse has sufficient assets to meet future ULSG policyholder obligations, we have employed our NY Regulation 126 Cash Flow

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Testing ("*ULSG CFT*") modeling approach as the basis for setting our ULSG asset requirement target for the affiliated reinsurance companies. For the business that remains in the operating companies, we set our ULSG asset requirement target to equal the statutory reserves, which together with our ULSG asset requirement target in our affiliated reinsurers comprise our total ULSG asset requirement target ("*ULSG Target*"). Under the ULSG CFT approach, we assume that interest rates remain flat or lower than current levels and our actuarial assumptions include a provision for adverse deviation ("*PAD*"). These underlying assumptions used in ULSG CFT are more conservative than those required under GAAP, which assumes a long-term upward mean reversion of interest rates and less conservative actuarial assumptions.

We seek to mitigate interest rate exposures associated with these liabilities by holding ULSG Assets to closely match our ULSG Target under different interest rate environments. "*ULSG Assets*" are defined as (i) total general account assets in the operating companies and affiliated reinsurance companies supporting statutory reserves and capital and (ii) interest rate derivative instruments dedicated to mitigate ULSG interest rate exposures. As of June 30, 2016, ULSG Assets and the ULSG Target were both estimated to be $14.9 billion and the statutory reserves for the ULSG business (in our operating companies and affiliated reinsurers) were $19.0 billion and GAAP reserves were $11.3 billion.

Our ULSG Target is sensitive to the actual and future expected level of long-term U.S. interest rates. If interest rates fall, our ULSG Target increases. Likewise, if interest rates rise, our ULSG Target declines. Given this profile, we implemented a dedicated interest rate risk mitigation program ("*ULSG Hedge Program*") for our ULSG business for our affiliated reinsurers in the third quarter of 2016. Interest rate risk mitigation for the business that remains in the operating companies is covered by the general account ALM strategies. In both programs, we use interest rate derivatives (primarily interest rate swaps) to mitigate the interest rate risk in this block. The ULSG Hedge Program will prioritize the ULSG Target (comprised of ULSG CFT and statutory considerations), with less emphasis on mitigating net income volatility. This could increase the period-to-period volatility of net income and equity due to differences in the sensitivity of the ULSG Target and GAAP liabilities to the changes in interest rates. This mitigation strategy enables us to better protect statutory capitalization from potential losses due to an increase in our ULSG Target under lower interest rate conditions. Conversely, we may allow for lower realization of gains as the ULSG Target declines in moderately rising interest rate environments, in order to limit the cost of this risk mitigation strategy. We intend to maintain an adequate amount of liquid investments in our investment portfolio supporting our ULSG book to support any contingent collateral posting requirements from our ULSG Hedge Program.

Sensitivity

The following table summarizes the sensitivity of our estimated ULSG Assets and ULSG Target to changes in interest rates, assuming our ULSG Hedge Program was substantially implemented as of June 30, 2016. The resulting changes in the ULSG Target and ULSG Assets for the instantaneous interest rate changes only reflect changes for the business in the affiliated reinsurance companies.

	As of June 30, 2016								
	Interest Rates								
	(2.0)%	(1.5)%	(1.0)%	(0.5)%	Base	0.5%	1.0%	1.5%	2.0%
	(In billions)								
ULSG Assets (1)	$ 18.8	$ 17.6	$ 16.5	$ 15.7	$14.9	$14.2	$13.7	$13.2	$12.9
ULSG Target	18.3	17.7	16.8	15.8	14.9	14.1	13.5	12.9	12.5
Surplus / (Deficit) (2)	$ 0.5	$ (0.1)	$ (0.3)	$ (0.1)		$ 0.1	$ 0.2	$ 0.3	$ 0.4

(1) ULSG Assets are the general account assets of the operating companies and affiliated reinsurance companies. The ULSG Asset changes only reflect fair value changes of the ULSG Hedge Program (non-derivative assets are not fair valued).

(2) Surplus / (Deficit) represents the difference between the ULSG Assets and the ULSG Target.

The preceding sensitivity analysis is an estimate and is not intended to predict the future financial performance of our ULSG market risk exposure management program or to represent an opinion of market value. It was selected for illustrative purposes only and it does not purport to encompass all of the many factors that may bear upon market value and is based on a series of assumptions as to the future. It should be recognized that actual future results may differ from those shown, on account of changes in the operating and economic environments and natural variations in experience. The results shown are presented as of June 30, 2016 and no assurance can be given that future experience after these valuation dates will be in line with the assumptions made.

The preceding sensitivity analysis assumes that our proposed ULSG market risk exposure management program, and the ULSG Assets we believe are necessary to hold in connection with our proposed ULSG market risk exposure management program, were effective and in place as of June 30, 2016. Although our goal is to have a fully implemented ULSG market risk exposure management program at the time of the distribution, our ULSG market risk exposure management program is not yet effective.

The sensitivity analysis uses inputs which are difficult to approximate and may result in material differences in actual outcomes compared to the information shown above. These inputs include the following estimates:

- *Actuarial assumptions* — policyholder behavior and life expectancy may vary compared to our actuarial assumptions and much of the data that is used in formulating our actuarial assumptions is still developing, so we may have insufficient information on which to base the actuarial assumptions used in our modeling, which could result in material differences in actual outcomes compared to our modeling results;
- *Management actions* — the sensitivity analysis assumes no actions by management in response to developing facts, circumstances and experience, which is unlikely to be the case and could result in material deviations from our modeling results; and
- *Investment returns* — our assumptions concerning our general account investment returns may differ from actual results, which could result in materially different results from those shown in the table above.

We have constructed the modeling used in our sensitivity analysis using in-force liability, or “grouping,” which means that we group our liability mix under our outstanding ULSG products into representative cohorts to reduce the time it takes to complete our sensitivity analysis. This practice is used regularly by the insurance industry, but it generally results in a greater deviation from actual results compared to models that use a seriatim approach, which looks at each individual ULSG product.

In addition, the preceding sensitivity analysis does not take into account simultaneous shocks to interest rates and market volatility. The actual effect of changes in interest rates on the assets supporting our ULSG products may vary depending on a number of factors, which include but are not limited to: (i) the sensitivity analysis is only valid as of the measurement date; and (ii) changes in our proposed ULSG market risk exposure management program, policyholder behavior and underlying fund performance could materially affect the liabilities our assets support. In addition, the foregoing sensitivity analysis illustrates the estimated impact of the indicated shocks occurring instantaneously, and therefore give no effect to rebalancing over the course of the shock event. The estimates of interest rate shocks reflect a shock to rates at all durations (a parallel shift in the yield curve). Furthermore, there can be no assurance that we will implement our proposed ULSG market risk exposure management program in the form and manner described above or at all.

Underwriting and Pricing

Pricing

Life insurance pricing at issuance is based on the expected payout of benefits calculated using our assumptions for mortality, morbidity, premium payment patterns, sales mix, expenses, persistency and investment returns, as well as certain macroeconomic factors, such as inflation. Our product pricing models consider additional factors, such as hedging costs, reinsurance programs, and capital requirements. We have leveraged the actuarial capabilities and long history of MetLife. Our product pricing reflects our pricing standards and guidelines. We continually review our pricing guidelines in light of applicable regulations and to ensure that our policies remain competitive and supportive of our marketing strategies and profitability goals.

We have a dedicated unit, the primary responsibility of which is the development of product pricing standards and independent pricing and underwriting oversight for our insurance businesses. Further important controls around management of underwriting and pricing processes include regular experience studies to monitor assumptions against expectations, formal new product approval processes, periodic updates to product profitability studies and the use of reinsurance to manage our exposures, as appropriate. *See* "Management's Discussion and Analysis of Financial Condition and Results of Operations — Summary of Critical Accounting Estimates — Reinsurance."

Underwriting

Underwriting generally involves an evaluation of applications by a professional staff of underwriters and actuaries, who determine the type and the amount of insurance risk that we are willing to accept. We employ detailed underwriting policies, guidelines and procedures designed to assist the underwriters to properly assess and quantify such risks before issuing policies to qualified applicants or groups.

Insurance underwriting considers not only an insured's medical history, but also other factors such as the insured's foreign travel, vocations, alcohol, drug and tobacco use, and the policyholder's financial profile. We generally perform our own underwriting; however, certain policies are reviewed by intermediaries under guidelines established by us. Requests for coverage are reviewed on their merits and a policy is not issued unless the particular risk has been examined and approved in accordance with our underwriting guidelines.

The underwriting conducted by our remote underwriting offices and intermediaries, as well as our corporate underwriting office, is subject to periodic quality assurance reviews to maintain high standards of underwriting and consistency. Such offices are also subject to periodic external audits by reinsurers with whom we do business.

We have established oversight of the underwriting process that facilitates quality sales and serves the needs of our customers, while supporting our financial strength and business objectives. Our goal is to achieve the underwriting, mortality and morbidity levels reflected in the assumptions in our product pricing. This is accomplished by determining and establishing underwriting policies, guidelines, philosophies and strategies that are competitive and suitable for the customer, the agent and us.

We continually review our underwriting guidelines in light of applicable regulations and to ensure that our policies remain competitive and supportive of our marketing strategies and profitability goals.

Run-off

This segment consists of operations related to products which we are not actively selling and which are separately managed, including structured settlements, COLI policies, BOLI policies and funding agreements. These legacy business lines were not part of MetLife's former Retail segment, but were issued by certain of the legal entities that are now part of Brighthouse. We are currently evaluating our ULSG business and, based on that determination, we may in the future report ULSG business in the Run-off segment.

Policyholder Account Balances

Policyholder account balances are held for variable annuity guaranteed minimum benefits assumed from a former affiliated operating joint venture in Japan that are accounted for as embedded derivatives.

Corporate & Other

Corporate & Other contains the excess capital not allocated to the segments, the results of part of Metlife's ancillary international operations and ancillary U.S. direct business sold directly to consumers, which were written out of our insurance entities prior to the separation, and interest expense related to the majority of the Company's outstanding debt, as well as expenses associated with certain legal proceedings and income tax audit issues. Additionally, Corporate & Other includes assumed reinsurance of certain variable annuity products from a former affiliated operating joint venture in Japan. Under this reinsurance agreement, the Company reinsured living and death benefit guarantees issued in connection with variable annuity products. Also, Corporate & Other includes a reinsurance agreement to assume certain blocks of indemnity reinsurance from an affiliate. These reinsurance agreements were novated to a MetLife affiliate, which is not part of Brighthouse, effective November 1, 2014. Corporate & Other also includes the elimination of intersegment amounts.

Distribution of our Annuity and Insurance Products

We intend to distribute our annuity and life insurance products through a diverse network of independent distribution partners. Our partners include over 475 national and regional brokerage firms, banks, other financial institutions and financial planners, in connection with the sale of our annuity products, and general agencies, financial advisors, brokerage general agencies and financial intermediaries, in connection with the distribution of our life insurance products. Since 2001, we have transitioned from relying on proprietary distribution and, after the sale of MPCG to MassMutual, our strategy is to focus on our exclusively independent distribution model. We believe this strategy will permit us to maximize penetration of our target markets and distribution partners without incurring the fixed costs of maintaining a proprietary distribution channel and will facilitate our ability to quickly comply with evolving regulatory requirements applicable to the sale of our products. We discuss below the execution of our strategy, certain key strategic distribution relationships and data with respect to the relative importance of our distribution channels.

Execution of our Strategy - Increasing Penetration

It is fundamental to our distribution strategy that we be among the most important manufacturers to each of our most productive distribution partners. Our objective is to be one of the top annuity and life insurance product manufacturers for those distributors who collectively produce 70%-80% of our annuity and life insurance deposits and premiums. In furtherance of our strategy we seek to differentiate ourselves from our competitors by providing our most productive distributors with focused product, sales and technology support through our approximately 20 strategic relationship managers ("*SRMs*") and our approximately 230 internal and external wholesalers.

Strategic Relationship Managers

Our SRMs serve as the principal contact for our largest annuity and life insurance distributors and coordinate the relationship between our wholesalers and the distributor. SRMs provide an enhanced level of service to partners that require more resources to support their larger distribution network. SRMs are responsible for tracking and providing our key distributors with sales and activity data. They participate in business planning sessions with our distributors and are critical in providing us with insights into the product design, education and other support requirements of our principal distributors. They are also responsible for addressing proactively relationship issues with our distributors. They work closely with our wholesalers.

Wholesalers

Our wholesalers are licensed sales representatives who are responsible for providing our distributors with product support and facilitating the ease with which our distributors and customers do business with us. Our wholesalers are organized into internal wholesalers and external wholesalers. Approximately 115 of our wholesalers, which we refer to as internal wholesalers, support our distributors from our Charlotte, North Carolina, corporate center where they are responsible for providing telephonic call center and online support functions. Our approximately 115 field sales representatives, which we refer to as external wholesalers, are responsible for providing on site face-to-face product and sales support to our distributors. The external wholesalers have responsibility for a specific geographic region. In addition, we also have external wholesalers dedicated to Primerica and MassMutual.

Strategic Distribution Relationships

We distribute our annuity products through a broad geographic network of over 400 independent distribution partners including wire houses, which we group into distribution channels including national brokerage firms, regional brokerage firms, banks and other financial institutions and independent financial planners. Our annuity distribution relationships have an average tenure in excess of 10 years.

Relative Channel Importance and Related Data

Our annuity and life insurance products are distributed through a diverse network of distribution relationships. In the tables below we show the relative percentage of new premium production by our principal distribution channels for our annuity and life insurance products.

The table below presents the percentage of ANP of our annuity products by distribution channel for the year ended December 31, 2015.

	Percentage of ANP		
Channel	**Variable (1)**	**Fixed (2)**	**Index-Linked (3)**
Banks/Financial Institutions	20.7%	18.4%	40.0%
National Brokerage Firms	10.5%	19.4%	5.0%
Regional Brokerage Firms	20.6%	42.3%	6.9%
Independent Financial Planners	32.7%	17.6%	48.1%
Other	15.5%	2.3%	N/A

(1) The variable annuity column does not include Shield Level Selector. Excludes $48 million of variable annuity ANP produced through MPCG and $161 million produced through another significant distributor, which suspended sales in 2016, representing 12% and 41% of the total variable annuity ANP of $397 million, respectively.

(2) Excludes $18 million of fixed annuity ANP produced through MPCG and $49 million produced through another significant distributor, which suspended sales in 2016, for the year ended December 31, 2015, respectively, representing 18% and 46% of the total fixed annuity ANP of $105 million, respectively. Sales include both fixed and income annuity products.

(3) Excludes $43 million of Shield Level Selector ANP produced through MPCG, representing 47% of the total Shield Level Selector ANP of $91 million.

The table below presents the percentage of ANP of our life insurance policies by distribution channel for the year ended December 31, 2015:

Channel	**Percentage of ANP (1)**
Brokerage General Agencies	5.3%
Financial Intermediaries	12.1%
General Agencies	72.8%
Financial Advisors	9.8%

(1) Excludes $139 million of $259 million produced through MPCG for the year ended December 31, 2015, which represented 54% of the total amount.

Our top five distributors of annuity products produced 10.7 %, 10.4%, 10.2%, 8.8% and 5.1% of our ANP of annuity products for the year ended December 31, 2015. These amounts exclude $110 million and $209 million, respectively, of ANP produced through MPCG and another significant distributor which suspended sales in 2016 for the same period, which ANP represented 18% and 36% of the total amount, respectively.

Our top five distributors of life insurance policies produced 15.6%, 14.6%, 11.0%, 10.8% and 9.9% of our ANP production of life insurance policies for the year ended December 31, 2015. These amounts exclude $139 million of ANP produced through MPCG for the same period, which new premium production represented 54% of the total amount.

Revenues derived from any customer did not exceed 10% of combined premiums, universal life and investment-type product policy fees and other revenues for the nine months ended September 30, 2016 and for the years ended December 31, 2015, 2014 and 2013. Substantially all of our consolidated premiums, universal life and investment-type product policy fees and other revenues originated from the United States. 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 interim condensed combined financial statements and Note 2 to the notes to the combined financial statements. Operating revenues and operating earnings are performance measures that are not based on 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.

Annuity and Life Competition

Both the annuities and the life insurance markets are very competitive, with many participants and no one company dominating the market for all products. According to the American Council of Life Insurers (March 2016), the U.S. life insurance industry is made up of 830 companies with sales and operations across the country. We compete with major, well-established stock and mutual life insurance companies in all of our product offerings. Our Annuities segment also faces competition from other financial service providers that focus on retirement products and advice. Our competitive positioning overall is focused on access to distribution channels, product features and financial strength.

Principal competitive factors in the annuities business include product features, distribution channel relationships, ease of doing business, annual fees, investment performance, speed to market, brand recognition and the financial strength ratings of the insurance company. In particular for the variable annuity business, our living benefit rider product features and the quality of our SRM and wholesaling support are key drivers in our competitive position. In the fixed annuity business, the crediting rates and guaranteed payout product features are the primary competitive factors, while for index-linked annuities the competitiveness of the crediting methodology and of the living benefit rider product features are the primary drivers. For income annuities, the competitiveness of the lifetime income payment amount is generally the principal factor.

Principal competitive factors in the life insurance business include customer service and distribution channel relationships, price, the financial strength ratings of our insurance company subsidiaries and financial stability. For term life, we also focus on our relatively low pricing compared to our competitors, high internal death benefit risk retention and policy conversion guidelines. For whole life, we position our illustrated policy performance based on non-guaranteed dividends.

Annuity and Life Reinsurance

In connection with our risk management efforts and in order to provide opportunities for future growth and capital management, we enter into reinsurance arrangements pursuant to which we cede certain insurance risks to unaffiliated reinsurers ("*Third-Party Reinsurance*"). We also enter into reserve financing and other transactions involving the assumption and cession of insurance risks with affiliated reinsurers and ceding companies

("*Affiliated Reinsurance*"). We discuss below our use of Third-Party Reinsurance as well as our use of Affiliated Reinsurance. We also discuss the cession of a block of legacy insurance liabilities to a third party and related indemnification and assignment arrangements.

Third-Party Reinsurance

We cede risks to third parties in order to limit losses, minimize exposure to significant risks and provide capacity for future growth. We enter into various agreements with reinsurers that cover groups of risks as well as individual risks. Our ceded reinsurance to third parties is primarily structured on a treaty basis as coinsurance, yearly renewable term, excess or catastrophe excess of retention reinsurance. These reinsurance arrangements are an important part of our risk management strategy because they permit us to spread risk and minimize the effect of losses. The extent of each risk retained by us depends on our evaluation of the specific risk, subject in certain circumstances to maximum retention limits based on the characteristics and relative cost of reinsurance. We also cede first dollar mortality risk under certain contracts. In addition to reinsuring mortality risk, we cede other risks as well as specific coverages.

Under the terms of the reinsurance agreements, the reinsurer agrees to reimburse us for the ceded amount in the event that we pay a claim. Cessions under reinsurance agreements do not discharge our obligations as the primary insurer. In the event the reinsurers do not meet their obligations under the terms of the reinsurance agreements, reinsurance recoverable balances could become uncollectible.

We have historically reinsured the mortality risk on our life insurance policies primarily on an excess of retention basis or on a quota share basis. When we cede risks to a reinsurer on an excess of retention basis we retain the liability up to a contractually specified amount and the reinsurer is responsible for indemnifying us for amounts in excess of the liability we retain, subject sometimes to a cap. When we cede risks on a quota share basis we share a portion of the risk within a contractually specified layer of reinsurance coverage. We reinsure on a facultative basis for risks with specified characteristics. On a case by case basis we may retain up to $20 million per life and reinsure 100% of the risk in excess of $20 million. We routinely evaluate our reinsurance program and may increase or decrease our life insurance retention at any time.

We also reinsure portions of the living and death benefit guarantees issued in connection with variable annuities to unaffiliated reinsurers. Under these arrangements we typically pay a reinsurance premium based on fees associated with the guarantees collected from contract holders, and receive reimbursement for benefits paid or accrued in excess of account values, subject to certain limitations.

Our reinsurance is diversified with a group of well-capitalized, highly rated reinsurers. We analyze recent trends in arbitration and litigation outcomes in disputes, if any, with our reinsurers. We monitor ratings and evaluate the financial strength of our 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. We generally secure large reinsurance recoverable balances with various forms of collateral, including secured trusts, funds withheld accounts and irrevocable letters of credit.

The following table presents our ordinary course reinsurance recoverables from third-party reinsurers as of September 30, 2016.

Reinsurer	Reinsurance Recoverables (In millions)	S&P Issuer Rating
The Travelers Company (1)	$ 738	AA
AXA	350	AA-
RGA	282	AA-
Scor	238	AA-
Munich Re	199	AA-
Swiss Re	189	AA-
Voya	160	A
Scottish Re	151	NR
Aegon NV	139	A-
Other	405	
Total	$ 2,851	

(1) Relates to a block of workers compensation insurance policies reinsured in connection with MetLife's acquisition of Travelers from Citigroup.

In addition, in 2000 a block of long-term care policies was sold to Genworth Life Insurance Company and Genworth Life Insurance Company of New York in an indemnity reinsurance transaction with a reinsurance recoverable of $6.0 billion as of September 30, 2016. *See* "— Long-Term Care Reinsurance and Indemnity."

We reinsure, through 100% quota share reinsurance agreements, certain run-off long-term care and workers' compensation business that we have originally written. For products formerly issued by MetLife's Retirement & Income Solutions business (formerly known as Corporate Benefit Funding), we have periodically engaged in reinsurance activities on an opportunistic basis. *See* "— Long-Term Care Reinsurance and Indemnity."

Affiliate Reinsurance

We have historically assumed risk on certain policyholder arrangements from former MetLife affiliated and unaffiliated companies in order to optimize the use of statutory capital. This reinsurance activity relates to risk-sharing agreements and multinational pooling. A significant number of these transactions will be unwound or recaptured in connection with the separation. Certain arrangements will be left in place to facilitate the transaction and reduce potential regulatory complexity. *See* "Formation of Brighthouse and the Restructuring — Formation of Brighthouse — Certain Affiliated Reinsurance Subsidiaries."

Reserve Financing Facilities

We are required to calculate reserves for term life products and universal life with secondary guarantees products pursuant to Regulation XXX and Actuarial Guideline 38 respectively. We enter into reinsurance agreements with several affiliated reinsurance companies in order to mitigate risk, as well as free up capital at our insurance company subsidiaries, which can be used for diverse corporate purposes. Affiliated reinsurance companies are affiliated insurance companies licensed under specific provisions of insurance law of their respective jurisdictions, such as the Special Purpose Financial Captive law adopted by several states including Delaware, and have a very narrow business plan that specifically restricts the majority or all of their activity to reinsuring business from their affiliates. *See* "Risk Factors — Risks Related to our Business — We may not be able to take credit for reinsurance, our statutory life insurance reserve financings may be subject to cost increases, new financings may be subject to limited market capacity and we may be unable to successfully complete the restructuring of existing reinsurance subsidiaries and financing facilities into a single reinsurance subsidiary with its own financing" and "Regulation — Insurance Regulation."

Long-Term Care Reinsurance and Indemnity

In 2005, our parent, MetLife acquired Travelers from Citigroup, Inc. ("*Citigroup*"). Travelers was redomesticated to Delaware in 2014, merged with two affiliated life insurance companies and a former offshore, reinsurance company subsidiary and renamed MetLife USA. Prior to this acquisition, Travelers agreed to reinsure a 90% quota share of its long-term care insurance business to certain affiliates of General Electric Company, which following a spin-off became part of Genworth Financial, Inc. ("*Genworth*") and subsequently agreed to reinsure the remaining 10% quota share of such long-term care insurance business to what became Genworth. The applicable Genworth reinsurers, Genworth Life Insurance Company and Genworth Life Insurance Company of New York, established trust accounts for our benefit to secure their obligations under such arrangements with qualifying collateral. Although the Genworth reinsurers are primarily obligated for the liabilities of the long-term care insurance business, such reinsurance arrangements do not relieve MetLife USA of its direct liability under the ceded long-term care insurance policies. In connection with the acquisition of Travelers by MetLife, Citigroup agreed to indemnify MetLife for any losses MetLife might incur with respect to the long-term care insurance business reinsured by Genworth. Prior to the distribution MetLife will assign its indemnification rights to us and will also agree to indemnify the Company for any losses which may arise with respect to the Genworth reinsurance arrangements. The long-term care insurance business of Travelers had reserves of $6.0 billion as of September 30, 2016 and MetLife USA had reinsurance recoverables of $6.0 billion associated with the reinsurance transaction with Genworth as of September 30, 2016. *See* "Formation of Brighthouse and the Restructuring — Formation of Brighthouse."

Employees

We have approximately [●] employees. We believe that our relations with our employees are satisfactory.

Trademarks

We are establishing a portfolio of trademarks that we consider important in the marketing of our products and services. In furtherance thereof, we have filed trademark applications in the United States, including for the trademark "Brighthouse Financial" and our logo design.

Properties

Our corporate headquarters are located in Charlotte, North Carolina on a site of 284,212 rentable square feet leased by MetLife from a third party. The term of that lease expires in September 2026. In connection with the separation, we intend to enter into arms-length sublease agreements with MLIC for our current facilities in Charlotte, as well as certain other locations. Our Charlotte facilities are occupied by each of our three segments, as well as Corporate & Other.

Litigation and Regulatory Matters

See Note 16 of the notes to the combined financial statements and Note 9 of the notes to the interim condensed combined financial statements for additional information regarding our assessment of contingencies related to litigation and regulatory matters.

REGULATION

Overview

Our life insurance companies are regulated primarily at the state level, with some products and services also subject to federal regulation. In addition, Brighthouse and its insurance subsidiaries are subject to regulation under the insurance holding company laws of various U.S. jurisdictions. Furthermore, some of Brighthouse's operations, products and services are subject to ERISA, consumer protection laws, securities, broker-dealer and investment advisor regulations, and environmental and unclaimed property laws and regulations. If our parent, MetLife, were re-designated as a non-bank SIFI, it would also be subject to regulation by the Board of Governors of the Federal Reserve System ("*Federal Reserve Board*") and the Federal Reserve Bank of New York (collectively, with the Federal Reserve Board, the "*Federal Reserve*") and the Federal Deposit Insurance Corporation ("*FDIC*"). *See* "Risk Factors — Regulatory and Legal Risks — Our insurance businesses are highly regulated, and changes in regulation and in supervisory and enforcement policies may materially impact our capitalization or cash flows, reduce our profitability and limit our growth."

Insurance Regulation

State insurance regulation generally aims at supervising and regulating insurers, with the goal of protecting policyholders and ensuring that insurance companies remain solvent. Insurance regulators have increasingly sought information about the potential impact of activities in holding company systems as a whole and have adopted laws and regulations enhancing "group-wide" supervision. *See* "— NAIC" for information regarding an enterprise risk report.

Each of our insurance subsidiaries is licensed and regulated in each U.S. jurisdiction where it conducts insurance business. MetLife USA is licensed to issue insurance products in all U.S. states (except New York), the District of Columbia, the Bahamas, Guam, Puerto Rico, the British Virgin Islands and the U.S. Virgin Islands. FMLI is only licensed to issue insurance products in New York, and NELICO is licensed in all U.S. states and the District of Columbia. The primary regulator of an insurance company, however, is the insurance regulator in its state of domicile. Our insurance subsidiaries, MetLife USA, FMLI and NELICO, are domiciled in Delaware, New York and Massachusetts, respectively, and regulated by the Delaware Department of Insurance, the NYDFS and the Massachusetts Division of Insurance, respectively. In addition, we expect that BRCD, which, following the reinsurance subsidiary restructuring will provide reinsurance to our insurance subsidiaries, will be domiciled in Delaware and regulated by the Delaware Department of Insurance.

The extent of such regulation varies, but most jurisdictions have laws and regulations governing the financial aspects and business conduct of insurers. State laws in the U.S. grant insurance regulatory authorities broad administrative powers with respect to, among other things:

- licensing companies and agents to transact business;
- calculating the value of assets to determine compliance with statutory requirements;
- mandating certain insurance benefits;
- regulating certain premium rates;
- reviewing and approving certain policy forms and rates;
- regulating unfair trade and claims practices, including through the imposition of restrictions on marketing and sales practices, distribution arrangements and payment of inducements, and identifying and paying to the states benefits and other property that are not claimed by the owners;
- regulating advertising and marketing of insurance products;
- protecting privacy;
- establishing statutory capital (including RBC) and reserve requirements and solvency standards;
- specifying the conditions under which a ceding company can take credit for reinsurance in its statutory financial statements (*i.e*., reduce its reserves by the amount of reserves ceded to a reinsurer);

- fixing maximum interest rates on insurance policy loans and minimum rates for guaranteed crediting rates on life insurance policies and annuity contracts;
- adopting and enforcing suitability standards with respect to the sale of annuities and other insurance products;
- approving changes in control of insurance companies;
- restricting the payment of dividends and other transactions between affiliates; and
- regulating the types, amounts and valuation of investments.

Each insurance subsidiary is required to file reports, generally including detailed annual financial statements, with insurance regulatory authorities in each of the jurisdictions in which it does business, and its operations and accounts are subject to periodic examination by such authorities. These subsidiaries must also file, and in many jurisdictions and in some lines of insurance obtain regulatory approval for, rules, rates and forms relating to the insurance written in the jurisdictions in which they operate.

State and federal insurance and securities regulatory authorities and other state law enforcement agencies and attorneys general from time to time may make inquiries regarding our compliance with insurance, securities and other laws and regulations regarding the conduct of our insurance and securities businesses. We will cooperate with such inquiries and take corrective action when warranted. *See* Note 16 of the notes to the combined financial statements and Note 8 of the notes to the interim condensed combined financial statements.

Holding Company Regulation

Insurance holding company laws and regulations vary from jurisdiction to jurisdiction, but generally require a controlled insurance company (*i.e.*, 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. The NAIC adopted revisions to the NAIC Insurance Holding Company System Model Act ("*Model Holding Company Act*") and the Insurance Holding Company System Model Regulation ("*Regulation*") in December 2010 and December 2014. Certain of the states, including Delaware, have adopted the Model Holding Company Act and Regulation in a substantially similar manner. Other states, including New York and Massachusetts, have adopted a modified version of the Model Holding Company Act, although their supporting regulation is substantially similar to the Regulation. *See* "— NAIC" for further information on the Model Holding Company Act and Regulation.

Insurance holding company regulations generally provide that no person, corporation or other entity may acquire control of an insurance company, or a controlling interest in any parent company of an insurance company, without the prior approval of such insurance company's domiciliary state insurance regulator. Under the laws of each of the domiciliary states of our insurance subsidiaries, any person acquiring, directly or indirectly, 10% or more of the voting securities of an insurance company is presumed to have acquired "control" of the company. This statutory presumption of control may be rebutted by a showing that control does not exist in fact. The state insurance regulators, however, may find that "control" exists in circumstances in which a person owns or controls less than 10% of voting securities.

To obtain approval of any acquisition of control, the proposed acquirer must file with the applicable insurance regulator an application disclosing, among other information, its background, financial condition, the financial condition of its affiliates, the source and amount of funds by which it will effect the acquisition, the criteria used in determining the nature and amount of consideration to be paid for the acquisition, proposed changes in the management and operations of the insurance company and other related matters. In considering an application to acquire control of an insurer, the insurance commissioner generally will consider such factors as the experience, competence and financial strength of the applicant, the integrity of the applicant's board of directors and executive officers, the acquirer's plans for the management and operation of the insurer and any anti-competitive results that may arise from the acquisition.

In addition, many state insurance laws require prior notification of state insurance regulators of an acquisition of control of a non-domiciliary insurance company doing business in that state. While these pre-acquisition notification statutes do not authorize the state insurance regulators to disapprove the acquisition of control, they authorize regulatory action in the affected state if particular conditions exist such as undue market concentration. Any future transactions that would constitute an acquisition of control of any of our insurance subsidiaries may require prior notification in those states that have adopted pre-acquisition notification laws.

The laws and regulations regarding acquisition of control transactions may discourage potential acquisition proposals and may delay, deter or prevent a change of control involving us, including through unsolicited transactions that some of our shareholders might consider desirable.

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. Dividends in excess of prescribed limits and transactions above a specified size between an insurer and its affiliates require the approval of the insurance regulator in the insurer's state of domicile. For example, the insurance statutes of Delaware and Massachusetts require an insurance company to pay a dividend or distribution out of earned surplus (generally defined as "unassigned funds (surplus)," subject to possible adjustments), unless it receives the prior approval of its domiciliary state insurance regulator. The insurance statutes of New York were amended, effective for dividends paid in 2016 and thereafter, to permit payment of ordinary dividends without regulatory approval based on one of two standards. One standard allows a domestic stock life insurer to pay an ordinary dividend out of earned surplus. The second standard allows an insurer to pay an ordinary dividend out of other than earned surplus if such insurer does not have sufficient positive earned surplus to pay an ordinary dividend. Furthermore, dividends in excess of prescribed limits, based on prior year's earnings and surplus of the insurance company, established by the applicable state regulations are considered to be extraordinary transactions and require explicit approval from the applicable regulator. As a holding company with no significant business operations of our own, we depend on dividends from our subsidiaries to meet our obligations. *See* "Risk Factors — Capital-Related Risks — As a holding company, Brighthouse Financial, Inc. depends on the ability of its subsidiaries to pay dividends." *See also* "Dividend Policy" and Note 13 of the notes to the combined financial statements for further information regarding such limitations.

Federal Initiatives

Although the insurance business in the United States is primarily regulated by the states, federal initiatives often have an impact on our business in a variety of ways. From time to time, federal measures are proposed which may significantly and adversely affect the insurance business. These areas include financial services regulation, securities regulation, derivatives regulation, pension regulation, privacy, tort reform legislation and taxation. In addition, various forms of direct and indirect federal regulation of insurance have been proposed from time to time, including proposals for the establishment of an optional federal charter for insurance companies. *See* "Risk Factors — Regulatory and Legal Risks — Our insurance businesses are highly regulated, and changes in regulation and in supervisory and enforcement policies may materially impact our capitalization or cash flows, reduce our profitability and limit our growth."

Dodd-Frank 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 whether MetLife again becomes subject to supervision and regulation as a non-bank SIFI, while we are still affiliated, as well as the numerous rulemaking initiatives required or permitted by Dodd-Frank and the various studies mandated by Dodd-Frank, a number of which remain to be completed.

Dodd-Frank established the FIO within the Department of the Treasury, which has the authority to participate in the negotiations of international insurance agreements with foreign regulators for the United States, as well as to collect information about the insurance industry and recommend prudential standards. While not having a general supervisory or regulatory authority over the business of insurance, the director of this office performs various functions with respect to insurance, including serving as a non-voting member of FSOC and making recommendations to the FSOC regarding insurers to be designated for more stringent regulation. On December 12, 2013, the FIO issued a report, mandated by Dodd-Frank, which, among other things, urged the states to modernize and promote greater uniformity in insurance regulation. However, the report also discussed potential federal solutions if states failed to modernize and improve regulation and some of the report's recommendations, for instance, favored a greater federal role in monitoring financial stability and identifying issues or gaps in the regulation of large national and internationally active insurers.

Dodd-Frank also includes provisions that may impact our investments and investment activities, such as the potential application of enhanced prudential standards and capital requirements for, and additional quantitative limits with respect to, proprietary trading and sponsoring or investing in hedge funds or private equity funds to non-bank SIFIs, if MetLife were re-designated as a non-bank SIFI and we were considered to be "controlled" by MetLife. *See* "— Potential Regulation as a Non-Bank SIFI: Enhanced Prudential Standards and Other Regulatory Requirements Under Dodd-Frank."

Guaranty Associations and Similar Arrangements

Most of the jurisdictions in which we are admitted to transact business require life insurers doing business within the jurisdiction to participate in guaranty associations, which are organized to pay contractual benefits owed pursuant to insurance policies issued by impaired, insolvent or failed insurers, or those that may become impaired, insolvent or fail, for example, following the occurrence of one or more catastrophic events. These associations levy assessments, up to prescribed limits, on all member insurers in a particular state on the basis of the proportionate share of the premiums written by member insurers in the lines of business in which the impaired, insolvent or failed insurer is engaged. Some states permit member insurers to recover assessments paid through full or partial premium tax offsets.

In the past five years, the aggregate assessments levied against us have not been material. We have established liabilities for guaranty fund assessments that we consider adequate. *See* "Risk Factors — Regulatory and Legal Risks — State insurance guaranty associations" and Note 16 of the notes to the combined financial statements for additional information on the guaranty association assessments.

Insurance Regulatory Examinations and Other Activities

As part of their regulatory oversight process, state insurance departments conduct periodic detailed examinations of the books, records, accounts, and business practices of insurers domiciled in their states. State insurance departments also have the authority to conduct examinations of non-domiciliary insurers that are licensed in their states. Except as otherwise disclosed in Note 16 of the notes to the combined financial statements and Note 8 of the notes to the interim condensed combined financial statements, during the years ended December 31, 2015, 2014 and 2013 and the nine months ended September 30, 2016, MetLife USA, FMLI and NELICO did not receive any material adverse findings resulting from state insurance department examinations of them or their respective insurance subsidiaries. Once it has been formed and licensed, we expect that BRCD will be subject to examination and oversight by the Delaware Department of Insurance.

Regulatory authorities in a small number of states, FINRA and, occasionally, the SEC, have had investigations or inquiries relating to sales of individual life insurance policies, annuities or other products by MetLife USA, NELICO and FMLI. These investigations often focus on the conduct of particular financial services representatives and the sale of unregistered or unsuitable products or the misuse of client assets. Over the past several years, these and a number of investigations by other regulatory authorities were resolved for monetary payments and certain other relief, including restitution payments. We may continue to receive, and may resolve, further investigations and actions on these matters in a similar manner.

In addition, claims payment practices by insurance companies have received increased scrutiny from regulators. *See* Note 16 to the combined financial statements for further information regarding unclaimed property inquiries and related litigation and sales practices claims.

The IAIS has encouraged U.S. insurance supervisors to establish Supervisory Colleges for U.S.-based insurance groups with international operations, including MetLife, to facilitate cooperation and coordination among the insurance groups' supervisors and to enhance the member regulators' understanding of an insurance group's risk profile. MetLife was the subject of Supervisory College meetings in prior years chaired by the NYDFS and attended by MetLife's key U.S. and international insurance regulators. The most recent Supervisory College meeting was held on September 15-16, 2016 and was chaired by the NYDFS and attended by the domiciliary state regulators of MetLife USA, FMLI and NELICO. MetLife has not received any reports or recommendations from the Supervisory College meetings, and we do not expect any outcome of the meetings to have a material adverse effect on our business. In addition, we do not expect a Supervisory College to be established for Brighthouse since we do not expect to have international operations.

Policy and Contract Reserve Adequacy Analysis

Annually, our insurance subsidiaries, including BRCD, which will be our sole affiliated reinsurance company following the reinsurance subsidiary restructuring, are required to conduct an analysis of the adequacy of all statutory reserves. In each case, a qualified actuary must submit an opinion which states that the statutory reserves make adequate provision, according to accepted actuarial standards of practice, for the anticipated cash flows required by the contractual obligations and related expenses of the insurance subsidiary. The adequacy of the statutory reserves is considered in light of the assets held by the insurer with respect to such reserves and related actuarial items including, but not limited to, the investment earnings on such assets, and the consideration anticipated to be received and retained under the related policies and contracts. An insurance company may increase reserves in order to submit an opinion without qualification. Since the inception of this requirement, our insurance subsidiaries, which are required by their states of domicile to provide these opinions, have provided such opinions without qualifications.

NAIC

The NAIC is an organization, the mission of which is to assist state insurance regulatory authorities in serving the public interest and achieving the insurance regulatory goals of its members, the state insurance regulatory officials. Through the NAIC, state insurance regulators establish standards and best practices, conduct peer reviews, and coordinate their regulatory oversight. The NAIC provides standardized insurance industry accounting and reporting guidance through its Accounting Practices and Procedures Manual (the "*Manual*"), which states have largely adopted by regulation. However, statutory accounting principles continue to be established by individual state laws, regulations and permitted practices, which may differ from the Manual. Changes to the Manual or modifications by the various state insurance departments may impact the statutory capital and surplus of Brighthouse's insurance subsidiaries.

The Model Holding Company Act and Regulation include a requirement that the ultimate controlling person of a U.S. insurer file an annual enterprise risk report with the lead state of the insurance holding company system identifying risks likely to have a material adverse effect upon the financial condition or liquidity of the insurer or its insurance holding company system as a whole. To date, all of the states where Brighthouse has domestic insurers have enacted a version of the revised Model Holding Company Act, including the enterprise risk reporting requirement.

In September 2012, the NAIC adopted the Risk Management and Own Risk and Solvency Assessment Model Act ("*ORSA*"), which has been enacted by certain of our insurance subsidiaries' domiciliary states, including Delaware and New York. ORSA requires that insurers maintain a risk management framework and conduct an internal own risk and solvency assessment of the insurer's material risks in normal and stressed environments. The assessment must be documented in a confidential annual summary report, a copy of which must be made available to regulators as required or upon request. We expect that Brighthouse will be included in MetLife's ORSA summary report in December 2016.

In December 2012, the NAIC approved a new valuation manual containing a principle-based approach to life insurance company reserves. Principle-based reserving is designed to better address reserving for products, including the current generation of products for which the current formulaic basis for reserve determination does not work effectively. The principle-based approach will become effective on January 1, 2017 in the states where it has been adopted, to be followed by a three-year phase-in period for new business, since it was enacted into law by the required number of state legislatures. With respect to the states in which our insurance subsidiaries are domiciled, the Delaware Insurance Department will implement principle-based reserving on January 1, 2017, the NYDFS has publicly stated its intention to implement this approach beginning in January 2018, subject to a working group of the NYDFS establishing the necessary reserves safeguards, and the Massachusetts legislature is considering legislation in this area.

In 2015, the NAIC commissioned an initiative to identify changes to the statutory framework for variable annuities that can remove or mitigate the motivation for insurers to engage in captive reinsurance transactions. In September 2015, a third-party consultant engaged by the NAIC provided the NAIC with a preliminary report covering several sets of recommendations regarding Actuarial Guideline 43 and C3 Phase II reserve requirements. These recommendations generally focus on (i) mitigating the asset-liability accounting mismatch between hedge instruments and statutory instruments and statutory liabilities, (ii) removing the non-economic volatility in statutory capital charges and the resulting solvency ratios and (iii) facilitating greater harmonization across insurers and products for greater comparability. An updated variable annuity reserve and capital framework proposal was presented at the August 2016 NAIC meeting, followed by a 90-day comment period on the proposal. This updated proposal included the initial recommendations from 2015, but also some new aspects. The standard scenario floor for reserves may incorporate multiple paths. The stochastic calculations may include alternative calibration criteria for equities and other market risk factors, and the C3 Phase II component may reflect a new level of capitalization. The NAIC is continuing its consideration of these recommendations. These recommendations, if adopted, would apply to all existing business and may materially change the sensitivity of reserve and capital requirements to capital markets including interest rate, equity markets and volatility as well as prescribed assumptions for policyholder behavior. It is not possible at this time to predict whether the amount of reserves or capital required to support our variable annuity contracts would increase or decrease if such recommendations were adopted, nor is it possible to predict the materiality of any such increase or decrease. It is also not possible to predict the extent to which any such recommendations would affect the effectiveness and design of our risk mitigation and hedging programs. Furthermore, no assurances can be given to whether any such recommendations will be adopted or to the timing of any such adoption.

We cannot predict the capital and reserve impacts or compliance costs, if any, that may result from the above initiatives.

Surplus and Capital; Risk-Based Capital

The NAIC has established regulations that provide minimum capitalization requirements based on risk-based capital ("*RBC*") formulas for insurance companies. Insurers are required to maintain their capital and surplus at or above minimum levels. Regulators have discretionary authority, in connection with the continued licensing of an insurer, to limit or prohibit the insurer's sales to policyholders if, in their judgment, the regulators determine that such insurer has not maintained the minimum surplus or capital or that the further transaction of business will be hazardous to policyholders. Each of our insurance subsidiaries are subject to RBC requirements and/or other minimum statutory capital and surplus requirements imposed under the laws of its respective jurisdiction of domicile. RBC is based on a formula calculated by applying factors to various asset, premium, claim, expense and statutory reserve items. The formula takes into account the risk characteristics of the insurer and is calculated on an annual basis. The major categories of risk involved are asset risk, insurance risk, interest rate risk, market risk and business risk, including equity, interest rate and expense recovery risks associated with variable annuities that contain guaranteed minimum death and living benefits. 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. State insurance laws provide 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. As of the date of the most recent annual statutory financial statements filed with insurance regulators, the total adjusted capital of each of our insurance subsidiaries was in excess of each of those RBC levels. *See* “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources” and “Risk Factors — Regulatory and Legal Risks — A decrease in the RBC ratio (as a result of a reduction in statutory surplus and/or increase in RBC requirements) of our insurance subsidiaries could result in increased scrutiny by insurance regulators and rating agencies and have a material adverse effect on our results of operations and financial condition.”

Regulation of Investments

Each of our insurance subsidiaries is subject to state laws and regulations that require diversification of investment portfolios and limit the amount of investments that an insurer may have in certain asset categories, such as below investment grade fixed income securities, real estate equity, other equity investments, and derivatives. Failure to comply with these laws and regulations would cause investments exceeding regulatory limitations to be treated as non-admitted assets for purposes of measuring surplus and, in some instances, would require divestiture of such nonqualifying investments. We believe that the investments made by each of our insurance subsidiaries complied, in all material respects, with such regulations as of June 30, 2016.

Department of Labor and ERISA Considerations

We manufacture life insurance products for third parties to sell to tax-qualified pension and retirement plans and IRAs to individuals that are subject to ERISA or the Code. While we currently believe manufacturers do not have as much exposure to ERISA and the Code as distributors, certain activities are subject to the restrictions imposed by ERISA and the Code, including the requirement under ERISA that fiduciaries must perform their duties solely in the interests of ERISA plan participants and beneficiaries, and those fiduciaries may not cause a covered plan to engage in certain prohibited transactions. The applicable provisions of ERISA and the Code are subject to enforcement by the DOL, the Internal Revenue Service and the Pension Benefit Guaranty Corporation (“*PBGC*”).

The prohibited transaction rules of ERISA and the Code generally restrict the provision of investment advice to ERISA plans and participants and IRAs if the investment recommendation results in fees paid to an individual advisor, the firm that employs the advisor or their affiliates that vary according to the investment recommendation chosen.

The DOL issued new regulations on April 6, 2016 with an effective date for most provisions of April 10, 2017. These rules substantially expand the definition of “investment advice” and thereby broaden the circumstances under which distributors and even manufacturers can be considered fiduciaries under ERISA or the Code. Pursuant to the final rule, certain communications with plans, plan participants and IRA holders, including the marketing of products, and marketing of investment management or advisory services, could be deemed fiduciary investment advice, thus, causing increased exposure to fiduciary liability if the distributor does not recommend what is in the client’s best interests. The DOL also issued amendments to certain of its prohibited transaction exemptions, and issued a new exemption, that applies more onerous disclosure and contract requirements to, and increase fiduciary requirements and fiduciary liability exposure in respect of, transactions involving ERISA plans, plan participants and IRAs.

Since Brighthouse will not be engaging in direct distribution of retail products, we anticipate that it will have limited exposure to the new DOL regulations. We do, however, anticipate that Brighthouse will need to undertake certain additional tasks in order to comply with certain of the exemptions provided in the DOL regulations, including additional compliance reviews of material shared with distributors, wholesaler and call center training and product reporting and analysis. *See* "Risk Factors — Regulatory and Legal Risks — Our insurance businesses are highly regulated, and changes in regulation and in supervisory and enforcement policies may materially impact our capitalization or cash flows, reduce our profitability and limit our growth."

On July 11, 2016, the DOL, the IRS and the PBGC proposed revisions to the Form 5500, the form used for ERISA annual reporting. The revisions affect employee pension and welfare benefit plans, including our ERISA plans and require audits of information, self-directed brokerage account disclosure requirements and additional extensive disclosure. We cannot predict the effect these proposals, if enacted, will have on our business, or what other proposals may be made, what legislation may be introduced or enacted or the impact of any such legislation on our results of operations and financial condition.

In addition, the DOL has issued a number of regulations that increase the level of disclosure that must be provided to plan sponsors and participants. The participant disclosure regulations and the regulations which require service providers to disclose fee and other information to plan sponsors took effect in 2012. In *John Hancock Mutual Life Insurance Company v. Harris Trust and Savings Bank (1993)*, the U.S. Supreme Court held that certain assets in excess of amounts necessary to satisfy guaranteed obligations under a participating group annuity general account contract are "plan assets." Therefore, these assets are subject to certain fiduciary obligations under ERISA, which requires fiduciaries to perform their duties solely in the interest of ERISA plan participants and beneficiaries. On January 5, 2000, the Secretary of Labor issued final regulations indicating, in cases where an insurer has issued a policy backed by the insurer's general account to or for an employee benefit plan, the extent to which assets of the insurer constitute plan assets for purposes of ERISA and the Code. The regulations apply only with respect to a policy issued by an insurer on or before December 31, 1998 ("*Transition Policy*"). No person will generally be liable under ERISA or the Code for conduct occurring prior to July 5, 2001, where the basis of a claim is that insurance company general account assets constitute plan assets. An insurer issuing a new policy that is backed by its general account and is issued to or for an employee benefit plan after December 31, 1998 will generally be subject to fiduciary obligations under ERISA, unless the policy is a guaranteed benefit policy.

The regulations indicate the requirements that must be met so that assets supporting a Transition Policy will not be considered plan assets for purposes of ERISA and the Code. These requirements include detailed disclosures to be made to the employee benefits plan and the requirement that the insurer must permit the policyholder to terminate the policy on 90 days' notice and receive without penalty, at the policyholder's option, either (i) the unallocated accumulated fund balance (which may be subject to market value adjustment), or (ii) a book value payment of such amount in annual installments with interest. We have taken and continue to take steps designed to ensure compliance with these regulations.

Potential Regulation as a Non-Bank SIFI: Enhanced Prudential Standards and Other Regulatory Requirements Under Dodd-Frank

On December 18, 2014, the FSOC designated MetLife as a non-bank SIFI subject to regulation by the Federal Reserve and the FDIC, as well as to enhanced supervision and prudential standards. On March 30, 2016, the D.C. District Court ordered that the designation of our parent, MetLife, Inc., as a non-bank SIFI by the FSOC be rescinded. On April 8, 2016, the FSOC appealed the D.C. District Court's order. A three-judge panel of the D.C. Circuit Court of Appeals heard oral argument on October 24, 2016.

If the FSOC prevails on appeal or re-designates MetLife as systemically important as part of its ongoing review of non-bank financial companies, MetLife may again be subject to regulation as a non-bank SIFI. Brighthouse, because of its size, could be separately evaluated by the FSOC and designated a non-bank SIFI. There can be no assurance that Brighthouse will not be so designated by the FSOC as a non-bank SIFI or that any actions taken in furtherance of the separation of Brighthouse will affect any decision the FSOC may make to re-designate MetLife as a non-bank SIFI.

Under Dodd-Frank, the Federal Reserve must establish enhanced prudential standards for non-bank financial companies that the FSOC has determined are systemically important. Dodd-Frank allows the Federal Reserve to adjust the enhanced prudential standards for individual companies in order to take into consideration their riskiness, capital structuring complexity, financial activities engaged in by the company and its subsidiaries, size and any other risk-related factors that the Federal Reserve believes are appropriate. While the enhanced prudential standards that would apply to MetLife were it to be re-designated as a non-bank SIFI likely would not impose direct regulatory obligations or restrictions on us, regulation of MetLife as a non-bank SIFI could materially and adversely affect our business for so long as we are considered to be "controlled" by MetLife. For example, the Federal Reserve has issued an advance notice of proposed rulemaking regarding the enhanced capital requirements that would apply to insurance company non-bank SIFIs. If MetLife were re-designated as a non-bank SIFI and if we are considered to be "controlled" by MetLife, those capital requirements may adversely affect MetLife's and our ability to compete with other insurers that are not subject to those requirements. For as long as we are considered to be "controlled" by MetLife or its insurance company affiliates, the Federal Reserve would also have the right to require any of MetLife's insurance companies, including us, to take prompt action to correct any financial weaknesses, such as holding additional capital or restricting certain activities.

The Federal Reserve Board also issued a notice of proposed rulemaking addressing the corporate governance, risk management and liquidity requirements it is proposing to apply to insurance company non-bank SIFIs. If MetLife were re-designated as a non-bank SIFI while MetLife is deemed to control us, it is not clear how these proposed standards would apply to MetLife or us, nor how such standards would impact our business if we are considered to be "controlled" by MetLife. *See* "Risk Factors — Regulatory and Legal Risks — Our insurance businesses are highly regulated, and changes in regulation and in supervisory and enforcement policies may materially impact our capitalization or cash flows, reduce our profitability and limit our growth."

Once capital requirements for non-bank SIFIs are determined, non-bank SIFIs will be required to undergo three stress tests each year: an annual supervisory stress test conducted by the Federal Reserve and two company-run stress tests (an annual test which coincides with the timing of the supervisory stress test, and a mid-cycle test). Companies will be required to take the results of the stress tests into consideration in their annual capital planning and resolution and recovery planning. If re-designated as a non-bank SIFI, MetLife's competitive position and 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 adversely affected by any additional capital requirements that might be imposed as a result of the stress testing requirements, as well as enhanced prudential standards, other measures imposed as a result of the enactment of Dodd-Frank and other regulatory initiatives. If we are considered to be "controlled" by MetLife, our competitive position may be similarly affected by any such increased capital requirements or other prudential standards imposed on MetLife to the extent they affect our operations.

Non-bank SIFIs are required to submit a resolution plan setting forth how the company could be resolved under the Bankruptcy Code in the event of material financial distress. Resolution plans have to be resubmitted annually and promptly following any event, occurrence, change in conditions or circumstances, or other change that results in, or could reasonably be foreseen to have, a material effect on the resolution plan. A failure to submit a "credible" resolution plan could result in the imposition of a variety of measures, including additional capital, leverage, or liquidity requirements, and forced divestiture of assets, operations or subsidiaries, such as Brighthouse. If re-designated as a non-bank SIFI, MetLife would be required to comply with the requirements applicable to non-bank SIFIs, including the submission of a resolution plan. Such a resolution plan may include provisions for restructuring and/or restricting intercompany transactions or arrangements, including those with or for the benefit of Brighthouse, and transactions with third parties, divestitures of lines of business or subsidiaries or other actions.

Volcker Rule

Under the Volcker Rule, Dodd-Frank authorizes through rulemaking additional capital requirements and quantitative limits on proprietary trading and sponsoring or investing in funds (hedge funds and private equity funds) that rely on certain exemptions from the Investment Company Act, by a non-bank SIFI. Regulations defining and governing such requirements and limits on non-bank SIFIs have not been proposed and were not addressed in the final regulations issued on December 10, 2013 implementing the Volcker Rule for insured depository institutions and their affiliates ("*Volcker Rule Regulations*"). Following its designation as a non-bank SIFI, a non-bank SIFI will have a two-year period, subject to further extension by the Federal Reserve Board, to conform to any such requirements and limits that may be set forth in final regulations applicable to non-bank SIFIs. Subject to safety and soundness determinations as part of rulemaking that could require additional capital requirements and quantitative limits, Dodd-Frank provides that the exemptions under the Volcker Rule also are available to exempt any additional capital requirements and quantitative limits on non-bank SIFIs. The Volcker Rule Regulations provide an exemption, subject to certain requirements, for trading activities and fund sponsorship and investments by a regulated insurance company and its affiliates solely for the general account or separate account of such insurance company. Until final regulations applicable to non-bank SIFIs have been promulgated, it is unclear whether MetLife, were it to be re-designated as a non-bank SIFI, and we, while considered to be "controlled" by MetLife, would have to alter any future activities to comply with the Volcker Rule Regulations.

Consumer Protection Laws

Numerous federal and state laws affect Brighthouse's earnings and activities, including federal and state consumer protection laws. As part of Dodd-Frank, Congress established the Consumer Financial Protection Bureau ("*CFPB*") to supervise and regulate institutions that provide certain financial products and services to consumers. Although the consumer financial services subject to the CFPB's jurisdiction generally exclude insurance business of the kind in which we engage, the CFPB does have authority to regulate non-insurance consumer services we provide.

Regulation of Over-the-Counter Derivatives

Dodd-Frank includes a framework of regulation of the OTC derivatives markets that requires clearing of certain types of transactions currently traded OTC and imposes additional costs, including new reporting and margin requirements, and will likely impose additional regulations on us. Our costs of risk mitigation are increasing under Dodd-Frank. For example, Dodd-Frank requires that certain derivatives be cleared and settled through a central clearinghouse, and the clearinghouses and our futures brokers generally require the pledging of initial and variation margin, in connection with such derivatives. Dodd-Frank also requires that certain non-centrally cleared derivatives transactions be subject to initial and variation margin requirements, and the Office of the Comptroller of the Currency ("*OCC*"), the Federal Reserve Board, FDIC, Farm Credit Administration and Federal Housing Finance Agency (collectively, the "*Prudential Regulators*") and the CFTC adopted final margin requirements for such non-centrally cleared derivatives during the fourth quarter of 2015, which are broadly consistent with the requirements published by the Bank of International Settlements and International Organization of Securities. The margin requirements under these regulations are subject to a phase-in period. The variation margin requirements will be applicable to our transactions beginning in March 2017 and the initial margin requirements will likely be applicable to our transactions beginning in September 2020. These increased margin requirements, combined with increased capital charges for our counterparties and central clearinghouses with respect to non-cash collateral, will require increased holdings of cash and highly liquid securities with lower yields, causing a reduction in income and less favorable pricing for OTC derivatives. Centralized clearing of certain OTC derivatives exposes us to the risk of a default by a clearing member or clearinghouse with respect to our cleared derivative transactions. We use derivatives to mitigate a wide range of risks in connection with our businesses, including the impact of increased benefit exposures from certain of our annuity products that offer guaranteed benefits. We have always been subject to the risk that hedging and other management procedures might prove ineffective in reducing the risks to which insurance policies expose us or that unanticipated policyholder behavior or mortality, combined with adverse market events, could produce economic losses beyond the scope of the risk management techniques employed. *See* "Risk Factors — Risks Related to our Business — Our proposed variable annuity exposure management strategy may not be fully implemented prior to the distribution, may not be effective, may result in net income volatility and may negatively affect our statutory capital." Any such losses could be increased by higher costs of entering into derivatives (including customized derivatives) and the reduced availability of customized derivatives that might result from the implementation of Dodd-Frank and comparable international derivatives regulations.

Dodd-Frank also expanded the definition of "swap" and mandated the SEC and CFTC (collectively, the "*Commissions*") to study whether "stable value contracts" should be treated as swaps. Pursuant to the new definition and the Commissions' interpretive regulations, products offered by our insurance subsidiaries other than stable value contracts might also be treated as swaps, even though we believe otherwise. Should such products become regulated as swaps, we cannot predict how the rules would be applied to them or the effect on such products' profitability or attractiveness to our clients.

Securities, Broker-Dealer and Investment Advisor Regulation

Some of our subsidiaries and their activities in offering and selling variable insurance products, as well as certain fixed interest rate contracts, are subject to extensive regulation under the federal securities laws administered by the SEC. These subsidiaries issue variable annuity contracts and variable life insurance policies through separate accounts that are registered with the SEC as investment companies under the Investment Company Act. Each registered separate account is generally divided into sub-accounts, each of which invests in an underlying mutual fund which is itself a registered investment company under the Investment Company Act. In addition, the variable annuity contracts and variable life insurance policies issued by these registered separate accounts are registered with the SEC under the Securities Act. One subsidiary also issues fixed interest rate or index-linked contracts with features that require them to be registered as securities under the Securities Act. Brighthouse Securities has become registered with the SEC as a broker-dealer under the Exchange Act and approved as a member of, and subject to regulation by, FINRA, and we intend that, subject to applicable regulatory approvals, it will become registered as a broker-dealer in certain U.S. states. Its business will be to serve as the principal underwriter and exclusive distributor of the SEC-registered life insurance policies and annuity contracts issued by its affiliates, and the principal underwriter of the registered mutual funds advised by its affiliated investment advisor and used to fund variable annuity contracts and variable life insurance policies. Another one of our subsidiaries is registered as an investment advisor with the SEC under the Investment Advisers Act of 1940, and its primary business is to serve as investment advisor to the registered mutual funds that underlie our variable annuity contracts and variable life insurance policies. Certain variable contract separate accounts sponsored by our subsidiaries are exempt from registration under the Securities Act and the Investment Company Act, but may be subject to other provisions of the federal securities laws.

Federal, state and other securities regulatory authorities, including the SEC and FINRA may from time to time make inquiries and conduct examinations regarding compliance by Brighthouse's regulated subsidiaries with securities and other laws and regulations. We will cooperate with such inquiries and examinations and take corrective action when warranted. *See* "— Insurance Regulation — Insurance Regulatory Examinations and Other Activities."

Federal and state securities laws and regulations are primarily intended to protect investors in the securities markets and generally grant regulatory agencies broad rulemaking and enforcement powers, including the power to limit or restrict the conduct of business for failure to comply with such laws and regulations.

Environmental Considerations

As an owner and operator of real property, we are subject to extensive federal, state and local environmental laws and regulations. Inherent in such ownership and operation is also the risk that there may be potential environmental liabilities and costs in connection with any required remediation of such properties. In addition, we hold equity interests in companies that could potentially be subject to environmental liabilities. We routinely have environmental assessments performed with respect to real estate being acquired for investment and real property to be acquired through foreclosure. We cannot provide assurance that unexpected environmental liabilities will not arise. However, based on information currently available to us, we believe that any costs associated with compliance with environmental laws and regulations or any remediation of such properties will not have a material adverse effect on our results of operations or financial condition.

Unclaimed Property

We are subject to the laws and regulations of states and other jurisdictions concerning identification, reporting and escheatment of unclaimed or abandoned funds, and are subject to audit and examination for compliance with these requirements.

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MANAGEMENT

Our Executive Officers Following the Distribution

The following table presents information, as of September 30, 2016, regarding our executive officers following the distribution. We are in the process of identifying the additional individuals who will serve as our executive officers.

Name	Age	Position
Eric T. Steigerwalt	55	President and Chief Executive Officer
Anant Bhalla	38	Chief Financial Officer
Christine M. DeBiase	48	General Counsel and Corporate Secretary
Myles J. Lambert	42	Chief Distribution and Marketing Officer
Kieran R. Mullins	56	Chief Operating Officer
John L. Rosenthal	56	Chief Investment Officer

Set forth below is biographical information about each of the executive officers named in the table above.

Eric T. Steigerwalt

Business Experience:

- President and Chief Executive Officer, Brighthouse Financial, Inc. (August 2016 – present)
- MetLife (May 1998 – present)
  - Executive Vice President, U.S. Retail (September 2012 – present)
  - Executive Vice President and interim Chief Financial Officer (November 2011 – September 2012)
  - Executive Vice President, Chief Financial Officer of U.S. Business (January 2010 – November 2011)
  - Senior Vice President and Chief Financial Officer of U.S. Business (September 2009 – January 2010)
  - Senior Vice President and Treasurer (May 2007 – September 2009)
  - Senior Vice President and Chief Financial Officer of Individual Business (July 2003 – May 2007)
- Vice President, AXA S.A., a financial services and insurance company (May 1993 – May 1998)

Anant Bhalla

Business Experience:

- Chief Financial Officer, Brighthouse Financial, Inc. (August 2016 – present)
- MetLife (April 2014 – present)
  - Senior Vice President and Chief Financial Officer of Retail business (July 2014 – present)
  - Chief Financial Officer of Retail business (April 2014 – July 2014)
- American International Group, a financial services and insurance company (October 2012 – April 2014)
  - Senior Managing Director, Global Strategy (January 2014 – April 2014)
  - Senior Vice President and Chief Risk Officer, Global Consumer business (October 2012 – January 2014)
- Founding Partner, Bhalla Capital Partners, an investment management and strategic advisory firm (January 2012 – September 2012)

- Lincoln Financial Group (October 2009 – December 2011)
  - Senior Vice President, Chief Risk Officer and Treasurer (January 2011 – December 2011)
  - Senior Vice President, Treasurer (October 2009 – December 2010)

Christine M. DeBiase

Business Experience:

- General Counsel and Corporate Secretary, Brighthouse Financial, Inc. (August 2016 – present)
- MetLife (December 1996 – present)
  - Senior Vice President and Associate General Counsel, U.S. Retail (August 2014 – present)
  - Associate General Counsel, Retail (October 2013 – August 2014)
  - Vice President and Secretary (November 2010 – September 2013)
  - Associate General Counsel, Regulatory Affairs (November 2009 – November 2010)
  - Vice President, Compliance (May 2006 – November 2009)

Myles J. Lambert

Business Experience:

- Chief Marketing and Distribution Officer, Brighthouse Financial, Inc. (August 2016 – present)
- MetLife (July 2012 – present)
  - Senior Vice President, U.S. Retail Distribution and Marketing (April 2016 – present)
  - Senior Vice President, head of MetLife Premier Client Group ("*MPCG*") Northeast Region (August 2014 – April 2016)
  - Vice President, MPCG Northeast Region (July 2012 – August 2014)
- Morgan Stanley, a financial services company (June 2011 – July 2012)
  - Executive Director and head of insurance and annuity business

Kieran R. Mullins

Business Experience:

- Chief Operating Officer, Brighthouse Financial, Inc. (August 2016 – present)
- MetLife (February 2007 – present)
  - Senior Vice President, Client Solutions (April 2016 – present)
  - Senior Vice President, Third-Party Distribution (August 2014 – April 2016)
  - Vice President, Third-Party Distribution (March 2014 – August 2014)
  - Vice President, New Business Operations (May 2007 –March 2014)
  - Director, New Business Operations (February 2007 – May 2007)

John L. Rosenthal

Business Experience:

- Chief Investment Officer, Brighthouse Financial, Inc. (September 2016 – present)

- MetLife (1984 – present)
  - Senior Managing Director, head of global portfolio management (2011 – present)
  - Senior Managing Director, head of core securities (2004 – 2011)
  - Managing Director, co-head of fixed income and equity investments (2000 – 2004)

Our Directors Following the Distribution

The Brighthouse Board is responsible for the oversight of management of the Company. The following table presents information, as of [●] regarding the members of our Board following the distribution. We are in the process of identifying the individuals who will serve on our Board along with our Chief Executive Officer following the distribution.

Name	Age	Position
Eric T. Steigerwalt	55	President and Chief Executive Officer
[●]	**[●]**	**[●]**

Set forth below is biographical information about each of the directors named in the table above, to the extent not provided above under "— Our Executive Officers Following the Distribution."

Committees of our Board

Committees of our Board

Prior to the distribution, our Board consists of [●] members and does not have any standing committees. Following the distribution, we expect our Board will consist of [●] members and will have the following standing committees: (i) Audit, (ii) Compensation, (iii) Nominating and Corporate Governance, (iv) Finance, Investment and Risk, and (v) Executive Committees. Each committee will operate under a written charter that will be reviewed annually.

Our Board has determined that [●], [●] and [●], director nominees who will become directors immediately upon the closing of the distribution, will be independent under the NYSE listing rules.

Audit Committee

Pursuant to the phase-in provisions of the NYSE listing requirements and Rule 10A-3 promulgated by the SEC under the Exchange Act, our Audit Committee will initially be composed of three directors, of which at least one director will be "independent" under NYSE listing rules and Rule 10A-3. Within ninety days following the date of listing on the NYSE a majority of the Audit Committee will be so independent and within one year following the date of listing on the NYSE, all members of our Audit Committee will be so independent.

The Audit Committee will initially be [●], [●] and [●], each of whom of our Board has determined meets the qualifications for audit committee members set forth in NYSE listing rules. Our Board has also determined that [●] is an "audit committee financial expert," as defined by the SEC.

The Audit Committee's primary function will be to assist the Board in fulfilling its oversight responsibilities by reviewing the financial reports and other financial information filed with the SEC or provided by us to regulators; our systems of internal controls regarding finance, accounting, legal compliance and ethics established by management and the Board; and our accounting and financial reporting process.

Compensation Committee

The Compensation Committee will initially be composed of [●], [●] and [●]. As of the date of listing on the NYSE, the Compensation Committee will consist of at least one independent director; within ninety days of the

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date of listing on the NYSE, a majority of the Compensation Committee will consist of independent directors; and within one year of the date of listing on the NYSE, the Compensation Committee will consist solely of independent directors in accordance with the phase-in provisions of the NYSE listing requirements.

The Compensation Committee will be responsible for annually reviewing and approving the corporate goals and objectives relevant to the compensation of the Chief Executive Officer and evaluating his or her performance in light of these goals; determining the compensation of our executive officers and other appropriate officers, and administering our incentive, equity-based, and other compensation plans.

Nominating and Corporate Governance Committee

The Nominating and Corporate Governance Committee will initially be composed of [●] and [●]. As of the date of listing on the NYSE, the Nominating and Corporate Governance Committee will consist of at least one independent director; within ninety days of the date of listing on the NYSE, a majority of the Nominating and Corporate Governance Committee will consist of independent directors; and within one year of the date of listing on the NYSE, the Nominating and Corporate Governance Committee will consist solely of independent directors in accordance with the phase-in provisions of the NYSE listing requirements.

The Nominating and Corporate Governance Committee will be responsible for identifying and recommending candidates for election to our Board and each committee of our Board, reviewing and reporting to the Board on compensation of directors and Board committee members, developing, recommending and monitoring corporate governance principles applicable to the Board and the Company as a whole.

Finance, Investment and Risk Committee

The Finance, Investment and Risk Committee will initially be composed of [●], [●] and [●]. The Finance, Investment and Risk Committee will oversee our financial policies and strategies; our capital structure, plans and policies, including capital adequacy, dividend policies and share repurchases; proposals on certain capital actions and other financial matters; and its assessment and management of material risks. The Finance, Investment and Risk Committee is likely, from time to time, to engage external consultants to assess the alignment of the Company's risk models and practices to industry best practices.

Executive Committee

The Executive Committee will be composed of [●], [●] and [●]. The Executive Committee will be responsible for taking action on behalf of the entire Board with respect to certain exigent matters in between regularly scheduled meetings of our Board.

Director Nomination Process

Following the distribution, nominations for election as a director at our annual meetings may be made either by our Board or by a shareholder or shareholders in compliance with the requirements of our amended and restated bylaws.

Our Board will nominate director-nominees upon the recommendation of the Nominating and Corporate Governance Committee. Potential director-nominees may be identified by the Nominating and Corporate Governance Committee and the full Board through a variety of means, including search firms, existing directors, executive officers and shareholders. Potential director-nominees will be evaluated based on the information supplied by the candidates and information obtained from other sources.

In recommending candidates for election as a director, the Nominating and Corporate Governance Committee will take into consideration the NYSE listing requirements, the ability of candidates to enhance the perspective and experience of our Board as a whole and any other criteria the Board may establish from time to time.

Codes of Ethics and Conduct

Prior to or concurrently with the completion of the distribution, our Board will adopt a code of ethics and a code of conduct as such terms are used in Item 406 of Regulation S-K and NYSE listing rules.

Board's Role in Risk Oversight

The Brighthouse Board will be involved in oversight of risks inherent in the operation of our businesses. The Brighthouse Board will perform this oversight role by using several different levels of review. In connection with its reviews of our operations, the Brighthouse Board will address the primary risks associated with our segments. In addition, the Brighthouse Board will review the key risks associated with the Company's strategic plan annually and periodically throughout the year and review risk management processes.

Communicating with the Brighthouse Board

The Brighthouse Board will establish procedures for shareholders and other interested persons to communicate with the Brighthouse Board. A shareholder or other interested party may contact the Brighthouse Board in writing to the chairman of the Nominating and Corporate Governance Committee at our principal address Brighthouse Financial, Inc., Gragg Building, 11225 North Community House Road, Charlotte, North Carolina, 28277.

Compensation Committee Interlocks and Insider Participation

We do not anticipate any interlocking relationships between any member of our Compensation Committee and any of our executive officers that would require disclosure under the applicable rules promulgated under the federal securities laws.

COMPENSATION OF EXECUTIVE OFFICERS AND DIRECTORS

Executive Compensation Program

We are currently a wholly owned subsidiary of MetLife consisting of various portions of MetLife's business. Our executive officers are currently officers or employees of MetLife, and some or all of the work they perform relate to us or our subsidiaries. Our executive officers have been compensated by MetLife under their compensation programs, and participate in their benefit programs to the extent they are eligible to do so. We anticipate that our separation from MetLife will constitute the end of our employees' employment with MetLife and its affiliates, and that their MetLife stock compensation awards will be retained or forfeited according to their terms. We also anticipate that, in accordance with the requirements of the plans, the MetLife Board or an appropriate committee will determine what adjustments, if any, to make to outstanding awards and the number of shares reserved for issuance under MetLife's stock compensation plans in order to prevent the dilution or enlargement of participants' rights under the plans. While we have determined the general principles and practices that will inform our executive compensation program, neither we nor the companies that will be our affiliates after we are no longer affiliated with MetLife have yet separately determined the compensation and benefits that will apply to our executive officers after that date.

Our Executive Compensation Program Features at a Glance

We intend our programs to:

- pay for performance: we will provide variable compensation dependent on achievement of results without guarantees unrelated to new hire situations;
- align executives' interests with those of shareholders: incentive compensation will include stock-based components;
- reward achievement of business goals: annual incentives will be based on company and individuals' goals and results;
- encourage long-term decision-making: we will use overlapping multi-year long-term incentive performance or restriction periods;
- reinforce strong risk management: our compensation programs will be designed to avoid incentives to take excessive risk; and
- avoid excessive perquisites, excessive change-in-control severance pay, excise tax gross-ups, and stock option repricing without shareholder approval.

Compensation Philosophy and Objectives

Our executive compensation program will be designed to:

- provide competitive "Total Compensation" (defined as base salary plus incentive compensation opportunities) that will attract, retain, engage, and motivate high-performing executives;
- align our compensation plans with our short- and long-term business strategies;
- align the financial interests of our executives with those of our shareholders through elements such as incentives based in whole, or in part, on the price, or change in price, of shares of our common stock ("*stock-based incentives*") and share ownership requirements;
- reinforce our pay-for-performance culture by ensuring that variable incentive pay forms a key component of Total Compensation and differentiating awards over time based on company and individual performance; and
- incorporate strong risk management practices in order to avoid incentive to take excessive risk, encourage prudent decision-making, and capture the results of risk-based decisions in awards and payouts.

Comparator Group

We expect to periodically review the competitiveness of our Total Compensation program and elements for our executives using competitive data. We expect that this data will reflect a number of sets of companies, including: (i) companies among which we compete for executive talent; and/or (ii) companies that are similar to us in measures such as market capitalization, assets, revenue, earnings, or which are similar in the importance of investment and risk management to their business; and/or (iii) companies among which we compete for investors (the "*Comparator Group*"). We also anticipate that we will periodically review the composition of the Comparator Group from time to time to ensure that its remains an appropriate source of comparison.

We intend that our competitive compensation philosophy will be generally to provide certain elements of Total Compensation around the median for like positions based on Comparator Group companies, taking into account their size and other relevant factors such as competitive position. Each individual's actual pay will reflect the market for talent as well as considerations such as performance, criticality of role and skills, and experience.

Role of Compensation Committee of the Board of Directors

We expect that the Compensation Committee of the Brighthouse Board will:

- assist the Brighthouse Board in fulfilling its responsibility to oversee the development and administration of compensation programs for our executives and other employees;
- approve the goals and objectives relevant to our Chief Executive Officer's Total Compensation, evaluate our Chief Executive Officer's performance in light of such goals and objectives, and endorse, for approval by the independent directors, the Chief Executive Officer's Total Compensation level based on such evaluation;
- review and recommend for approval by the Brighthouse Board the compensation of each person who is one of our executive officers, our Chief Risk Officer, and our Chief Accounting Officer, as well as policies regarding severance and perquisites and other personal benefits we provide to these officers;
- review and approve, or endorse for Board approval, our policies regarding deferred compensation and potential payments that would be made upon a change in control;
- oversee the management and mitigation of risks associated with the development and administration of our compensation programs, including efforts to ensure that our incentive plans are consistent with strong risk management, do not encourage or reward excessive risk taking, encourage prudent decision-making, and capture the results of risk-based decisions in awards and payouts;
- receive input from other committees of the Board on matters such as governance, finance and risk, corporate responsibility, and audit practices; and
- review and discuss with management the Compensation Discussion and Analysis to be included in our proxy statement (and incorporated by reference in our Annual Report on Form 10-K), and, based on this review and discussion, (i) recommend to the Board whether the Compensation Discussion and Analysis should be included in the proxy statement, and (ii) issue the Compensation Committee Report to be included in our proxy statement.

We expect that our Compensation Committee will have sole authority to retain or obtain the advice of a compensation consultant or other advisors. The Compensation Committee will not be required to implement or act consistently with the advice or recommendations of any advisor; the Compensation Committee will retain discretion to act according to its own judgment. We also expect that the Compensation Committee will retain or obtain the advice of an outside advisor only after taking into consideration factors related to that advisor's independence from management that it determines are relevant, including each of the factors it is required to take into consideration under the applicable law or rules. We intend that the Compensation Committee will be responsible for the appointment, compensation, and oversight of any advisor it retains. We anticipate that we will be obligated to provide appropriate funding for reasonable compensation of any such advisor, as determined by the Compensation Committee.

Components of Compensation and Benefits

Overview

We intend to use Total Compensation guidelines for base salary, annual and long-term incentive compensation opportunities that the Compensation Committee will consider together in determining an executive's Total Compensation. The guidelines will be designed to achieve the results stated in the compensation philosophy. We expect to:

- allocate a greater portion of executives' Total Compensation to variable components that depend on performance than we do to fixed components of compensation;
- allocate a significant portion of executives' variable compensation to long-term incentives, such as stock-based incentives; and
- use performance metrics for incentive compensation that align with our short- and long-term business strategy, which may include one or more of the following: operating earnings, free cash flow, free cash flow as a portion of earnings, cash returned to shareholders, expense levels, hedging cost containment, reporting transparency, asset adequacy under hypothetical stress conditions, sales growth, value of new business, liquidity, and book value.

In addition, we intend to offer benefits, deferred compensation, and change-in-control arrangements as described below.

Base Salary

We intend to determine salaries based on factors including position, scope of responsibilities, individual performance, and competitive data. Base salary would provide fixed compensation for services during the year.

Incentive Compensation

We expect to fund annual incentive awards in light of our performance against established metrics or criteria. We expect that individual awards would vary based on performance relative to goals and additional business challenges or opportunities that arose during the year. We anticipate that these awards would be the primary compensation vehicle for recognizing and differentiating individual performance each year, and they will motivate executives and others to achieve strong annual business results that will contribute to Brighthouse's long-term success without creating an incentive to take excessive risk. We also anticipate that individual awards will be non-formulaic and discretionary, and that senior executive officer awards will be designed with the intention of making them eligible for the "performance-based compensation" exemption from Section 162(m) limits. However, we anticipate that we will reserve the right to grant compensation that does not meet Section 162(m) requirements if we determine it is appropriate to do so.

We anticipate that long-term incentive awards will be based on an assessment of factors such as individual responsibility, performance, relative contribution, and potential for assuming increased responsibilities and future contributions. We expect that at least some of these awards will be stock-based, depending on the value of shares of our common stock (*e.g*., Restricted Stock Units), increases in the price of such stock (*e.g*., Stock Options), or a combination of our performance as well as the value of shares of our common stock (*e.g*., Performance Shares). We also expect that most of the value of stock-based long-term incentives will be comprised of instruments such as Restricted Stock Units or Performance Shares. We expect that we will not reprice stock options without shareholder approval.

Brighthouse's long-term incentive awards will be intended to:

- provide executives with a significant continuing stake in Brighthouse's long-term financial success;
- align executives' interests with those of shareholders;
- encourage decisions and reward performance that contribute to the long-term growth of Brighthouse's business and enhance shareholder value;
- promote strong risk management; and
- encourage retention of executives.

We anticipate that payouts of stock-based long-term incentives may be made in the form of Brighthouse common stock or cash equivalent. In addition, Brighthouse may offer incentives intended to replace MetLife long-term incentives forfeited by employees who made the transition from MetLife to Brighthouse.

We expect to adopt a performance-based compensation recoupment (clawback) policy. If an employee engages in or contributes to fraudulent or other wrongful conduct that causes financial or reputational harm to Brighthouse or its affiliates, we may seek the recovery of the employee's performance-based compensation. We expect to review the policy at such time as legal or regulatory requirements for the policy change.

Benefits

We recognize the importance of providing comprehensive, cost-effective benefits to attract, retain, engage, and motivate talented employees. We intend that our retirement benefits will include a 401(k) plan that provides the opportunity to save a portion of current compensation for retirement and other future needs and a voluntary opportunity for highly compensated employees to defer additional compensation on a non-qualified basis. In addition, we expect to offer a broad-based non-qualified deferred compensation program that provides retirement benefits in excess of 401(k) limits imposed by the Code.

Potential Payments

We intend to provide severance pay and related benefits to employees discontinued due to job elimination in order to encourage a focus on transition to other opportunities and allow us to obtain a release of employment-related claims.

Change-in-Control Arrangements

We intend to adopt change-in-control arrangements in order to retain senior executive officers while a transaction is pending and encourage them to act in the best interests of shareholders, promoting maximum shareholder value without impinging on flexibility to engage in a transaction. These arrangements would provide for limited vesting of long-term incentive compensation, unless replaced by an acquirer. We also intend to protect deferred compensation in such a situation. We expect to provide senior executive officers with change-in-control severance pay at a multiple of base salary plus annual incentives consistent with market practices, which severance would only be payable if the senior executive officer's employment is terminated without good cause or the senior executive officer resigns with good reason following the change in control. We also intend to avoid grossing-up change-in-control severance pay for excise taxes.

Risk Management

We anticipate that our compensation program will align with our strategies and incorporate strong risk management to contribute to prudent decision making and avoid incentives to take excessive risks. For example, we expect to use multi-year overlapping performance or restriction periods and vesting for long-term incentive compensation, so that time horizons for compensation reflect the extended time horizons for the results of business decisions. We also expect to have a performance-based compensation recoupment (clawback) policy to address employee fraudulent or other wrongful conduct that causes financial or reputational harm to Brighthouse or its affiliates.

We expect to design and operate our incentives to ensure that they do not encourage excessive risk taking. We expect that our Chief Risk Officer will have an essential role in reviewing incentive compensation arrangements, and that our compliance and audit functions will be an indispensable part of Brighthouse's compensation risk management controls. Further, we anticipate that our employees will be prohibited from hedging, pledging, or short-selling Brighthouse common stock.

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BENEFICIAL OWNERSHIP OF COMMON STOCK

Prior to the completion of the distribution, all the shares of our common stock have been owned by our parent, MetLife. Immediately following the distribution, MetLife will retain no more than 19.9% of our common stock. For a description of certain voting arrangements relating to the shares of our common stock retained by MetLife, *see* "Certain Relationships and Related Person Transactions — Relationship with MetLife Following the Separation."

The table below presents information with respect to the expected beneficial ownership of our common stock immediately after the distribution by:

(1) each of our directors and director nominees and all of our executive officers, directors and director nominees as a group. Except as otherwise noted above or in the footnotes below, each person or entity identified below has sole voting and investment power with respect to such securities. To the extent our directors, director nominees and executive officers own MetLife common stock as of the record date for the distribution, they will participate in the distribution on the same terms as other holders of MetLife common stock.

We have based the percentages below on each person's beneficial ownership of MetLife common stock as of [●], unless we indicate some other basis for the share amounts. We estimate that, based on the [●] shares of MetLife common stock outstanding as of [●] (excluding treasury shares and assuming no exercise of MetLife options), distribution of at least 80.1% of our common stock and applying the distribution ratio, we will have approximately [●] shares of common stock outstanding immediately after the distribution.

Unless otherwise indicated, the address of each beneficial owner presented in the table below is c/o Brighthouse Financial, Inc., Gragg Building, 11225 North Community House Road, Charlotte, North Carolina, 28277.

Name and Address of Beneficial Owners	Number of Shares of our Common Stock Beneficially Owned	Percentage of our Common Stock Outstanding
MetLife, Inc. 200 Park Avenue New York, New York 10166		
All executive officers, directors and director nominees as a group ([●] persons)		

CERTAIN RELATIONSHIPS AND RELATED PERSON TRANSACTIONS

The Separation from MetLife

The separation will be accomplished by means of the distribution by MetLife of at least 80.1% of the shares of our outstanding common stock on a *pro rata* basis to the holders of MetLife common stock. *See* "The Separation and Distribution."

Relationship with MetLife Following the Separation

Prior to the completion of the distribution, we are a wholly owned subsidiary of MetLife, Inc., and have been part of MetLife's consolidated business operations. Following the distribution, we expect that MetLife will continue to hold no more than 19.9% of our outstanding common stock. MetLife will grant us a proxy to vote the shares of our common stock that MetLife retains immediately after the distribution in proportion to the votes cast by our other stockholders. This proxy, however, will be automatically revoked as to a particular share upon any sale or transfer of such share from MetLife to a person other than MetLife, and neither the agreement setting forth this arrangement nor the proxy will limit or prohibit any such sale or transfer. From and after the distribution, we expect to have in effect a written related person transaction approval policy pursuant to which the Nominating and Corporate Governance Committee of our Board, or for so long as any member of the Nominating and Corporate Governance Committee is not an "independent director," a committee of our Board consisting of the independent members of the Nominating and Corporate Governance Committee, will review and approve or take such other action as it may deem appropriate with respect to related person transactions, including transactions involving MetLife for so long as MetLife owns more than 5% of our outstanding common stock. *See* "— Related Person Transaction Approval Policy."

Agreements Between Us and MetLife

As part of the distribution, we expect to enter into a Master Separation Agreement and several other agreements with MetLife to effect the separation and to provide a framework for our relationship with MetLife after the distribution. These agreements will include, among others, the agreements described below. *See* "Risk Factors — Risks Related to Our Separation from, and Continuing Relationship with, MetLife."

Certain of the agreements summarized in this section will be included as exhibits to the registration statement of which this Information Statement forms a part, and the following summaries of those agreements will be qualified in their entirety by reference to those agreements.

Master Separation Agreement

We will enter into a master separation agreement with MetLife prior to the completion of the distribution (the "*Master Separation Agreement*"). The Master Separation Agreement will set forth our agreements with MetLife relating to the ownership of certain assets and the allocation of certain liabilities in connection with the separation of Brighthouse from MetLife. It also will set forth other agreements governing our relationship with MetLife after the distribution, including certain payment obligations between the parties.

The separation of our business

The Master Separation Agreement generally will allocate certain assets and liabilities between us and MetLife according to the business to which such assets and liabilities primarily relate, which is consistent with the basis of presentation of our historical financial statements. To the extent not previously transferred to us or one of our subsidiaries prior to the completion of the distribution, the Master Separation Agreement will provide that MetLife will transfer and assign to us certain assets related to our business owned by them. The Master Separation Agreement will also provide that we will transfer and assign to MetLife certain assets related to its business owned by us. We will perform, discharge and fulfill certain liabilities related to our businesses (which, in the case of tax matters, will be governed in part by the Tax Separation Agreement and Tax Receivables Agreement (each, as described below)).

Except as expressly set forth in the Master Separation Agreement or in any other agreement entered into in connection with the separation (the "*transaction documents*"), neither we nor MetLife make any representation or warranty as to:

- any assets or liabilities allocated under the Master Separation Agreement;
- the value of or freedom from any security interests of, or any other matter concerning, any assets or liabilities of such party;
- the legal sufficiency of any assignment, document or instrument to convey title to any asset;
- any consents or approvals required in connection with any transfer of assets or assumptions of liabilities; or
- the absence of any defenses or right of set-off or freedom from counterclaim with respect to any claim of either us or MetLife.

Except as expressly set forth in any transaction document, in connection with the transactions through which we were formed, all assets will have been transferred to us on an "as is," "where is" basis, and we have agreed to bear the economic and legal risks that any conveyance was insufficient to vest in us good title, free and clear of any security interest, and that any necessary consents or approvals were not or are not obtained or that any requirements of law or judgments were not or are not complied with. For a discussion of the transfer of the substantial portion of MetLife's former Retail segment constituting our business to us in connection with our formation, *see* "Formation of Brighthouse and the Restructuring."

The disposition

After the distribution, MetLife may transfer shares of our common stock to holders of shares of MetLife common stock by means of one or more distributions by MetLife to holders of its common stock of our shares, one or more offers to holders of MetLife common stock to exchange their MetLife common stock for our shares, or any combination thereof (the "*disposition*"). Alternatively, MetLife may effect a disposition of its shares of our common stock pursuant to one or more public or private sales or other similar transactions ("*other disposition*") or MetLife (or other permitted transferees) may continue to hold its interest in shares of our common stock subject to its five-year retention period discussed above. The Master Separation Agreement will provide that we will cooperate with MetLife to accomplish the disposition or other disposition and that we and MetLife will use our respective reasonable best efforts to obtain all necessary governmental approvals and consents required to accomplish the disposition or other disposition.

Provisions relating to indemnification and liability insurance

The Master Separation Agreement will include certain provisions related to indemnification of (i) MetLife and certain affiliated persons by us and (ii) us and certain of our affiliated persons by MetLife. The Master Separation Agreement will also include certain provisions related to the procurement of certain liability insurance coverage.

Expenses of the separation and the distribution

The Master Separation Agreement will include certain provisions relating to the allocation of expenses of the separation and the distribution between us and MetLife.

Dispute resolution procedures

The Master Separation Agreement will provide that neither party will commence any court action to resolve any dispute or claim arising out of or relating to the Master Separation Agreement or the other transaction documents (excluding the Registration Rights Agreement, the Tax Receivables Agreement and the Tax Separation Agreement). Instead, any dispute that is not resolved in the normal course of business will be submitted to mediation by written notice. If a dispute subject to the mediation process has not been resolved within a specified period after the date of the written notice beginning the mediation process, the dispute shall be resolved by binding arbitration.

Each party shall bear its own costs in both the mediation and the arbitration; however, the parties shall share the fees and expenses of both the mediators and the arbitrators equally.

These dispute resolution procedures will not apply to any dispute or claim arising under the Registration Rights Agreement, including any dispute related to MetLife's rights as a holder of our common stock and both parties will submit to the exclusive jurisdiction of the Delaware courts for resolution of any such dispute. In addition, both parties will be permitted to seek injunctive or other equitable relief from any court with jurisdiction over the parties in the event of any actual or threatened breach of the provisions of the Master Separation Agreement or the other transaction documents (excluding the Registration Rights Agreement, the Tax Receivables Agreement and the Tax Separation Agreement).

Restrictive covenants

The Master Separation Agreement will also include certain provisions related to non-solicitation of employees between us and MetLife.

Credit support obligations

In the ordinary course of our business, we enter into agreements (including leases) which require guarantees, indemnification obligations, other credit support or other support obligations (collectively the "*Credit Support Obligations*"). Prior to the distribution, MetLife agreed to be primary obligor on most of our currently outstanding Credit Support Obligations. We and MetLife will cooperate to replace certain Credit Support Obligations and we will secure the release or replacement of the liability of MetLife, as applicable and necessary, under certain Credit Support Obligations that were not novated prior to completion of the distribution and, subject to applicable regulatory approval or non-objection, within a certain period following the date of the Master Separation Agreement, release MetLife of its obligations under certain guarantees with third parties.

To the extent that the Credit Support Obligations were not novated prior to completion of the distribution, MetLife will maintain in full force and effect each Credit Support Obligation which is issued and outstanding as of the date of the distribution until the earlier of: (i) such time as the contract, or all of the obligations of us or our applicable affiliate(s) thereunder, to which such Credit Support Obligation relates, terminates; and (ii) such time as such Credit Support Obligation expires in accordance with its terms or is otherwise released.

Covenants relating to existing agreements

Pursuant to the Master Separation Agreement each of MetLife and we will agree that, so long as we are an affiliate of MetLife, each party will not take or fail to take any actions that reasonably could result in the other party (or its respective subsidiaries) being in breach of or in default under any agreement (i) that provides that actions of one party or its subsidiaries may result in breach of or default under such agreement by the other party or its subsidiaries, (ii) to which MetLife or we are a party or (iii) under which MetLife or we have performed any obligations on or prior to the date of the Master Separation Agreement.

We will agree to, and cause our subsidiaries to, provide any services, facilities, equipment or software pursuant to the Transition Services Agreement entered into in connection with the sale of the MPCG and MetLife

Securities to MassMutual, to the extent we or our subsidiaries provide such prior to the date of the Master Separation Agreement. The Master Separation Agreement will provide that MetLife will, upon our request and at our expense, seek to enforce any obligation of MassMutual for our benefit under that certain purchase agreement entered into in connection with the sale of the MPCG and MetLife Securities.

Investment Management Agreements

Prior to the distribution, MetLife Investment Advisors, LLC ("*MLIA*"), a subsidiary of MetLife, Inc., will enter into investment management agreements with our insurance company subsidiaries, pursuant to which MLIA will manage the investment of the assets comprising the general account portfolio of such insurance company subsidiaries. MLIA will also enter into an investment management agreement with Brighthouse Financial, Inc. and certain of its non-insurance company subsidiaries. In return for providing such services, MLIA will be entitled to receive a management fee determined generally by the amount of the assets under management and will also be entitled to reimbursement for certain expenses. Each agreement will have an initial term that continues until 18 months after the date on which MetLife ceases to own at least fifty percent (50%) or more of our common stock, after which period either party to the agreement will be permitted to terminate upon notice to the other party (although termination prior to the end of the initial term will be permitted under certain circumstances). MLIA will also enter into related investment finance services agreements with each of the entities described above pursuant to which MLIA will provide certain investment finance and reporting services in respect of the assets allocated to it under each respective investment management agreement.

Prior to the distribution, MLIA will also enter into separate investment management agreements with certain of the same entities described above, pursuant to which MLIA will provide investment and portfolio management services in respect of certain separate account assets of each respective entity. The terms of each separate account investment management agreement are expected to be substantially similar to those contained in the general account investment management agreements. MLIA is also expected to provide investment finance and reporting services under related investment finance services agreements with each insurer in respect of the separate account assets allocated to it under each respective separate account investment management agreement.

Registration Rights Agreement

We will enter into a registration rights agreement with MetLife to provide MetLife with registration rights relating to shares of our common stock held by MetLife following the distribution (the "*Registration Rights Agreement*"). MetLife and its permitted transferees may require us to register under the Securities Act, all or any portion of these shares, a so-called "demand request." The demand registration rights will be subject to certain limitations as to minimum value and frequency.

MetLife and its permitted transferees will also have "piggyback" registration rights, such that MetLife and its permitted transferees may include their respective shares in any future registrations of our equity securities, whether or not that registration relates to a primary offering by us or a secondary offering by or on behalf of any of our shareholders. The demand registration rights and piggyback registration rights will be each subject to market cut-back exceptions.

The Registration Rights Agreement will set forth customary registration procedures, including an agreement by us to make our management reasonably available to participate in road show presentations in connection with any underwritten offerings. We will also agree to indemnify MetLife and its permitted transferees with respect to liabilities resulting from untrue statements or omissions in any registration statement used in any such registration, other than untrue statements or omissions resulting from information furnished to us for use in a registration statement by MetLife or any permitted transferee.

The rights of MetLife and its permitted transferees under the Registration Rights Agreement will remain in effect with respect to the shares covered by the agreement until those shares:

- have been sold pursuant to an effective registration statement under the Securities Act;

- have been sold to the public pursuant to Rule 144 under the Securities Act;
- have been transferred in a transaction where subsequent public distribution of the shares would not require registration under the Securities Act; or
- are no longer outstanding.

In addition, the registration rights under the agreement will cease to apply to a holder when such holder holds less than a certain threshold of the then outstanding common shares and such shares are eligible for sale without restriction pursuant to Rule 144 under the Securities Act.

Transition Services Agreement

Prior to the distribution, Brighthouse Services, Brighthouse Financial, Inc. (but only with respect to certain provisions), MetLife Services and Solutions, LLC ("*MSS*"), a direct, wholly owned subsidiary of MetLife, and MetLife, Inc. (but only with respect to certain provisions) will become party to a transition services agreement (the "*Transition Services Agreement*"). Each of Brighthouse Financial, Inc. and MetLife, Inc. will be parties to the Transition Services Agreement solely with respect to taking actions necessary to cause their respective affiliates to perform obligations under the Transition Services Agreement to the extent required thereunder. Under the Transition Services Agreement, for a transitional period, generally up to twenty-four months, with limited services to be made available for up to forty-eight months, MSS will agree to perform, directly or through affiliates with which it has an arrangement, a range of administrative and other services that Brighthouse Services and we require in support of their operations. Among other services, MSS will agree to perform certain finance, treasury, compliance, operations, call center and technology support services. Moreover, MSS will agree to provide facilities and equipment to the extent requested by Brighthouse Services for its own benefit or that of ours. Brighthouse Services will pay MSS fees to be calculated in accordance with schedules to the Transition Services Agreement, which will vary depending on the nature of the services and facilities and equipment provided. Brighthouse Services, in turn, will allocate to us any expense incurred under the Transition Services Agreement for the benefit of subsidiaries or affiliates of Brighthouse. In addition to the services that MSS will provide to Brighthouse Services, Brighthouse Services will perform a more limited scope of services for the benefit of MSS and its affiliates.

Other Services Agreements

Prior to the distribution, MetLife USA and NELICO will enter into an Administrative Services Agreement with MLIC (the "*MLIC TPA Agreement*") and will enter into a Global Services Agreement with MSS, as billing intermediary, for certain third-party administration services ("*TPA Services*") performed by MetLife Global Operations Support Center Private Limited ("*MGOSC*") (the "*MSS Global Services Agreement*"). Under the MLIC TPA Agreement and the MSS Global Services Agreement, once MLIC and MGOSC cease to be affiliates of MetLife USA and NELICO, MLIC and MGOSC (by way of MSS as billing intermediary) will continue to perform certain TPA Services that MetLife USA and NELICO may require in support of their operations for a transitional period. Such TPA Services may include, but are not limited to, claims processing, premium collection and underwriting.

MSS is currently in the process of obtaining all necessary licenses to directly perform TPA Services. When MSS is properly licensed and otherwise capable of providing such services, the MLIC TPA Agreement will terminate and MSS will provide certain TPA Services to MetLife USA and NELICO for a transitional period. MetLife USA and NELICO will enter into Administrative Services Agreements with MSS (the "*MSS TPA Agreement*"). Under the MSS TPA Agreement, MSS will agree to perform TPA Services that MetLife USA and NELICO may require in support of their operations.

Prior to the distribution, various Brighthouse and MetLife entities will enter into additional services agreements providing for the provision of support services, including, among other things, an administrative services agreement among MetLife Advisers and MetLife's insurance company subsidiaries and participation agreements between Brighthouse Securities and our insurance company subsidiaries. One such agreement is the Long-Term Data Access Agreement which will set forth standards for the access to and maintenance of data that will be exchanged by Brighthouse and MetLife prior to and following separation.

Following the distribution, Brighthouse Services will provide certain services to our insurance company subsidiaries, including providing instruction and direction to MLIA as to MLIA's services under the Investment Management Agreements ("*IMAs*") between MLIA and our insurance subsidiaries. Brighthouse Services is not a party to the IMAs and is not obligated to compensate MLIA for services under the IMAs.

Intellectual Property Arrangements

Transitional Trademark License Agreement

Prior to or concurrently with the completion of the distribution, we will enter into a transitional trademark license agreement (the "*Transitional Trademark License Agreement*") with MLIC pursuant to which we will be granted a transitional license to use the "MetLife" name and certain other MetLife trademarks for a limited period of time following the distribution, and which will also govern certain other matters with respect to the use by us and MLIC and our respective affiliates of certain branding and campaign marks and other intellectual property related to our business and that of MLIC and its affiliates.

Intellectual Property License Agreement

Prior to or concurrently with the completion of the distribution, we and MetLife will enter into the Intellectual Property License Agreement, pursuant to which we will grant each other a non-exclusive, irrevocable, royalty-free, fully paid-up, worldwide, perpetual license under certain intellectual property rights that we each own. The intellectual property rights being licensed (with no rights to sublicense except as described below) under the Intellectual Property License Agreement may include invention disclosures, patents, patent applications, statutory invention registrations, copyrights, mask work rights, database rights and design rights and trade secrets (but not including trademarks, service marks, trade dress, logos, other source identifiers or domain names, intellectual property made available under the Transition Services Agreement, internet protocol addresses or patents subject to standard-setting organization obligations) and limited rights to certain policies and materials owned by MLIC or its affiliates. The license will allow us and MetLife to have access to and to use certain intellectual property necessary for operations of our respective businesses. Each party will agree to only sublicense its license rights under the agreement to third parties in connection with the marketing, sale and distribution of its respective products and services or to the extent such sublicense is consistent with business practices prior to separation. Each party can only assign its license rights to an acquirer of the business using such license. The Intellectual Property License Agreement will terminate based on non-use of the specific intellectual property by the other party and may not be terminated except upon, material breach or by mutual written agreement by us and MLIC.

Tax Agreements

Due to a particular U.S. tax consolidation provision, MetLife USA will not immediately be included with Brighthouse in a tax group. Instead, following the distribution (the "*tax deconsolidation date*"), MetLife USA and any directly owned life insurance and reinsurance company subsidiaries (including FMLI and BRCD) are expected to be included in MetLife USA's consolidated federal income tax return until 2023. Current taxes (and the benefits of tax attributes such as losses) between MetLife USA and its life insurance/reinsurance company subsidiaries will be allocated to MetLife USA and its subsidiaries under consolidated tax return regulations and a tax sharing agreement. Beginning in the first calendar year that is five full years after the tax deconsolidation date, MetLife USA and its directly owned life insurance and reinsurance company subsidiaries are expected to join our U.S. consolidated federal income tax return. In addition, following the distribution, NELICO will be deconsolidated from the MetLife tax return and will file its own U.S. federal income tax return. In 2023, NELICO is expected to join our U.S. consolidated federal income tax return at the same time as MetLife USA.

Tax Receivables Agreement

Immediately prior to the closing of the distribution, we will enter into a tax receivables agreement (the "*TRA*") with MetLife that provides MetLife with the right to receive future payments from us. These payment obligations are our obligations and we will be obligated to use commercially reasonable actions to cause our subsidiaries to pay dividends to us to the extent necessary for us to make payments under the TRA. The timing of any payments under the TRA will vary depending upon a number of factors, including the amount, character and timing of our and our subsidiaries' taxable income in the future.

In addition, the TRA provides that upon certain mergers, stock and asset sales, other forms of business combinations or other changes of control, the TRA will terminate and we will be required to make a payment intended to equal to the present value of future payments under the TRA, which payment would be based on certain assumptions, including those relating to our and our subsidiaries' future taxable income.

Tax Separation Agreement

We will enter into a tax separation agreement (the "*Tax Separation Agreement*") with MetLife prior to the completion of the distribution. Among other things, the Tax Separation Agreement governs the allocation between MetLife and us of the responsibility for the taxes of the MetLife group. The Tax Separation Agreement also allocates rights, obligations and responsibilities in connection with certain administrative matters relating to the preparation of tax returns and control of tax audits and other proceedings relating to taxes.

Collateral Agreement

Prior to the distribution, we intend to enter into a reinsurance trust agreement with GALIC pursuant to which MetLife USA and GALIC will collateralize their net exposure to one another under the following two reinsurance agreements between such parties: (i) a reinsurance agreement whereby MetLife USA provides reinsurance coverage to GALIC with respect to certain term and universal life policies issued by GALIC; and (ii) a reinsurance agreement whereby GALIC provides reinsurance coverage to MetLife USA with respect to certain whole life policies issued by MetLife USA.

Sublease Agreements

At or prior to the distribution, we intend to enter into arms-length sublease agreements with MetLife for our corporate headquarters in Charlotte, North Carolina as well as certain other locations.

Additional Agreements

We may enter into one or more material agreements, in addition to the foregoing, with MetLife.

Other Related Person Transactions

The Separation

MetLife has engaged, and expects to engage, in certain transactions in connection with the separation, as described in "Formation of Brighthouse and the Restructuring" and "Recapitalization," including transactions that will take place prior to the distribution and transactions that will continue in effect after the completion of the distribution. *See* "Formation of Brighthouse and the Restructuring" and "Recapitalization."

Reinsurance Agreements

We have entered into reinsurance agreements with MetLife primarily as a cedent of insurance and also as a reinsurer of some insurance products issued by affiliated companies. We participate in reinsurance activities in order to limit losses, minimize exposure to significant risks and provide additional capacity for future growth. While we anticipate terminating certain of these arrangements, or replacing certain of these arrangements with third-party reinsurance agreements, at or prior to the distribution, we expect to retain certain of these agreements for some period of time following the distribution.

Financing Arrangements

We currently have certain financing arrangements with MetLife that are used to support reinsurance obligations arising under affiliated reinsurance agreements. While we anticipate replacing certain of these arrangements with standalone financing at or prior to the distribution, we expect to retain certain of these arrangements for some period of time following the distribution.

Use of Intellectual Property Prior to Distribution

We frequently make use of trademarks and other intellectual property owned by MetLife. While there are currently no formal, written license agreements in place between Brighthouse and MetLife, and we have not historically paid license fees for the use of such intellectual property, we do follow brand guidelines as specified by MetLife. Following the distribution, our use of trademarks and intellectual property owned by MetLife will be governed by the terms of the Transitional Trademark License Agreement and the Intellectual Property License Agreement described under "— Agreements Between Us and MetLife."

Investment Transactions

We have extended loans to certain MetLife affiliates. In addition, in the ordinary course of business, we have historically transferred invested assets, primarily consisting of fixed maturity securities, to and from affiliates. We anticipate any such arrangements (including loans) would be terminated prior to the distribution.

Shared Services and Overhead Allocations

MetLife currently provides us certain services, which include, but are not limited to, executive oversight, treasury, finance, legal, human resources, tax planning, internal audit, financial reporting, information technology, sourcing/procurement and investor relations. The financial information in this information statement does not necessarily include all the expenses that would have been incurred had we been a separate, standalone entity prior to the distribution. MetLife charges us for these services based on direct and indirect costs. When specific identification is not practicable, an allocation methodology is used, primarily based on sales, in-force liabilities, or headcount.

Sourcing/Procurement

Prior to the distribution, MetLife contracts for most of our strategic sourcing and procurement needs. Pursuant to a services agreement, MetLife agrees, to the extent requested by an affiliated recipient, to perform certain services and make available its facilities and equipment, including participating in and/or benefiting from arrangements made by MetLife with any of its affiliated or third-party vendors. In consideration for these services, we reimburse MetLife for its expenses attributable to each affiliated recipient of ours for services provided to it under these arrangements. These arrangements cover a variety of sourcing needs, including software licenses, information technology service and support, audit services and market data services. We will not directly benefit from these arrangements following the distribution, and we anticipate entering into direct contracts with vendors at or prior to the distribution, other than in respect of service to be provided under the Transition Services Agreement described under "— Agreements Between Us and MetLife."

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Stock-Based Compensation Plans

Our employees currently participate in MetLife stock-based compensation plans, the costs of which have been allocated to us and recorded in the combined statements of operations.

Broker-Dealer Transactions

Prior to the distribution, we accrue related party revenues and expenses arising from interactions with MetLife's broker-dealers whereby the MetLife broker-dealers sell our variable annuity and life products. The affiliated revenue for us is fee income from trusts and mutual funds whose shares serve as investment options of our policyholders. The affiliated expense for us is commissions collected on the sale of variable products by us and passed through to the broker-dealer.

Revenues and Expenses Associated with Related Person Transactions

The approximate net earned revenues and incurred (expenses), or intercompany charges, for our various arrangements with MetLife and its affiliates are presented in the table below.

	Nine Months ended September 30,		Year ended December 31,		
	2016	2015	2015	2014	2013
			(In millions)		
Types of Related Person Transactions					
Separation	$ —	$ —	$ —	$ —	$ —
Financing arrangements	(136)	(140)	(186)	(202)	(210)
Transition services arrangements with affiliates (1)	—	—	—	—	—
Advisory and portfolio management agreements fees	(73)	(59)	(80)	(71)	(85)
Reinsurance Transactions	458	153	208	25	1,719
Investment Transactions	38	39	93	143	76
Stock-Based Compensation Plans	(6)	(6)	(8)	(7)	(6)
Broker-Dealer Transactions	(319)	(312)	(417)	(427)	(508)
Other shared services, overhead allocations	(686)	(774)	(1,059)	(999)	(931)
Total	$(724)	$ (1,099)	$(1,449)	$(1,538)	$ 55

(1) The Transition Services Agreement described under "— Agreements Between Us and MetLife" is expected to be entered into in the first quarter of 2017 (prior to the distribution).

Related Person Transaction Approval Policy

The Brighthouse Board will adopt, prior to completion of the distribution, a written related person transaction approval policy to take effect from and after the distribution pursuant to which our Nominating and Corporate Governance Committee, or for so long as any member of such committee is not an "independent director," a committee of the Brighthouse Board consisting of the independent members of the Nominating and Corporate Governance Committee, will review and approve or take such other action as it may deem appropriate with respect to certain transactions.

DESCRIPTION OF CAPITAL STOCK

We filed our certificate of incorporation with the Secretary of State of the State of Delaware on August 1, 2016, and our Board adopted our by-laws on August 1, 2016. Prior to the completion of the distribution, we plan to file our amended and restated certificate of incorporation with the Secretary of State of the State of Delaware and the Brighthouse Board will adopt our amended and restated by-laws. Certain provisions of our amended and restated certificate of incorporation and by-laws that we expect will be in effect upon completion of the distribution and relevant sections of the DGCL are summarized below. The following description of our capital stock and provisions of our amended and restated certificate of incorporation and our amended and restated by-laws are only summaries of such provisions and instruments and in each case are qualified by reference to our amended and restated certificate of incorporation and our amended and restated by-laws that we will file as exhibits to the registration statement of which this information statement is a part.

Authorized Capital Stock

Our authorized capital stock will consist of [●] shares, including: (i) [●] shares of our common stock, $0.01 par value per share, and (ii) [●] shares of preferred stock, $0.01 par value per share. As of [●], we had outstanding shares of our common stock, held of record by one stockholder, and no shares of preferred stock outstanding; and as of [●], but giving effect to the completion of the distribution as if it had happened on such date, we had outstanding [●] shares of our common stock and no shares of preferred stock outstanding.

Common Stock

Holders of our common stock are entitled to one vote per share on all matters submitted to a vote of stockholders, including the election of directors. Our amended and restated certificate of incorporation and bylaws will also set forth the voting rights of holders, including in respect of directors. Subject to preferences that may be applicable to any outstanding shares of preferred stock, holders of our common stock will be entitled to receive ratably such dividends as may be declared out of funds legally available if our Board, in its discretion, determines to issue dividends and only then at the times and in the amounts that our Board may determine. Upon our liquidation, dissolution or winding-up, the holders of our common stock will be entitled to receive their ratable share of the net assets of Brighthouse available after payment of all debts and other liabilities, subject to the prior preferential rights and payment of liquidation preferences, if any, of any outstanding shares of preferred stock. Holders of our common stock will have no preemptive, subscription or redemption rights. There will be no redemption or sinking fund provisions applicable to our common stock. The rights, preferences and privileges of the holders of our common stock will be subject to, and may be adversely affected by, the rights of the holders of shares of any series of preferred stock that we may designate in the future.

Preferred Stock

Our Board will have the authority, subject to the limitations imposed by Delaware law, without any further vote or action by our stockholders, to issue preferred stock in one or more series and to fix the designations, powers, preferences, limitations and rights of the shares of each series, including:

- dividend rates;
- conversion rights;
- voting rights;
- terms of redemption and liquidation preferences; and
- the number of shares constituting each series.

Satisfaction of any dividend preferences of outstanding shares of preferred stock would reduce the amount of funds available for the payment of dividends on shares of our common stock. Holders of shares of preferred stock may be entitled to receive a preference payment in the event of our liquidation, dissolution or winding-up before any payment is made to the holders of shares of our common stock.

The Brighthouse Board may authorize the issuance of preferred stock with voting or conversion rights that could adversely affect the voting power or other rights of the holders of our common stock. The issuance of preferred stock, while providing flexibility in connection with possible acquisitions and other corporate purposes, could, among other things, have the effect of delaying, deferring or preventing a change in control of our company and may adversely affect the market price of our common stock and the voting and other rights of the holders of our common stock.

There are no current agreements or understandings with respect to the issuance of preferred stock.

Certain Anti-Takeover Provisions of our Amended and Restated Certificate of Incorporation, our By-laws and Applicable Law

We expect certain provisions of our amended and restated certificate of incorporation and, by-laws, as well as certain provisions of Delaware law and insurance regulations applicable to our business may discourage or make more difficult a takeover attempt that a stockholder might consider in his or her best interest. These provisions may also adversely affect prevailing market prices for our common stock. We believe that the benefits of increased protection give us the potential ability to negotiate with the proponent of an unsolicited proposal to acquire or restructure us and outweigh the disadvantage of discouraging those proposals because negotiation of the proposals could result in an improvement of their terms.

Section 203 of the Delaware General Corporation Law

As a Delaware corporation, we will be subject to Section 203 of the DGCL. In general, Section 203 prohibits a publicly held Delaware corporation from engaging in a "business combination" with an "interested stockholder" for a three-year period following the time that this stockholder becomes an interested stockholder, unless the business combination is approved in a prescribed manner. A "business combination" includes, among other things, a merger, asset or stock sale or other transaction resulting in a financial benefit to the interested stockholder. An "interested stockholder" is a person who, together with affiliates and associates, owns, or did own within three years prior to the determination of interested stockholder status, 15% or more of the corporation's voting stock. Under Section 203, a business combination between a corporation and an interested stockholder is prohibited unless it satisfies one of the following conditions:

- before the stockholder became interested, the Brighthouse Board approved either the business combination or the transaction which resulted in the stockholder becoming an interested stockholder;
- upon consummation of the transaction which resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced, excluding for purposes of determining the voting stock outstanding, shares owned by persons who are directors and officers; or
- at or after the time the stockholder became interested, the business combination was approved by the Brighthouse Board and authorized at an annual or special meeting of the stockholders by the affirmative vote of at least two-thirds of the outstanding voting stock which is not owned by the interested stockholder.

A Delaware corporation may "opt out" of Section 203 with an express provision in its original certificate of incorporation or an express provision in its amended and restated certificate of incorporation or by-laws resulting from amendments approved by holders of at least a majority of the corporation's outstanding voting shares.

Insurance Regulations

The insurance laws and regulations of the various states in which our insurance subsidiaries are organized may delay or impede a business combination involving us. State insurance laws prohibit an entity from acquiring control of an insurance company without the prior approval of the domestic insurance regulator. Under most states' statutes, an entity is presumed to have control of an insurance company if it owns, directly or indirectly, 10% or more of the voting stock of that insurance company or its parent company. These regulatory restrictions may delay, deter or prevent a potential merger or sale of our company, even if the Brighthouse Board decides that it is in the best interests of stockholders for us to merge or be sold. These restrictions also may delay sales by us or acquisitions by third parties of our subsidiaries. *See* "Risk Factors — Risks Relating to Our Common Stock and the Securities Market — State insurance laws and Delaware corporate law, may prevent or delay an acquisition of us, which could decrease the trading price of our common stock" and "Regulation — Insurance Regulation."

Limitation of Liability and Indemnification of Directors and Officers

We expect our amended and restated certificate of incorporation will provide that, to the fullest extent permitted by the DGCL as it now exists or may hereafter be amended, none of our directors will be personally liable to us or our stockholders for monetary damages for breach of fiduciary duty as a director. Under the DGCL as it now reads, such limitation of liability is not permitted:

- for any breach of the director's duty of loyalty to us or our stockholders;
- for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law;
- for payments of unlawful dividends or unlawful stock purchases or redemptions under Section 174 of the DGCL; or
- for any transaction from which the director derived an improper personal benefit.

These provisions will have no effect on the availability of equitable remedies such as an injunction or rescission based on a director's breach of his or her duty of care.

Section 145 of the DGCL provides that a corporation may indemnify directors and officers, as well as other employees and individuals, against expenses, including attorneys' fees, judgments, fines and amounts paid in settlement, that are incurred in connection with various actions, suits or proceedings, whether civil, criminal, administrative or investigative, other than an action by or in the right of the corporation, known as a derivative action, if they acted in good faith and in a manner they reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, if they had no reasonable cause to believe their conduct was unlawful. A similar standard is applicable in the case of derivative actions, except that indemnification only extends to expenses, including attorneys' fees, incurred in connection with the defense or settlement of such actions, and the statute requires court approval before there can be any indemnification if the person seeking indemnification has been found liable to the corporation. The statute provides that it is not exclusive of other indemnification that may be granted by a corporation's by-laws, disinterested director vote, stockholder vote, agreement or otherwise.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers or persons controlling Brighthouse pursuant to the foregoing provisions, Brighthouse has been informed that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

Listing

We intend to apply to list our common stock on the NYSE under the symbol "BHF".

Transfer Agent and Registrar

Upon the consummation of the distribution, the transfer agent and registrar for our common stock will be [●]. The transfer agent's address is [●].

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SHARES ELIGIBLE FOR FUTURE SALE

Upon completion of the distribution, we will have [●] shares of common stock outstanding, excluding shares awarded pursuant to equity award arrangements with directors and employees, and MetLife will own [●] shares of our common stock. There is currently not a public market for our common stock. We cannot predict the prices at which our common stock will trade. Future sales of substantial amounts of our common stock in the public market could adversely affect market prices prevailing from time to time and future distributions of the shares owned by MetLife could also adversely affect the market price of our common stock.

The shares of our common stock that holders of MetLife common stock will receive in the distribution will be freely transferable, unless you are considered our "affiliate" under Rule 144. Persons who can be considered our affiliates after the distribution generally include individuals or entities that directly, or indirectly through one or more intermediaries, control, are controlled by or are under common control with us, and may include certain of our officers and directors. In addition, individuals who are affiliates of MetLife on the distribution date may be deemed to be affiliates of ours. Our affiliates may sell shares of our common stock received in the distribution only:

- pursuant to a registration statement that the SEC has declared effective under the Securities Act; or
- under an exemption from registration under the Securities Act, such as the exemption afforded by Rule 144.

Rule 144

In general, under Rule 144 as currently in effect, an affiliate will be entitled to sell, within any three-month period commencing 180 days after the distribution is declared effective, a number of shares of our common stock that does not exceed the greater of:

- 1.0 % of our then-outstanding shares of common stock, which will equal approximately [●] shares immediately after the distribution; or
- the average weekly trading volume of our common stock during the four calendar weeks preceding the filing of a notice of the sale on Form 144.

A person who is not deemed to have been one of our affiliates at any time during the three months preceding a sale, and who owns shares within the definition of "restricted securities" under Rule 144 that were purchased from us, or any affiliate, at least six months previously, would, beginning 90 days after this distribution, also be entitled to sell shares under Rule 144. Such sales would be permitted without regard to the volume limitations, manner of sale provisions or notice requirements described above and, after one year, without any limits, including the public information requirement.

Rule 144 also includes restrictions governing the manner of sale. Sales may not be made under Rule 144 unless certain information about us is publicly available. For a discussion of certain registration rights with respect to our common stock, *see* "Certain Relationships and Related Person Transactions — Agreements Between Us and MetLife — Registration Rights Agreement."

Registration Statement on Form S-8

We intend to file with the SEC, as soon as practicable following the completion of the distribution, a Registration Statement on Form S-8 registering an aggregate of shares of common stock underlying equity awards we have made and will make to our employees and certain other qualifying individuals, and the resale of those shares of common stock. The Form S-8 will become effective upon filing and shares of common stock so registered will become freely tradable upon such effectiveness.

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Registration Rights Agreement

As described in "Certain Relationships and Related Person Transactions — Agreements Between Us and MetLife — Registration Rights Agreement," we will enter into the Registration Rights Agreement with MetLife. We do not have any other contractual obligations to register our common stock.

WHERE YOU CAN FIND MORE INFORMATION

We have filed with the SEC a registration statement on Form 10 with respect to our common stock. This information statement, which constitutes a part of the registration statement, does not contain all of the information set forth in the registration statement or the exhibits that are part of the registration statement. Statements contained in this information statement as to the contents of any contract or other document referred to are not necessarily complete and in each instance, if the contract or document is filed as an exhibit, reference is made to the copy of the contract or other documents filed as an exhibit to the registration statement on Form 10. Each statement is qualified in all respects by the relevant reference. For further information with respect to us and our common stock, reference is made to the registration statement and exhibits thereto. You may read and copy any document we file at the SEC's Public Reference Room at 100 F Street, N.E., Washington, DC 20549. Please call the SEC at 1-800-SEC-0330 for further information about the Public Reference Room. Our SEC filings are also available to the public from the SEC's website at http://www.sec.gov.

Upon completion of the distribution, we will become subject to the information and periodic reporting requirements of the Exchange Act and file periodic reports, proxy statements and other information with the SEC. These periodic reports, proxy statements and other information are available for inspection and copying at the SEC's Public Reference Room and the website of the SEC referred to above.

You may request a copy of any of our filings with the SEC at no cost by writing or telephoning us at the following address:

Investor Relations
Brighthouse Financial, Inc.
Gragg Building, 11225 North Community House Road
Charlotte, North Carolina 28277
Phone: [●]
Email: [●]

We intend to furnish holders of our common stock with proxy statements and annual reports containing consolidated financial statements prepared in accordance with U.S. GAAP and audited and reported on, with an opinion expressed, by an independent registered public accounting firm. We also intend to file with the SEC quarterly reports for the first three quarters of each fiscal year containing interim unaudited financial information and to furnish other reports as we may determine or as required by law. Information that we file with the SEC after the date of this information statement may supersede the information in this information statement. You may read these reports, proxy statements and other information and obtain copies of such documents and information as described above. We also plan to make available, free of charge, on our Internet site our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, reports filed pursuant to Section 16 of the Exchange Act and amendments to those reports as soon as reasonably practicable after we electronically file or furnish such materials to the SEC. Information contained on any website referenced in this information statement is not incorporated by reference in this information statement.

No person is authorized by us to give any information or to make any representations other than those contained in this information statement, and, if given or made, such information or representations must not be relied upon as having been authorized by us. Neither the delivery of this information statement nor any distribution of securities made hereunder shall imply that there has been no change in the information set forth herein or in our affairs since the date hereof.

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GLOSSARY

Glossary of Selected Financial Terms

Account value	The amount of money in a policy holder's account. The value increases with additional premiums and investment gains, and it decreases with withdrawals, investment losses and fees.
Alternative investments	General account invested assets in real estate and real estate joint ventures, other limited partnerships and other invested assets.
Annualized new premium ("*ANP*")	A sales term used to compare new business written in a year on a recurring basis. The annualization determined by using 100% of annual recurring premium and 10% of single premiums or deposits.
Assets under management ("*AUM*")	General account investments and separate account assets.
Conditional tail expectation ("*CTE*")	Calculated as the average amount of total assets required to satisfy obligations over the life of the contract or policy in the worst [x]% of scenarios. Represented as CTE (100 *less* x). Example: CTE95 represents the five worst percent of scenarios.
Deferred acquisition cost ("*DAC*")	Represents the incremental costs related directly to the successful acquisition of new and renewal insurance and annuity contracts and which have been deferred on the balance sheet as an asset.
Deferred sales inducements ("*DSI*")	Represent amounts that are credited to a policyholder's account balance that are higher than the expected crediting rates on similar contracts without such an inducement and that are an incentive to purchase a contract and also meet the accounting criteria to be deferred as an asset that is amortized over the life of the contract.
Deferred tax asset ("*DTA*") or Deferred tax liability ("*DTL*")	Assets or liabilities that are recorded for the difference between book basis and tax basis of an asset or a liability.
General account	All insurance company assets not allocated to separate accounts.
Invested assets	General account investments. Includes fixed maturity securities, equity securities, mortgage loans, policy loans, alternative investments and short-term investments.
Net amount at risk ("*NAR*")	The difference between a claim amount payable if a specific event occurs and the amount set aside to support the claim. The calculation of NAR can differ by policy type and/or guarantee.
Net investment spread	*See* "Management's Discussion and Analysis of Financial Condition and Results of Operations — Non-GAAP and Other Financial Disclosures."
Operating earnings	*See* "Management's Discussion and Analysis of Financial Condition and Results of Operations — Non-GAAP and Other Financial Disclosures."
Reinsurance	Insurance that an insurance company buys for its own protection. Reinsurance enables an insurance company to expand its capacity, stabilize its underwriting results, or finance its expanding volume.

Risk based capital ("*RBC*")	Rules to determine insurance company regulatory capital requirements. It is based on rules published by the National Association of Insurance Commissioners ("*NAIC*")
Sales	*See* "Management's Discussion and Analysis of Financial Condition and Results of Operations — Non-GAAP and Other Financial Disclosures."
Tax-deferral	An investment with earnings such as interest, dividends or capital gains that accumulate tax free until the investor withdrawals and takes possession of them. The most common types of tax-deferred investments include those in individual retirement accounts ("*IRAs*") and deferred annuities.
Value of business acquired ("*VOBA*")	Present value of projected future gross profits from in-force policies of acquired businesses.

Glossary of Product Terms

Accumulation phase	The phase of a variable annuity contract during which assets accumulate based on the policyholder's lump sum or periodic deposits and reinvested interest, capital gains and dividends that are generally tax deferred.
Annuitant	The person who receives annuity payments or the person whose life expectancy determines the amount of variable annuity payments upon annuitization of a life contingent annuity.
Annuities	Long-term, tax deferred investments designed to help investors save for retirement.
Annuitization	The process of converting an annuity investment into a series of periodic income payments, generally for life.
Benefit base	A notional amount (not actual cash value) used to calculate the owner's guaranteed benefits within an insurance policy or annuity.
Cash surrender value	The amount an insurance company pays (minus any surrender charge) to the variable annuity owner when the contract is voluntarily terminated prematurely.
Deferred annuity	An annuity purchased with premiums paid either over a period of years or as a lump sum, for which savings accumulate prior to annuitization or surrender, and upon annuitization, such savings are exchanged for either a future lump sum or periodic payments for a specific length of time or for a lifetime.
Dollar-for-dollar withdrawal	A method of calculating the reduction of a variable annuity benefit base after a withdrawal in which the benefit is reduced by one dollar for every dollar withdrawn.
Enhanced death benefit	An optional benefit that locks in investment gains annually, or every few years, or pays a minimum stated interest rate on purchase payments to the beneficiary.
Fixed annuity	An annuity that guarantees a set annual rate of return with interest at rates we determine, subject to specified minimums. Credited interest rates are guaranteed not to change for certain limited periods of time.
Future policy benefits	Future policy benefits for the annuities business are comprised mainly of liabilities for life-contingent income annuities, and liabilities for the variable annuity guaranteed minimum benefits accounted for as insurance. Future policy benefits for the life business are comprised mainly of liabilities for traditional life and certain liabilities for universal and variable life insurance contracts (other than the policyholder account balance).
Guaranteed minimum accumulation benefits ("*GMAB*")	An optional benefit (available for an additional cost) which entitles an annuitant to a minimum payment, typically in lump-sum, after a set period of time, typically referred to as the accumulation period. The minimum payment is based on the benefit base, which could be greater than the underlying account value.

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Guaranteed minimum death benefits ("*GMDB*")	An optional benefit (available for an additional cost) that guarantees an annuitant's beneficiaries are entitled to a minimum payment based on the benefit base, which could be greater than the underlying account value, upon the death of the annuitant.
Guaranteed minimum income benefits ("*GMIB*")	An optional benefit (available for an additional cost) where an annuitant is entitled to annuitize the policy and receive a minimum payment stream based on the benefit base, which could be greater than the underlying account value.
Guaranteed minimum living benefits ("*GMLB*")	GMIBs, GMWBs and GMABs.
Guaranteed minimum withdrawal benefit for life ("*GMWBL*")	An optional benefit (available for an additional cost) where an annuitant is entitled to withdraw a maximum amount of their benefit base each year, for the duration of the contract holder's life, regardless of account performance.
Guaranteed minimum withdrawal benefit riders ("*GMLB Riders*")	Changes in the carrying value of GMLB liabilities, related hedges and reinsurance; the fees earned directly from the GMLB liabilities; and related DAC offsets.
Guaranteed minimum withdrawal benefits ("*GMWB*")	An optional benefit (available for an additional cost) where an annuitant is entitled to withdraw a maximum amount of their benefit base each year, for which cumulative payments to the annuitant could be greater than the underlying account value.
Immediate income annuity	A type of annuity for which the owner pays a lump sum and receives periodic payments immediately or soon after purchase. Single premium immediate annuities ("*SPIAs*") are single premium annuity products that provide a guaranteed level of income to the owner generally for a specified number of years and/or for the life of the annuitant. Deferred income annuities ("*DIAs*") provide a pension-like stream of income payments after a specified deferral period.
Index-linked annuities	An annuity that provides for asset accumulation and asset distribution needs with an ability to share in the upside from certain financial markets such as equity indices, or an interest rate benchmark. With an index-linked annuity, the customer's account value can grow or decline due to various external financial market indices performance.
Living benefits	Optional benefits (available at an additional cost) that guarantee that the owner will get back at least his original investment when the money is withdrawn.
Mortality and expense risk fee ("*M&E fee*")	A fee charged by insurance companies to compensate for the risk they take by issuing variable annuity contracts.

Net flows	Net change in customer account balances in a period including, but not limited to, new sales, full or partial exits and the net impact of clients utilizing or withdrawing their funds. It excludes the impact of markets on account balances.
Period certain annuity	Type of annuity that guarantees payment to the annuitant for a specified time period and to the beneficiary if the annuitant dies before the period ends.
Policyholder account balances	Annuities: Policyholder account balances 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. Life Insurance Policies: Policyholder account balances are held for retained asset accounts, universal life policies and the fixed account of universal variable life insurance policies. Interest is credited to the policyholder's account at interest rates we determine which are influenced by current market rates, subject to specified minimums.
Pro-rata withdrawal	A method of calculating the reduction of a variable annuity benefit base after a withdrawal in which the benefit is reduced by the same percentage as the percentage of the withdrawal; for example, a 20% withdrawal of the money reduces the death benefit by 20%.
Rider	An optional feature or benefit that a variable annuity contract holder can purchase at an additional cost.
Roll-up rate	The guaranteed percentage that the benefit base increases by each year.
Separate account	An insurance company account, legally segregated from the general account, that holds the contract assets or subaccount investments that can be actively or passively managed and invest in stock, bonds or money market portfolios.
Step up	An optional variable annuity feature (available at an additional cost) that can increase the benefit base amount if the variable annuity account value is higher than the benefit base on specified dates.
Surrender charge	A fee paid by a contract owner for the early withdrawal of an amount that exceeds a specific percentage or for cancellation of the contract within a specified amount of time after purchase.
Surrender rate	Represents annualized surrenders and withdrawals as a percentage of average account value.
Term life products	Term life products provide a fixed death benefit in exchange for a guaranteed level premium over a specified period of time, usually ten to thirty years. Generally, term life does not include any cash value, savings or investment components.
Total adjusted capital ("*TAC*")	Primarily consists of capital and surplus, and the asset valuation reserve.
Universal life products	Life insurance products that provide a death benefit in return for payment of specified annual policy charges that are generally related to specific costs, which may change over time. To the extent that the policyholder chooses to pay more than the charges required in any given year to keep

	the policy in-force, the excess premium will be placed into the account value of the policy and credited with a stated interest rate on a monthly basis.
Variable annuity	A type of annuity that offers guaranteed periodic payments for a defined period of time or for life and gives purchasers the ability to invest in various markets though the underlying investment options, which may result in potentially higher, but variable, returns.
Variable universal life	Universal life products where the excess amount paid over policy charges can be directed by the policyholder into a variety of separate account investment options. In the separate account investment options, the policyholder bears the entire risk and returns of the investment results.
Whole life products	Life insurance products that provide a guaranteed death benefit in exchange for a guaranteed level premium for a specified period of time in order to maintain coverage for the life of the insured. Whole life products also have guaranteed minimum cash surrender values. Although the primary purpose is protection, the policyholder can withdraw or borrow against the policy (sometimes on a tax favored basis).

Financial Statements and Supplementary Data

Index to Combined Financial Statements, Notes and Schedules

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholder of
Brighthouse Financial, Inc.
Charlotte, North Carolina

We have audited the accompanying balance sheet of Brighthouse Financial, Inc. as of September 30, 2016. This balance sheet is the responsibility of Brighthouse Financial, Inc.'s management. Our responsibility is to express an opinion on this balance sheet 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 the balance sheet is free of material misstatement. Brighthouse Financial, Inc. is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Brighthouse Financial, Inc.'s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the balance sheet, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall balance sheet presentation. We believe that our audit of the balance sheet provides a reasonable basis for our opinion.

In our opinion, such balance sheet presents fairly, in all material respects, the financial position of Brighthouse Financial, Inc. as of September 30, 2016, in conformity with accounting principles generally accepted in the United States of America.

/s/ Deloitte & Touche LLP
New York, New York
October 5, 2016

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Brighthouse Financial, Inc.
Balance Sheet
September 30, 2016

Assets	
Cash	$1,000
Total assets	$1,000
Liabilities	
Total liabilities	$ —
Shareholder's Equity	
Common stock, par value $0.01 per share; 100,000 shares authorized, issued and outstanding	1,000
Total shareholder's equity	1,000
Total liabilities and shareholder's equity	$1,000

See accompanying notes to balance sheet.

Brighthouse Financial, Inc.
Notes to Balance Sheet
September 30, 2016

1. Organization

Brighthouse Financial, Inc. was formed on August 1, 2016 (date of inception). The initial shareholder of Brighthouse Financial, Inc. is MetLife, Inc., which holds the 100,000 common shares authorized, issued and outstanding.

2. Basis of Presentation

The accompanying statement of financial position is prepared in accordance with generally accepted accounting principles in the United States of America. Separate statements of operations, cash flows, and changes in shareholder's equity and comprehensive income have not been presented because this entity has had no operations to date. Brighthouse Financial, Inc. has evaluated subsequent events through October 5, 2016, which is the date the balance sheet was available to be issued. As of October 5, 2016, there were no subsequent events that required disclosure.

3. Shareholder's Equity

The sole shareholder, MetLife, Inc., has acquired 100,000 common shares of Brighthouse Financial Inc.'s authorized common shares for a consideration of $0.01 per share, or total consideration of $1,000.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholder of
Brighthouse Financial, Inc.
Charlotte, North Carolina

We have audited the accompanying combined balance sheets of Brighthouse Financial, Inc. and related companies (the "*Company*") as of December 31, 2015 and 2014, and the related combined statements of operations, comprehensive income (loss), shareholder's net investment, and cash flows for each of the three years in the period ended December 31, 2015. The combined financial statements include the accounts of Brighthouse Financial, Inc. and six related companies, MetLife Insurance Company USA, New England Life Insurance Company, First MetLife Investors Insurance Company, MetLife Reinsurance Company of Delaware, MetLife Reinsurance Company of South Carolina, and MetLife Advisers, LLC, and a designated protected cell of MetLife Reinsurance Company of Vermont. These companies are under common ownership and common management. Our audits also included the financial statement schedules listed in the Index to Financial Statements, Notes and Schedules. These combined financial statements and financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on the combined financial statements and financial statement schedules 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 combined financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the combined financial statements, 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, the combined financial statements referred to above present fairly, in all material respects, the financial position of Brighthouse Financial, Inc. and related companies as of December 31, 2015 and 2014, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2015, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedules, when considered in relation to the basic combined financial statements taken as a whole, present fairly in all material respects the information set forth therein.

As discussed in Note 1 to the combined financial statements, the accompanying combined financial statements have been prepared from separate records maintained by MetLife, Inc., and may not necessarily be indicative of the financial condition, or results of operations and cash flows that would have existed had the Company been operated as a stand-alone company during the periods presented.

/s/ Deloitte & Touche LLP
New York, New York
October 5, 2016

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Brighthouse Financial, Inc. and Related Companies

Combined Balance Sheets
December 31, 2015 and 2014

(In millions)

	2015	2014
Assets		
Investments:		
Fixed maturity securities available-for-sale, at estimated fair value (amortized cost: $61,347 and $56,132, respectively; includes $3,360 and $3,460, respectively, relating to variable interest entities)	$ 63,656	$ 60,934
Equity securities available-for-sale, at estimated fair value (cost: $432 and $448, respectively)	457	507
Mortgage loans (net of valuation allowances of $37 and $26, respectively; includes $172 and $280, respectively, at estimated fair value, relating to variable interest entities)	7,524	6,092
Policy loans	1,692	1,615
Real estate and real estate joint ventures (includes $5 and $93, respectively, of real estate held-for-sale)	632	898
Other limited partnership interests	1,850	2,239
Short-term investments, principally at estimated fair value	1,832	1,507
Other invested assets, principally at estimated fair value	5,986	5,746
Total investments	83,629	79,538
Cash and cash equivalents, principally at estimated fair value (includes $14 and $11, respectively, relating to variable interest entities)	1,570	1,603
Accrued investment income (includes $1 and $2, respectively, relating to variable interest entities)	612	594
Premiums, reinsurance and other receivables	18,878	18,680
Deferred policy acquisition costs and value of business acquired	6,390	6,582
Current income tax recoverable	261	678
Other assets	938	1,023
Separate account assets	114,447	122,922
Total assets	$226,725	$231,620
Liabilities and Shareholder's Net Investment		
Liabilities		
Future policy benefits	$ 31,203	$ 29,642
Policyholder account balances	37,521	37,426
Other policy-related balances	3,157	2,924
Payables for collateral under securities loaned and other transactions	10,637	7,511
Long-term debt (includes $48 and $139, respectively, at estimated fair value, relating to variable interest entities)	1,936	2,028
Collateral financing arrangement	2,797	2,797
Deferred income tax liability	3,802	4,137
Other liabilities (includes $1 and $1, respectively, relating to variable interest entities)	4,386	4,708
Separate account liabilities	114,447	122,922
Total liabilities	209,886	214,095
Contingencies, Commitments and Guarantees (Note 16)		
Shareholder's Net Investment		
Shareholder's net investment	15,316	14,810
Accumulated other comprehensive income (loss)	1,523	2,715
Total shareholder's net investment	16,839	17,525
Total liabilities and shareholder's net investment	$226,725	$231,620

See accompanying notes to the combined financial statements.

Brighthouse Financial, Inc. and Related Companies

Combined Statements of Operations
For the Years Ended December 31, 2015, 2014 and 2013

(In millions)

	2015	2014	2013
Revenues			
Premiums	$1,679	$1,500	$1,018
Universal life and investment-type product policy fees	4,010	4,335	4,255
Net investment income	3,099	3,090	3,366
Other revenues	422	535	616
Net investment gains (losses):			
Other-than-temporary impairments on fixed maturity securities	(23)	(6)	(9)
Other-than-temporary impairments on fixed maturity securities transferred to other comprehensive income (loss)	(8)	(8)	(12)
Other net investment gains (losses)	38	(421)	28
Total net investment gains (losses)	7	(435)	7
Net derivative gains (losses)	(326)	423	(474)
Total revenues	8,891	9,448	8,788
Expenses			
Policyholder benefits and claims	3,269	3,334	3,647
Interest credited to policyholder account balances	1,259	1,278	1,376
Amortization of deferred policy acquisition costs and value of business acquired	781	1,109	123
Other expenses	2,120	2,199	2,278
Total expenses	7,429	7,920	7,424
Income (loss) before provision for income tax	1,462	1,528	1,364
Provision for income tax expense (benefit)	343	369	333
Net income (loss)	$1,119	$1,159	$1,031

See accompanying notes to the combined financial statements.

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Brighthouse Financial, Inc. and Related Companies

Combined Statements of Comprehensive Income (Loss)
For the Years Ended December 31, 2015, 2014 and 2013

(In millions)

	2015	2014	2013
Net income (loss)	$ 1,119	$1,159	$ 1,031
Other comprehensive income (loss):			
Unrealized investment gains (losses), net of related offsets	(1,898)	2,424	(2,727)
Unrealized gains (losses) on derivatives	95	254	(206)
Foreign currency translation adjustments	(25)	(49)	54
Defined benefit plans adjustment	(6)	11	40
Other comprehensive income (loss), before income tax	(1,834)	2,640	(2,839)
Income tax (expense) benefit related to items of other comprehensive income (loss)	642	(902)	984
Other comprehensive income (loss), net of income tax	(1,192)	1,738	(1,855)
Comprehensive income (loss)	$ (73)	$2,897	$ (824)

See accompanying notes to the combined financial statements.

Brighthouse Financial, Inc. and Related Companies

Combined Statements of Shareholder's Net Investment
For the Years Ended December 31, 2015, 2014 and 2013

(In millions)

	Shareholder's Net Investment	Accumulated Other Comprehensive Income (Loss)	Total Shareholder's Net Investment
Balance as of December 31, 2012	$ 14,581	$ 2,832	$ 17,413
Change in net investment	(1,153)		(1,153)
Net income (loss)	1,031		1,031
Other comprehensive income (loss), net of income tax		(1,855)	(1,855)
Balance as of December 31, 2013	14,459	977	15,436
Change in net investment	(808)		(808)
Net income (loss)	1,159		1,159
Other comprehensive income (loss), net of income tax		1,738	1,738
Balance as of December 31, 2014	14,810	2,715	17,525
Change in net investment	(613)		(613)
Net income (loss)	1,119		1,119
Other comprehensive income (loss), net of income tax		(1,192)	(1,192)
Balance as of December 31, 2015	$ 15,316	$ 1,523	$ 16,839

See accompanying notes to the combined financial statements.

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Brighthouse Financial, Inc. and Related Companies

Combined Statements of Cash Flows
For the Years Ended December 31, 2015, 2014 and 2013

(In millions)

	2015	2014	2013
Cash flows from operating activities			
Net income (loss)	$ 1,119	$ 1,159	$ 1,031
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization expenses	26	32	40
Amortization of premiums and accretion of discounts associated with investments, net	(240)	(178)	(155)
(Gains) losses on investments and from sales of businesses, net	(7)	435	(7)
(Gains) losses on derivatives, net	1,221	1,130	2,749
(Income) loss from equity method investments, net of dividends or distributions	118	(15)	(82)
Interest credited to policyholder account balances	1,259	1,278	1,376
Universal life and investment-type product policy fees	(4,010)	(4,335)	(4,255)
Change in accrued investment income	1	107	26
Change in premiums, reinsurance and other receivables	(394)	(1,076)	(48)
Change in deferred policy acquisition costs and value of business acquired, net	382	702	(663)
Change in income tax	731	796	696
Change in other assets	2,348	2,491	2,245
Change in insurance-related liabilities and policy-related balances	2,295	1,111	1,293
Change in other liabilities	(247)	1,730	60
Other, net	29	(6)	107
Net cash provided by (used in) operating activities	4,631	5,361	4,413
Cash flows from investing activities			
Sales, maturities and repayments of:			
Fixed maturity securities	38,885	23,489	22,603
Equity securities	308	98	69
Mortgage loans	1,105	2,476	2,339
Real estate and real estate joint ventures	512	28	104
Other limited partnership interests	426	256	154
Purchases of:			
Fixed maturity securities	(44,058)	(28,464)	(20,361)
Equity securities	(273)	(89)	(133)
Mortgage loans	(2,570)	(382)	(947)
Real estate and real estate joint ventures	(109)	(209)	(201)
Other limited partnership interests	(233)	(346)	(369)
Cash received in connection with freestanding derivatives	227	794	260
Cash paid in connection with freestanding derivatives	(871)	(1,997)	(3,626)
Cash received under repurchase agreements	199	—	—
Cash paid under repurchase agreements	(199)	—	—
Cash received under reverse repurchase agreements	199	—	—
Cash paid under reverse repurchase agreements	(199)	—	—
Sale of business, net of cash and cash equivalents disposed of $0, $251 and $0, respectively	—	451	—
Sales of loans to affiliates	26	520	—
Net change in policy loans	(77)	48	(5)
Net change in short-term investments	(316)	3,449	2,106
Net change in other invested assets	(24)	(589)	(8)
Other, net	—	—	3
Net cash provided by (used in) investing activities	$ (7,042)	$ (467)	$ 1,988

See accompanying notes to the combined financial statements.

Brighthouse Financial, Inc. and Related Companies

Combined Statements of Cash Flows — (continued)
For the Years Ended December 31, 2015, 2014 and 2013

(In millions)

	2015	2014	2013
Cash flows from financing activities			
Policyholder account balances:			
Deposits	$ 20,953	$ 19,635	$ 16,091
Withdrawals	(21,178)	(21,970)	(17,220)
Net change in payables for collateral under securities loaned and other transactions	3,126	710	(3,194)
Long-term debt issued	175	—	—
Long-term debt repaid	(235)	(1,379)	(1,009)
Financing element on certain derivative instruments	(96)	(413)	(197)
Cash received from MetLife in connection with shareholder's net investment (Note 13)	406	476	150
Cash paid to MetLife in connection with shareholder's net investment (Note 13)	(771)	(1,727)	(1,411)
Other, net	—	—	(27)
Net cash provided by (used in) financing activities	2,380	(4,668)	(6,817)
Effect of change in foreign currency exchange rates on cash and cash equivalents balances	(2)	(45)	(46)
Change in cash and cash equivalents	(33)	181	(462)
Cash and cash equivalents, beginning of year	1,603	1,422	1,884
Cash and cash equivalents, end of year	$ 1,570	$ 1,603	$ 1,422
Supplemental disclosures of cash flow information			
Net cash paid (received) for:			
Interest	$ 195	$ 236	$ 297
Income tax	$ (405)	$ (421)	$ (408)
Non-cash transactions:			
Transfers of fixed maturity securities to affiliates	$ —	$ 804	$ —
Transfer of mortgage loans to affiliate	$ —	$ 94	$ —
Reduction of other invested assets in connection with affiliated reinsurance transactions	$ —	$ 863	$ —
Transfer of policyholder account balances to affiliate (Note 8)	$ —	$ 528	$ —
Issuance of long-term debt to MetLife, Inc.	$ —	$ —	$ 350
Issuance of loan to MetLife, Inc.	$ —	$ —	$ 350

See accompanying notes to the combined financial statements.

Brighthouse Financial, Inc. and Related Companies

Notes to the Combined Financial Statements

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

Business

Brighthouse Financial, Inc. is a holding company formed to ultimately own the legal entities that have historically operated a substantial portion of MetLife, Inc.'s Retail segment. Brighthouse Financial, Inc. is a wholly owned subsidiary of MetLife, Inc. (MetLife, Inc., together with its subsidiaries and affiliates, "*MetLife*") and was incorporated in Delaware on August 1, 2016 in preparation for MetLife's planned separation of a substantial portion of its Retail segment, as well as certain portions of its Corporate Benefit Funding segment (the "s*eparation*").

The accompanying combined financial statements were prepared in connection with the proposed separation. The financial statements present the combined results of operations, financial condition, and cash flows of Brighthouse Financial, Inc. and certain direct and indirect subsidiaries and businesses of MetLife, Inc. In addition to Brighthouse Financial, Inc., the companies and businesses included in the combined financial statements are MetLife Insurance Company USA and subsidiaries ("*MetLife USA*"), New England Life Insurance Company ("*NELICO*"), First MetLife Investors Insurance Company ("*FMLI*"), MetLife Reinsurance Company of Delaware ("*MRD*"), MetLife Reinsurance Company of South Carolina ("*MRSC*"), MetLife Advisers, LLC and a designated protected cell of MetLife Reinsurance Company of Vermont ("*MRV Cell*"). "*Brighthouse*" and the "*Company*" refer to Brighthouse Financial, Inc. and the anticipated combined predecessor companies and business including variable interest entities ("*VIEs*") for which the Company is the primary beneficiary. These financial statements were prepared on a combined basis because the operations were under common control. All intercompany accounts and transactions have been eliminated between the combined entities.

The Company offers a range of individual annuities and individual life insurance products. The Company reports results through three segments: Annuities, Life and Run-off. In addition, the Company reports certain of its results in Corporate & Other.

Basis of Presentation

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

Combination

The combined balance sheets include the attribution of certain assets and liabilities that have historically been held at the MetLife corporate level but which are specifically identifiable or attributable to the Company. Similarly, certain assets attributable to shared services managed at the MetLife corporate level have been excluded from the combined balance sheets. The combined statements of operations reflect certain corporate expenses allocated to the Company by MetLife for certain corporate functions and for shared services provided by MetLife. These expenses have been allocated to the Company based on direct usage or benefit where specifically identifiable, with the remainder allocated based upon other reasonable allocation measures. The Company considers the expense methodology and results to be reasonable for all periods presented. *See* Note 17 for further information on expenses allocated by MetLife.

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

The Company has recorded affiliated transactions with certain MetLife subsidiaries which are not included in the combined financial statements of the Company.

The income tax amounts in these combined financial statements have been calculated based on a separate return methodology and presented as if each company was a separate taxpayer in its respective jurisdiction.

The historical financial results in the combined financial statements presented may not be indicative of the results that would have been achieved by the Company had it operated as a separate, stand-alone entity during the periods presented. The combined financial statements presented do not reflect any changes that may occur in the Company's financing and operations in connection with or as a result of the separation. Management believes that the combined financial statements include all adjustments necessary for a fair presentation of the business.

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. Effective January 1, 2014, the Company adopted new guidance regarding reporting of discontinued operations for disposals or classifications as held-for-sale that have not been previously reported on the combined financial statements. A disposal of a component is reported in discontinued operations if the disposal represents a strategic shift that has or will have a major effect on the Company's operations and financial results. *See* "— Adoption of New Accounting Pronouncements."

Separate Accounts

Separate accounts are established in conformity with insurance laws. Generally, the assets of the separate accounts cannot be used to settle the 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 contract holder; and
- all investment performance, net of contract fees and assessments, is passed through to the contract holder.

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 contract holders of such separate accounts are offset within the same line on 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.

Brighthouse Financial, Inc. and Related Companies

Notes to the Combined Financial Statements — (continued)

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

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 on the statements of operations.

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 Intangibles	5
Reinsurance	6
Investments	7
Derivatives	8
Fair Value	9
Income Tax	15
Litigation Contingencies	16

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 that are in accordance with GAAP and applicable actuarial standards. The principal assumptions used in the establishment of liabilities for future policy benefits are mortality, morbidity, policy lapse, policy renewal, retirement, disability incidence, disability terminations, investment returns, inflation, expenses and other contingent events as appropriate to the respective product type. These assumptions are established at the time the policy is issued and locked in 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.

Liabilities for universal and variable life secondary 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 contract period based on total expected assessments. The assumptions used in estimating the secondary guarantee liabilities are consistent with those used for amortizing deferred policy acquisition costs ("*DAC*"), and are therefore 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 the 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.

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

The Company regularly reviews its assumptions supporting its estimates of actuarial liabilities for future policy benefits. For universal life and annuity product guarantees, assumptions are updated periodically, whereas for traditional life products, such as term life and non-participating whole life insurance, assumptions are established and locked in at inception but reviewed periodically to determine whether a premium deficiency exists that would trigger an unlocking of assumptions. 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 relate to contracts or contract features where the Company has no significant insurance risk.

See "— Variable Annuity Guarantees" for additional information on the Company's variable annuity guarantee features that are accounted for as insurance liabilities and recorded in future policy benefits, as well as the guarantee features that are accounted for at fair value as embedded derivatives and recorded in policyholder account balances.

Other Policy-Related Balances

Other policy-related balances primarily include assumed affiliated reinsurance payables, affiliated deferred experience refunds, policy and contract claims and unearned revenue liabilities.

The assumed affiliated reinsurance payable relates primarily to reinsurance for certain universal life business assumed from an affiliate, net of other reinsurance.

The affiliated deferred experience refunds relate to the repayment of acquisition costs under an affiliated reinsurance agreement and represent part of the net cost of reinsurance for the business reinsured. The deferred experience refund is being amortized consistent with the DAC methodology on the underlying contracts.

The liability for policy and contract claims generally relates to incurred but not reported death, disability and long-term care 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, similar to DAC as discussed further herein. Such amortization is recorded in universal life and investment-type product policy fees.

Recognition of Insurance Revenues and Deposits

Premiums related to traditional life and annuity contracts with life contingencies 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.

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

Premiums related to non-medical health and disability 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 policyholder account balances. 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 policyholder account balances.

Premiums, policy fees, policyholder benefits and expenses are presented net of reinsurance.

Deferred Policy Acquisition Costs, Value of Business Acquired and Other 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
- 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.

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 as of 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 (primarily term insurance)	Actual and expected future gross premiums.
• 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	

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

See Note 5 for additional information on DAC and VOBA amortization. Amortization of DAC and VOBA is included in other expenses.

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 ("*DSI*") 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.

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 when there is a gain at inception on the ceding entity and to other liabilities when there is a loss at inception. The net cost of reinsurance is recognized as a component of other expenses when there is a gain at inception and as policyholder benefits and claims when there is a loss and is subsequently amortized on a basis consistent with the methodology used for amortizing DAC related to the underlying reinsured contracts. 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.

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

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

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.

The funds withheld liability represents amounts withheld by the Company in accordance with the terms of the reinsurance agreements. The Company withholds the funds rather than transferring the underlying investments and, as a result, records funds withheld liability within other liabilities. The Company recognizes interest on funds withheld, included in other expenses, at rates defined by the terms of the agreement which may be contractually specified or directly related to the investment portfolio.

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 guaranteed minimum income benefits ("*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 net derivative gains (losses).

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. Certain assumed non-life contingent portions of guaranteed minimum withdrawal benefits ("*GMWBs*"), guaranteed minimum accumulation benefits ("*GMABs*") and GMIBs are also accounted for as embedded derivatives with changes in estimated fair value reported in net derivative gains (losses).

Variable Annuity Guarantees

The Company issues directly and assumes from an affiliate 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. In some cases, the benefit base may be increased by additional deposits, bonus amounts, accruals or optional market value step-ups.

Certain of the Company's variable annuity guarantee features are accounted for as insurance liabilities and recorded in future policy benefits while others are accounted for at fair value as embedded derivatives and recorded in policyholder account balances. Generally speaking, 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. Alternatively, 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, that is, the policyholder can receive the guarantee on a net basis. 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. Further, changes in assumptions, principally involving behavior, can result in a change of expected future cash outflows of a guarantee between portions accounted for as insurance liabilities and portions accounted for as embedded derivatives.

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

Guarantees accounted for as insurance liabilities in future policy benefits include guaranteed minimum death benefits ("*GMDBs*"), the life contingent portion of the GMWBs and the portion of the GMIBs that require annuitization, as well as the life contingent portion of the expected annuitization when the policyholder is forced into an annuitization upon depletion of their account value.

These insurance liabilities are accrued over the accumulation phase 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 those 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. *See* Note 4 for additional details of guarantees accounted for as insurance liabilities.

Guarantees accounted for as embedded derivatives in policyholder account balances include the non-life contingent portion of GMWBs, GMABs, and for GMIBs the non-life contingent portion of the expected annuitization when the policyholder is forced into an annuitization upon depletion of their account value, as well as the Guaranteed Principal Option.

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. At policy 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. In valuing the embedded derivative, the percentage of fees included in the fair value measurement is locked-in at inception.

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 9 "Fair Value".

Investments

Net Investment Income and Net Investment Gains (Losses)

Income from 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 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

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

separate component of other comprehensive income (loss) ("*OCI*"), net of policy-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 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. 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 7 "— 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 exists, 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.

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 7.

Mortgage loans 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 are commercial mortgage loans held by consolidated securitization entities ("*CSEs*") for which the fair value option ("*FVO*") was elected, which 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.

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

Policy Loans

Policy loans are stated at unpaid principal balances. Interest income 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 and accrued interest 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 recorded on a straight-line basis over the estimated useful life of the asset (typically 20 to 55 years). Rental income 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 ("*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; while the cost method is used when the Company has virtually no influence over the investee's operations. The Company generally recognizes its share of the equity method 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; while distributions on cost method investments are recognized as earned or received.

The Company routinely evaluates such 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. Short-term investments also include investments in affiliated money market pools.

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

Other Invested Assets

Other invested assets consist principally of the following:

- Freestanding derivatives with positive estimated fair values which are described in "— Derivatives" below.
- Loans to affiliates are primarily stated at their estimated fair value. Unrealized investment gains and losses on these loans are recorded as a separate component of OCI, net of deferred income taxes.
- Funds withheld which 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.
- Tax credit and renewable energy partnerships which 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 which are recorded net of non-recourse debt. Income 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.

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. Securities loaned under such transactions may be sold or repledged by the transferee. The Company is liable to return to the counterparties the cash collateral received. Security collateral on deposit from counterparties in connection with securities lending transactions may not be sold or repledged, unless the counterparty is in default, and is not reflected on the Company's financial statements. The Company monitors the estimated fair value of the securities loaned on a daily basis and additional collateral is obtained as necessary throughout the duration of the loan. 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 on the Company's balance sheet either as assets within other invested assets or as liabilities within other liabilities at estimated fair value. The Company does not offset the estimated fair value amounts recognized for derivatives executed with the same counterparty under the same master netting agreement.

Accruals on derivatives are generally recorded in accrued investment income or within other liabilities. However, accruals that are not scheduled to settle within one year are included with the derivatives carrying value in other invested assets or other liabilities.

Brighthouse Financial, Inc. and Related Companies

Notes to the Combined Financial Statements — (continued)

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

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

Hedge Accounting

To qualify for hedge accounting, at the inception of the hedging relationship, the Company formally documents its risk management objective and strategy for undertaking the hedging transaction, as well as its designation of the hedge. Hedge designation and financial statement presentation of changes in estimated fair value of the hedging derivatives are as follows:

- Fair value hedge (a hedge of the estimated fair value of a recognized asset or liability) — in net derivative gains (losses), consistent with the change in estimated fair value of the hedged item attributable to the designated risk being hedged.
- Cash flow hedge (a hedge of a forecasted transaction or of the variability of cash flows to be received or paid related to a recognized asset or liability) — effectiveness in OCI (deferred gains or losses on the derivative are reclassified into the statement of operations when the Company's earnings are affected by the variability in cash flows of the hedged item); ineffectiveness in net derivative gains (losses).

The changes in estimated fair values of the hedging derivatives are exclusive of any accruals that are separately reported on the statement of operations within interest income or interest expense to match the location of the hedged item.

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

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

carried on the balance sheet at its estimated fair value, with changes in estimated fair value recognized in net derivative gains (losses). The carrying value of the hedged recognized asset or liability under a fair value hedge is no longer adjusted for changes in its estimated fair value due to the hedged risk, and the cumulative adjustment to its carrying value is amortized into income over the remaining life of the hedged item. Provided the hedged forecasted transaction is still probable of occurrence, the changes in estimated fair value of derivatives recorded in OCI related to discontinued cash flow hedges are released into the statement of operations when the Company's earnings are affected by the variability in cash flows of the hedged item.

When hedge accounting is discontinued because it is no longer probable that the forecasted transactions will occur on the anticipated date or within two months of that date, the derivative continues to be carried on the balance sheet at its estimated fair value, with changes in estimated fair value recognized currently in net derivative gains (losses). Deferred gains and losses of a derivative recorded in OCI pursuant to the discontinued cash flow hedge of a forecasted transaction that is no longer probable are recognized immediately in net derivative gains (losses).

In all other situations in which hedge accounting is discontinued, the derivative is carried at its estimated fair value on the balance sheet, with changes in its estimated fair value recognized in the current period as net derivative gains (losses).

Embedded Derivatives

The Company sells variable annuities and issues certain insurance products and investment contracts and is a party to certain reinsurance agreements that have embedded derivatives. The Company assesses each identified embedded derivative to determine whether it is required to be bifurcated. The embedded derivative is bifurcated from the host contract and accounted for as a freestanding derivative if:

- the combined instrument is not accounted for in its entirety at estimated fair value with changes in estimated fair value recorded in earnings;
- the terms of the embedded derivative are not clearly and closely related to the economic characteristics of the host contract; and
- a separate instrument with the same terms as the embedded derivative would qualify as a derivative instrument.

Such embedded derivatives are carried on the balance sheet at estimated fair value with the host contract and changes in their estimated fair value are generally reported in net derivative gains (losses), except for those in policyholder benefits and claims related to ceded reinsurance of GMIB.

See "— Variable Annuity Guarantees" for additional information on the accounting policy for embedded derivatives bifurcated from variable annuity host contracts.

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.

Brighthouse Financial, Inc. and Related Companies

Notes to the Combined Financial Statements — (continued)

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

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.

Income Tax

Brighthouse Financial, Inc. and related companies have joined with MetLife, Inc. and includable subsidiaries in filing a consolidated U.S. life and non-life federal income tax return in accordance with the provisions of the Internal Revenue Code of 1986, as amended (the "*Code*"). Current taxes (and the benefits of tax attributes such as losses) are allocated to Brighthouse Financial, Inc. and related companies under the consolidated tax return regulations and a tax sharing agreement between MetLife, Inc. and its includable subsidiaries. This tax sharing agreement states that federal taxes will be computed on a separate return with benefits for loss basis. Under this method, U.S. federal income taxes generally were allocated to Brighthouse Financial, Inc. and related companies as if each entity were filing as its own separate company, except that net operating losses and certain other tax attributes are characterized as realized (or realizable) when those tax attributes are realized (or realizable) by MetLife.

Prior to or concurrently with the separation, Brighthouse Financial, Inc. and related companies will enter into new tax sharing and separation agreements. These agreements will govern the respective rights, responsibilities, and obligations of MetLife, Inc. and Brighthouse Financial, Inc. and related companies with respect to tax liabilities and benefits, tax attributes, the preparation and filing of tax returns, the control of audits and other tax proceedings, and other matters regarding taxes. It is anticipated that Brighthouse Financial, Inc. and its includable life insurance and non-life insurance subsidiaries will file a partial consolidated U.S. federal income tax return, as well as various separate federal income tax returns in accordance with the provision of the Code.

Income taxes as presented herein attribute current and deferred income taxes of MetLife, Inc. to Brighthouse Financial, Inc.'s standalone combined financial statements in a manner that is systematic, rational and consistent with the asset and liability method prescribed by the Financial Accounting Standards Board ("*FASB*") guidance Accounting Standards Codification ("*ASC*") 740 — Income Taxes ("*ASC 740*"). Accordingly, Brighthouse Financial Inc.'s income tax provision was prepared following the separate return method. The separate return method applies ASC 740 to the standalone financial statements of each member of the consolidated group as if the group member were a separate taxpayer and a standalone enterprise. As a result, actual tax transactions included in the consolidated financial statements of MetLife, Inc. may not be included in the separate combined financial statements of Brighthouse Financial, Inc.

Similarly, the tax treatment of certain items reflected in the separate combined financial statements of Brighthouse Financial, Inc. may not be reflected in the consolidated financial statements and tax returns of MetLife, Inc.

Brighthouse Financial, Inc. and Related Companies

Notes to the Combined Financial Statements — (continued)

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

In general, the taxable income of the Brighthouse entities was included in MetLife's consolidated tax returns, where applicable in jurisdictions around the world. As such, separate income tax returns were not prepared for many Brighthouse entities. Income taxes currently payable are deemed to have been settled with MetLife, Inc. in the current period.

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 as of 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. Significant judgment is required in determining whether valuation allowances should be established, as well as the amount of such allowances. When making such determination, the Company considers many factors, including:

- the nature, frequency, and amount of cumulative financial reporting income and losses in recent years;
- the jurisdiction in which the deferred tax asset was generated;
- the length of time that carryforward can be utilized in the various taxing jurisdiction;
- 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 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, the effect of changes in tax laws, tax regulations, or interpretations of such laws or regulations, is recognized in net income tax expense (benefit) in the period of change.

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 expense.

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

Brighthouse Financial, Inc. and Related Companies

Notes to the Combined Financial Statements — (continued)

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

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. 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 on the Company's financial statements.

Other Accounting Policies

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 as of the date of purchase to be cash equivalents. Cash equivalents are stated at amortized cost, which approximates estimated fair value.

Property, Equipment and Leasehold Improvements

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. Estimated lives generally range from five to 10 years for leasehold improvements, and from three to seven years for all other property and equipment. The cost basis of the equipment and leasehold improvements was $85 million and $76 million as of December 31, 2015 and 2014, respectively. Accumulated depreciation and amortization of property, equipment and leasehold improvements was $26 million and $16 million as of December 31, 2015 and 2014, respectively. Related depreciation and amortization expense was $10 million, $9 million and $2 million for the years ended December 31, 2015, 2014 and 2013, respectively.

Other Revenues

Other revenues primarily include, in addition to items described elsewhere herein, fee income on financial reinsurance agreements.

Employee Benefit Plans

Eligible employees, sales representatives and retirees of the Company are provided pension, postretirement and postemployment benefits under plans sponsored and administered by Metropolitan Life Insurance Company ("*MLIC*"). The Company accounts for these plans as multiemployer benefit plans and as a result the assets, obligations and other comprehensive gains and losses of these benefit plans are not included in the combined balance sheet. Within its combined statement of operations, the Company has included pension expense associated with its employees that participate in the plans.

In addition, the Company sponsors a qualified and a nonqualified defined benefit pension plan, as well as other postretirement benefit plans. The Company recognizes the funded status of each of its defined pension and postretirement benefit plans, measured as the difference between the fair value of plan assets and the benefit obligation, which is the projected benefit obligation ("*PBO*") for pension benefits and the accumulated postretirement benefit obligation ("*APBO*") for other postretirement benefits in other assets or other liabilities.

Actuarial gains and losses result from differences between the actual experience and the assumed experience on plan assets or PBO during a particular period and are recorded in accumulated OCI ("*AOCI*"). To the extent

Brighthouse Financial, Inc. and Related Companies

Notes to the Combined Financial Statements — (continued)

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

such gains and losses exceed 10% of the greater of the PBO or the estimated fair value of plan assets, the excess is amortized into net periodic benefit costs over the average projected future service years of the active employees. In addition, prior service costs (credit) are recognized in AOCI at the time of the amendment and then amortized to net periodic benefit costs over the average projected future service years of the active employees affected by the change.

Net periodic benefit costs are determined using management estimates and actuarial assumptions and are comprised of service cost, interest cost, settlement and curtailment costs, expected return on plan assets, amortization of net actuarial (gains) losses, and amortization of prior service costs (credit). Fair value is used to determine the expected return on plan assets.

Stock-Based Compensation

Stock-based compensation recognized on the Company's combined statements of operations are expenses related to awards held by Company employees. The accounting policies described below represent those that MetLife, Inc. applies in determining such expenses.

MetLife, Inc. grants certain employees stock-based compensation awards under various plans that are subject to specific vesting conditions. With the exception of performance shares granted in 2015, 2014 and 2013, which are re-measured quarterly, the cost of all stock-based transactions is measured at fair value as of the 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 MetLife, Inc.'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 non-substantive. Accordingly, MetLife, Inc. 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.

Goodwill

Goodwill, which is included in other assets, 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.

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

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.

Adoption of New Accounting Pronouncements

Effective November 18, 2014, the Company adopted new guidance on when, if ever, the cost of acquiring an entity should be used to establish a new accounting basis (*"pushdown"*) in the acquired entity's separate financial statements. The guidance provides an acquired entity and its companies with an irrevocable option to apply pushdown accounting in its separate financial statements upon occurrence of an event in which an acquirer obtains control of the acquired entity. If a reporting entity elects to apply pushdown accounting, its stand-alone financial statements would reflect the acquirer's new basis in the acquired entity's assets and liabilities. The election to apply pushdown accounting should be determined by an acquired entity for each individual change-in-control event in which an acquirer obtains control of the acquired entity; however, an entity that does not elect to apply pushdown accounting in the period of a change-in-control can later elect to retrospectively apply pushdown accounting to the most recent change-in-control transaction as a change in accounting principle. The new guidance did not have a material impact on the combined financial statements upon adoption.

Effective January 1, 2014, the Company adopted new guidance regarding reporting of discontinued operations and disclosures of disposals of components of an entity. The guidance increases the threshold for a disposal to qualify as a discontinued operation, expands the disclosures for discontinued operations and requires new disclosures for certain disposals that do not meet the definition of a discontinued operation. Disposals must now represent a strategic shift that has or will have a major effect on the entity's operations and financial results to qualify as discontinued operations. As discussed in Note 3, MetLife USA sold its wholly owned subsidiary, MetLife Assurance Limited ("*MAL*"). As a result of the adoption of this new guidance, the results of operations of MAL and the loss on sale have been included in income from continuing operations.

Effective January 1, 2014, the Company adopted new guidance regarding the presentation of an unrecognized tax benefit. The new guidance requires that an unrecognized tax benefit, or a portion of an unrecognized tax benefit, be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward. However, when the carryforwards are not available as of the reporting date to settle any additional income taxes that would result from the disallowance of a tax position or the applicable tax law does not require, and the entity does not intend to use, the deferred tax asset for such purpose, the unrecognized tax benefit will be presented in the financial statements as a liability and will not be combined with the related deferred tax asset. The adoption was prospectively applied and did not have a material impact on the combined financial statements.

Effective January 1, 2014, the Company adopted new guidance on other expenses. 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. The new guidance did not have a material impact on the combined financial statements upon adoption.

Brighthouse Financial, Inc. and Related Companies

Notes to the Combined Financial Statements — (continued)

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

Effective July 17, 2013, the Company adopted 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 combined financial statements upon adoption.

Effective January 1, 2013, the Company adopted 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 13.

Effective January 1, 2013, the Company adopted 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 8.

Future Adoption of New Accounting Pronouncements

In August 2016, the FASB issued new guidance on cash flow statement presentation (Accounting Standards Update (*"ASU"*) 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*). The new guidance is effective for fiscal years beginning after December 15, 2017 and interim periods within those fiscal years, and should be applied retrospectively to all periods presented. Early adoption is permitted. This ASU addresses diversity in how certain cash receipts and cash payments are presented and classified in the statement of cash flows. The Company is currently evaluating the impact of this guidance on its combined financial statements.

In June 2016, the FASB issued new guidance on measurement of credit losses on financial instruments (*ASU* 2016-13, *Financial Instruments — Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments)*. The new guidance is effective for fiscal years and interim periods within those fiscal years, beginning after December 15, 2019. Early adoption is permitted for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. This ASU replaces the incurred loss impairment methodology with one that reflects expected credit losses. The measurement of expected credit losses should be based on historical loss information, current conditions, and reasonable and supportable forecasts. The guidance also requires enhanced disclosures. The Company is currently evaluating the impact of this guidance on its combined financial statements.

In March 2016, the FASB issued new guidance on stock compensation (ASU 2016-09, *Compensation — Stock Compensation (Topic 718): Improvements to Employee Share-based Payment Accounting).* The new guidance is effective for the fiscal years beginning after December 15, 2016, including interim periods within

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

those fiscal years, and requires either a modified retrospective, a retrospective or a prospective transition approach depending upon the type of change. Early adoption is permitted in any interim or annual period. The new guidance changes several aspects of the accounting for share-based payment award transactions, including: (i) income tax consequences when awards vest or are settled; (ii) classification of awards as either equity or liabilities due to statutory tax withholding requirements; and (iii) classification on the statement of cash flows. The Company is currently evaluating the impact of this guidance on its combined financial statements.

In February 2016, the FASB issued new guidance on leasing transactions (ASU 2016-02, *Leases — Topic 842*). The new guidance is effective for the fiscal years beginning after December 15, 2018, including interim periods within those fiscal years, and requires a modified retrospective transition approach which includes a number of optional practical expedients. Early adoption is permitted. The new guidance requires a lessee to recognize assets and liabilities for leases with lease terms of more than 12 months. Consistent with current guidance, leases would be classified as finance or operating leases. However, unlike current guidance, the new guidance will require both types of leases to be recognized on the balance sheet. Lessor accounting will remain largely unchanged from current guidance except for certain targeted changes. The new guidance will also require new qualitative and quantitative disclosures. The Company is currently evaluating the impact of this guidance on its combined financial statements.

In January 2016, the FASB issued new guidance (ASU 2016-01, *Financial Instruments-Overall: Recognition and Measurement of Financial Assets and Financial Liabilities*) on the recognition and measurement of financial instruments. The new guidance is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. Early adoption is permitted for the instrument-specific credit risk provision. The new guidance changes the current accounting guidance related to (i) the classification and measurement of certain equity investments, (ii) the presentation of changes in the fair value of financial liabilities measured under the FVO that are due to instrument-specific credit risk, and (iii) certain disclosures associated with the fair value of financial instruments. The Company is currently evaluating the impact of this guidance on its combined financial statements.

In May 2015, the FASB issued new guidance on short-duration insurance contracts (ASU 2015-09, *Financial Services — Insurance (Topic 944): Disclosures about Short-Duration Contracts*). The amendments in this new guidance are effective for annual periods beginning after December 15, 2015, and interim periods within annual periods beginning after December 15, 2016. The new guidance should be applied retrospectively by providing comparative disclosures for each period presented, except for those requirements that apply only to the current period. The new guidance requires insurance entities to provide users of financial statements with more transparent information about initial claim estimates and subsequent adjustments to these estimates, including information on: (i) reconciling from the claim development table to the balance sheet liability, (ii) methodologies and judgments in estimating claims, and (iii) the timing, and frequency of claims. The adoption will not have an impact on the Company's combined financial statements other than expanded disclosures in Note 4.

In May 2015, the FASB issued new guidance on fair value measurement (ASU 2015-07, *Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share* (*or Its Equivalent*)), effective for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years and which should be applied retrospectively to all periods presented. Earlier application is permitted. The amendments in this ASU remove the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using NAV per share (or its equivalent) practical expedient. In addition, the amendments remove the requirement to make certain disclosures for all investments that are eligible to be measured at fair value using the NAV per share practical expedient. The adoption of this new guidance will not have a material impact on the Company's combined financial statements.

Brighthouse Financial, Inc. and Related Companies

Notes to the Combined Financial Statements — (continued)

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

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

In February 2015, the FASB issued certain amendments to the consolidation analysis to improve consolidation guidance for legal entities (ASU 2015-02, *Consolidation (Topic 810): Amendments to the Consolidation Analysis)*, effective for fiscal years beginning after December 15, 2015 and interim periods within those years and early adoption is permitted. The new standard is intended to improve targeted areas of the consolidation guidance for legal entities such as limited partnerships, limited liability corporations, and securitization structures. The amendments in this ASU affect the consolidation evaluation for reporting organizations. In addition, the amendments in this ASU simplify and improve current GAAP by reducing the number of consolidation models. The adoption of this new guidance will not have a material impact on the Company's combined financial statements.

In May 2014, the FASB issued a comprehensive new revenue recognition standard (ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*), effective for fiscal years beginning after December 15, 2016 and interim periods within those years and should be applied retrospectively. In August 2015, the FASB amended the guidance to defer the effective date by one year, effective for the fiscal years beginning after December 15, 2017, including interim periods within that reporting period. Earlier application is permitted only as of annual reporting periods beginning after December 15, 2016, including interim reporting periods within that reporting period. The new guidance will supersede nearly all existing revenue recognition guidance under GAAP; however, it will not impact the accounting for insurance contracts, leases, financial instruments and guarantees. For those contracts that are impacted by the new guidance, the guidance will require an entity to recognize revenue upon the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled, in exchange for those goods or services. The Company is currently evaluating the impact of this guidance on its combined financial statements.

2. Segment Information

The Company is organized into three segments: Annuities, Life and Run-off. In addition, the Company reports certain of its results of operations in Corporate & Other.

Annuities

The Annuities segment offers a variety of variable, fixed, index-linked and income annuities designed to address contract holders' needs for protected wealth accumulation on a tax-deferred basis, wealth transfer and income security.

Brighthouse Financial, Inc. and Related Companies

Notes to the Combined Financial Statements — (continued)

2. Segment Information (continued)

Life

The Life segment offers insurance products and services, including term, whole, universal and variable life products designed to address policyholders' needs for financial security and protected wealth transfer, which may be provided on a tax-advantaged basis.

Run-off

The Run-off segment consists of products no longer actively sold and which are separately managed, including structured settlements, certain company-owned life insurance policies, bank-owned life insurance policies and funding agreements.

Corporate & Other

Corporate & Other contains the excess capital not allocated to the segments and interest expense related to the majority of the Company's outstanding debt, as well as expenses associated with certain legal proceedings and income tax audit issues. Additionally, Corporate & Other includes assumed reinsurance of certain variable annuity products from a former affiliated operating joint venture in Japan. Under this in-force reinsurance agreement, the Company reinsured living and death benefit guarantees issued in connection with variable annuity products. Also, Corporate & Other includes a reinsurance agreement to assume certain blocks of indemnity reinsurance from an affiliate. These reinsurance agreements were recaptured effective November 1, 2014. Corporate & Other also includes the elimination of intersegment amounts and a portion of MetLife's U.S. insurance business sold direct to consumers.

Financial Measures and Segment Accounting Policies

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

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

The following are excluded from total revenues in calculating operating revenues:

- Net investment gains (losses);
- Net derivative gains (losses) except: (i) earned income on derivatives and amortization of premium on derivatives that are hedges of investments or that are used to replicate certain investments, but do not qualify for hedge accounting treatment and (ii) earned income on derivatives and amortization of premium on derivatives that are hedges of policyholder account balances but do not qualify for hedge accounting treatment;
- Amortization of unearned revenue related to net investment gains (losses) and net derivative gains (losses) and certain variable annuity GMIB fees ("*GMIB Fees*");
- Certain amounts related to securitization entities that are VIEs consolidated under GAAP; and

Brighthouse Financial, Inc. and Related Companies

Notes to the Combined Financial Statements — (continued)

2. Segment Information (continued)

- Results of discontinued operations and other businesses that have been or will be sold or exited by the Company ("*Divested Businesses*").

The following are excluded from total expenses in calculating operating expenses:

- Amounts associated with periodic crediting rate adjustments based on the total return of a contractually referenced pool of assets, benefits and hedging costs related to GMIBs ("*GMIB Costs*") and market value adjustments associated with surrenders or terminations of contracts ("*Market Value Adjustments*");
- Amounts related to: (i) net investment gains (losses) and net derivative gains (losses) and (ii) GMIB Fees and GMIB Costs included in amortization of deferred policy acquisition costs and value of business acquired;
- 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;
- Results of discontinued operations and Divested Businesses;
- Amounts related to securitization entities that are VIEs consolidated under GAAP;
- Goodwill impairment; and
- Costs related to: (i) implementation of new insurance regulatory requirements and (ii) acquisition and integration costs.

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, 2015, 2014 and 2013 and as of December 31, 2015 and 2014. The segment accounting policies are the same as those used to prepare the Company's combined financial statements, except for operating earnings adjustments as defined above. In addition, segment accounting policies include the method of capital allocation described below.

The internal capital model is a MetLife developed risk capital model that reflects management's judgment and view of required capital to represent the measurement of the risk profile of the business, to meet the Company's long-term promises to clients, to service long-term obligations and to support the credit ratings of the Company. It accounts for the unique and specific nature of the risks inherent in the Company's business. Management is responsible for the ongoing production and enhancement of the internal capital model and reviews its approach periodically to ensure that it remains consistent with emerging industry practice standards. As such, the internal capital allocation methodology in the future may differ from MetLife's historical model.

The Company allocates equity to the segments based on the internal capital model, coupled with considerations of local capital requirements, and aligns with emerging standards and consistent risk principles.

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

Brighthouse Financial, Inc. and Related Companies

Notes to the Combined 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 time incurred by each segment; and (iii) cost estimates included in the Company's product pricing.

	Operating Results				
Year Ended December 31, 2015	**Annuities**	**Life**	**Run-off**	**Corporate & Other**	**Total Combined**
			(In millions)		
Pre-tax operating earnings	$ 1,452	$ 372	$ 366	$ (77)	$ 2,113
Provision for income tax expense (benefit)	363	124	126	(41)	572
Operating earnings	$ 1,089	$ 248	$ 240	$ (36)	1,541
Adjustments for:					
Net investment gains (losses)					7
Net derivative gains (losses)					(326)
Other adjustments to net income					(332)
Provision for income tax (expense) benefit					229
Net income (loss)					$ 1,119
Inter-segment revenues	$ 312	$ (507)	$ (21)	$ 166	
Interest revenue	$ 1,281	$1,064	$ 858	$ 125	
Interest expense	$ —	$ 60	$ —	$ 101	

As of December 31, 2015	**Annuities**	**Life**	**Run-off**	**Corporate & Other**	**Total**
			(In millions)		
Total assets	$148,407	$36,982	$24,964	$ 16,372	$226,725
Separate account assets	$106,594	$ 4,598	$ 3,255	$ —	$114,447
Separate account liabilities	$106,594	$ 4,598	$ 3,255	$ —	$114,447

	Operating Results				
Year Ended December 31, 2014	**Annuities**	**Life**	**Run-off**	**Corporate & Other**	**Total Combined**
			(In millions)		
Pre-tax operating earnings	$ 1,297	$ 516	$ 371	$ 35	$ 2,219
Provision for income tax expense (benefit)	307	171	125	—	603
Operating earnings	$ 990	$ 345	$ 246	$ 35	1,616
Adjustments for:					
Net investment gains (losses)					(435)
Net derivative gains (losses)					423
Other adjustments to net income					(679)
Provision for income tax (expense) benefit					234
Net income (loss)					$ 1,159
Inter-segment revenues	$ 495	$ (388)	$ (104)	$ 43	
Interest revenue	$ 1,129	$1,022	$ 896	$ 122	
Interest expense	$ —	$ 65	$ —	$ 99	

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Brighthouse Financial, Inc. and Related Companies

Notes to the Combined Financial Statements — (continued)

2. Segment Information (continued)

As of December 31, 2014	Annuities	Life	Run-off	Corporate & Other	Total
			(In millions)		
Total assets	$156,059	$35,376	$25,240	$ 14,945	$231,620
Separate account assets	$115,897	$ 4,808	$ 2,217	$ —	$122,922
Separate account liabilities	$115,897	$ 4,808	$ 2,217	$ —	$122,922

	Operating Results				
Year Ended December 31, 2013	Annuities	Life	Run-off	Corporate & Other	Total Combined
			(In millions)		
Pre-tax operating earnings	$ 1,568	$ 314	$ 424	$ 181	$ 2,487
Provision for income tax expense (benefit)	434	81	147	60	722
Operating earnings	$ 1,134	$ 233	$ 277	$ 121	1,765
Adjustments for:					
Net investment gains (losses)					7
Net derivative gains (losses)					(474)
Other adjustments to net income					(656)
Provision for income tax (expense) benefit					389
Net income (loss)					$ 1,031
Inter-segment revenues	$ 277	$(324)	$ (42)	$ 345	
Interest revenue	$ 1,119	$ 922	$ 982	$ 215	
Interest expense	$ —	$ 44	$ —	$ 100	

Reconciliation of Company operating revenues to total revenues:

	Years Ended December 31,		
	2015	2014	2013
		(In millions)	
Annuities	$5,229	$5,386	$4,707
Life	2,571	2,550	2,510
Run-off	933	909	1,114
Total segment	8,733	8,845	8,331
Corporate & Other	415	358	419
Net investment gains (losses)	7	(435)	7
Net derivative gains (losses)	(326)	423	(474)
Other adjustments	62	257	505
Total	$8,891	$9,448	$8,788

2. Segment Information (continued)

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,		
	2015	2014	2013
		(In millions)	
Annuity products	$4,249	$4,692	$4,242
Life insurance products	1,726	1,671	1,639
Other products	136	7	8
Total	$6,111	$6,370	$5,889

Substantially all of the Company's combined premiums, universal life and investment-type product policy fees and other revenues originated in the U.S.

Revenues derived from any customer did not exceed 10% of combined premiums, universal life and investment-type product policy fees and other revenues for the years ended December 31, 2015, 2014 and 2013.

3. Dispositions

In May 2014, MetLife Insurance Company of Connecticut ("*MICC*"), the predecessor to MetLife USA, completed the sale of its wholly owned subsidiary, MAL, for $702 million in net cash consideration. As a result of the sale, a loss of $549 million ($358 million, net of income tax), was recorded for the year ended December 31, 2014, which includes a reduction to goodwill of $53 million ($35 million, net of income tax). The loss is reflected within net investment gains (losses) on the combined statements of operations. MAL's results of operations are included in continuing operations. They were historically included in the Run-off segment.

4. Insurance

Insurance Liabilities

Insurance liabilities, including affiliated insurance liabilities on reinsurance assumed and ceded, are comprised of future policy benefits, policyholder account balances and other policy-related balances. Information regarding insurance liabilities by segment, as well as Corporate & Other, was as follows as of:

	December 31,	
	2015	2014
	(In millions)	
Annuities	$28,909	$26,961
Life	19,817	18,714
Run-off	15,987	17,545
Corporate & Other	7,168	6,772
Total	$71,881	$69,992

See Note 6 for discussion of affiliated reinsurance liabilities included in the table above.

Brighthouse Financial, Inc. and Related Companies

Notes to the Combined 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 4% to 5%, and mortality rates guaranteed in calculating the cash surrender values described in such contracts); and (ii) the liability for terminal dividends.
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 3% to 9%.
Individual and group traditional fixed annuities after annuitization	Present value of expected future payments. Interest rate assumptions used in establishing such liabilities range from 2% to 8%.
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%.
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 3% to 7%.

Participating business represented 3% of the Company's life insurance in-force as of both December 31, 2015 and 2014. Participating policies represented 39%, 36% and 32% of gross traditional life insurance premiums for the years ended December 31, 2015, 2014 and 2013, respectively.

Policyholder account balances are equal to: (i) policy account values, which consist of an accumulation of gross premium payments; (ii) credited interest, ranging from less than 1% to 8%, less expenses, mortality charges and withdrawals; and (iii) fair value adjustments relating to business combinations.

4. Insurance (continued)

Guarantees

The Company issues variable annuity products with guaranteed minimum benefits. GMABs, 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 policyholder account balances and are further discussed in Note 8. 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. • An enhanced death benefit may be available for an additional fee.	• 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. • 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. • Certain contracts also provide for a guaranteed lump sum return of purchase premium in lieu of the annuitization benefit.	• 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. • Calculation incorporates an assumption for the percentage of the potential annuitizations that may be elected by the contract holder.
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. • Certain contracts include guaranteed withdrawals that are life contingent.	• Expected value of the life contingent payments and expected assessments using assumptions consistent with those used for estimating the GMDB liabilities.

Brighthouse Financial, Inc. and Related Companies

Notes to the Combined Financial Statements — (continued)

4. Insurance (continued)

The Company also issues universal and variable life contracts where the Company contractually guarantees to the contract holder a secondary guarantee.

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	Total
	(In millions)			
Direct				
Balance as of January 1, 2013	$ 270	$1,198	$ 1,369	$2,837
Incurred guaranteed benefits	171	131	416	718
Paid guaranteed benefits	(23)	—	—	(23)
Balance as of December 31, 2013	418	1,329	1,785	3,532
Incurred guaranteed benefits	236	320	589	1,145
Paid guaranteed benefits	(24)	—	—	(24)
Balance as of December 31, 2014	630	1,649	2,374	4,653
Incurred guaranteed benefits	252	355	413	1,020
Paid guaranteed benefits	(37)	—	—	(37)
Balance as of December 31, 2015	$ 845	$2,004	$ 2,787	$5,636
Net Ceded/(Assumed)				
Balance as of January 1, 2013	$ (209)	$ (76)	$ 540	$ 255
Incurred guaranteed benefits	(21)	(20)	143	102
Paid guaranteed benefits	38	—	—	38
Balance as of December 31, 2013	(192)	(96)	683	395
Incurred guaranteed benefits	181	102	163	446
Paid guaranteed benefits	1	—	—	1
Balance as of December 31, 2014	(10)	6	846	842
Incurred guaranteed benefits	24	3	161	188
Paid guaranteed benefits	(34)	1	—	(33)
Balance as of December 31, 2015	$ (20)	$ 10	$ 1,007	$ 997
Net				
Balance as of January 1, 2013	$ 479	$1,274	$ 829	$2,582
Incurred guaranteed benefits	192	151	273	616
Paid guaranteed benefits	(61)	—	—	(61)
Balance as of December 31, 2013	610	1,425	1,102	3,137
Incurred guaranteed benefits	55	218	426	699
Paid guaranteed benefits	(25)	—	—	(25)
Balance as of December 31, 2014	640	1,643	1,528	3,811
Incurred guaranteed benefits	228	352	252	832
Paid guaranteed benefits	(3)	(1)	—	(4)
Balance as of December 31, 2015	$ 865	$1,994	$ 1,780	$4,639

Brighthouse Financial, Inc. and Related Companies

Notes to the Combined Financial Statements — (continued)

4. Insurance (continued)

Information regarding the Company's guarantee exposure was as follows as of:

	December 31,			
	2015		2014	
	In the Event of Death	At Annuitization	In the Event of Death	At Annuitization
	(Dollars in millions)			
Annuity Contracts (1), (2)				
Variable Annuity Guarantees				
Total account value (3)	$ 113,989	$ 65,875	$ 123,638	$ 72,547
Separate account value	$ 108,693	$ 64,395	$ 118,219	$ 71,052
Net amount at risk	$ 8,407(4)	$ 2,377(5)	$ 3,232(4)	$ 1,473(5)
Average attained age of contract holders	66 years	66 years	65 years	65 years

	December 31,	
	2015	2014
	Secondary Guarantees	
	(Dollars in millions)	
Universal and Variable Life Contracts		
Total account value (3)	$ 9,114	$ 8,983
Net amount at risk (6)	$103,648	$104,875
Average attained age of policyholders	59 years	58 years

(1) The Company's annuity 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 direct business, but excludes offsets from hedging or reinsurance, if any. Therefore, the net amount at risk presented reflects the economic exposures of living and death benefit guarantees associated with variable annuities, but not necessarily their impact on the Company. *See* Note 6 for a discussion of certain living and death benefit guarantees which have been reinsured.

(3) Includes the contract holder's investments in the general account and separate account, if applicable.

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

(5) Defined as the amount (if any) that would be required to be added to the total account value to purchase a lifetime income stream, based on current annuity rates, equal to the minimum amount provided under the guaranteed benefit. This amount represents the Company's potential economic exposure to such guarantees in the event all contract holders 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 contract holders have achieved.

(6) 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.

Brighthouse Financial, Inc. and Related Companies

Notes to the Combined Financial Statements — (continued)

4. Insurance (continued)

Account balances of contracts with guarantees were invested in separate account asset classes as follows as of:

	December 31, 2015	December 31, 2014
	(In millions)	
Fund Groupings:		
Balanced	$ 55,135	$ 61,211
Equity	46,411	49,105
Bond	5,750	6,234
Money Market	884	930
Total	$108,180	$117,480

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 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, 2015, 2014 and 2013, the Company issued $13.0 billion, $12.2 billion and $10.9 billion, respectively, and repaid $14.4 billion, $13.9 billion and $11.7 billion, respectively, of such funding agreements. As of December 31, 2015 and 2014, liabilities for funding agreements outstanding, which are included in policyholder account balances, were $2.2 billion and $3.5 billion, respectively.

MetLife Insurance Company USA is a member of the Federal Home Loan Bank ("*FHLB*") of Pittsburgh and holds common stock in certain regional banks in the FHLB system ("*FHLBanks*"). Holdings of common stock of FHLBanks, included in equity securities, were as follows as of:

	December 31, 2015	December 31, 2014
	(In millions)	
FHLB of Pittsburgh	$ 85	$ 24
FHLB of Boston	$ 36	$ 55
FHLB of Des Moines	$ 4	$ 16

MetLife Insurance Company USA has also entered into funding agreements with FHLBanks and a subsidiary of the Federal Agricultural Mortgage Corporation, a federally chartered instrumentality of the U.S. ("*Farmer Mac*"). The liability for such funding agreements is included in policyholder account balances. Information related to such funding agreements was as follows as of:

	Liability		Collateral	
	December 31,			
	2015	2014	2015	2014
	(In millions)			
FHLB of Pittsburgh (1)	$1,570	$ 185	$1,789(2)	$1,154(2)
FHLB of Boston (1)	$ 250	$ 575	$ 311(2)	$ 666(2)
FHLB of Des Moines (1)	$ 95	$ 405	$ 147(2)	$ 546(2)
Farmer Mac (3)	$ —	$ 200	$ —	$ 231

(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,

4. Insurance (continued)

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 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.

Separate Accounts

Separate account assets and liabilities include two categories of account types: pass-through separate accounts totaling $114.3 billion and $122.7 billion as of December 31, 2015 and 2014, 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 $189 million and $187 million as of December 31, 2015 and 2014, respectively. The latter category consisted of bank owned life insurance contracts. The average interest rate credited on these contracts was 2.56% and 2.52% as of December 31, 2015 and 2014, respectively.

For the years ended December 31, 2015, 2014 and 2013, 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 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 (primarily term insurance) over the appropriate premium paying period in proportion to the 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, 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 policy 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 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,

5. Deferred Policy Acquisition Costs, Value of Business Acquired and Other Intangibles (continued)

creditworthiness of reinsurance counterparties and certain economic variables, such as inflation. 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 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 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 amortization will increase, resulting in a current period charge to earnings. The opposite result occurs when the actual 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 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 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, benefit elections and withdrawals, 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, persistency and benefit elections and withdrawals 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.

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.

5. Deferred Policy Acquisition Costs, Value of Business Acquired and Other Intangibles (continued)

The Company also annually 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, benefit elections and withdrawals 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 generally 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.

5. Deferred Policy Acquisition Costs, Value of Business Acquired and Other Intangibles (continued)

Information regarding DAC and VOBA was as follows:

	Years Ended December 31,		
	2015	2014	2013
		(In millions)	
DAC			
Balance as of January 1,	$5,819	$6,446	$5,559
Capitalizations	399	405	567
Amortization related to:			
Net investment gains (losses) and net derivative gains (losses)	109	(161)	320
Other expenses	(744)	(808)	(306)
Total amortization	(635)	(969)	14
Unrealized investment gains (losses)	96	(66)	87
Other	—	3	219
Balance as of December 31,	5,679	5,819	6,446
VOBA			
Balance as of January 1,	763	932	756
Amortization related to:			
Net investment gains (losses) and net derivative gains (losses)	(19)	(1)	5
Other expenses	(127)	(139)	(142)
Total amortization	(146)	(140)	(137)
Unrealized investment gains (losses)	94	(29)	313
Balance as of December 31,	711	763	932
Total DAC and VOBA			
Balance as of December 31,	$6,390	$6,582	$7,378

Information regarding total DAC and VOBA by segment, as well as Corporate & Other, was as follows as of:

	December 31,	
	2015	2014
	(In millions)	
Annuities	$3,790	$3,983
Life	2,484	2,531
Run-off	6	5
Corporate & Other	110	63
Total	$6,390	$6,582

5. Deferred Policy Acquisition Costs, Value of Business Acquired and Other Intangibles (continued)

Information regarding other intangibles was as follows:

	Years Ended December 31, 2015	2014	2013
	(In millions)		
DSI			
Balance as of January 1,	$ 586	$ 693	$ 709
Capitalization	4	5	7
Amortization	(76)	(84)	(23)
Unrealized investment gains (losses)	18	(28)	—
Balance as of December 31,	$ 532	$ 586	$ 693
VODA and VOCRA			
Balance as of January 1,	$ 155	$ 173	$ 190
Amortization	(19)	(18)	(17)
Balance as of December 31,	$ 136	$ 155	$ 173
Accumulated amortization	$ 124	$ 105	$ 87

The estimated future amortization expense to be reported in other expenses for the next five years is as follows:

	VOBA	VODA and VOCRA
	(In millions)	
2016	$ 124	$ 13
2017	$ 102	$ 12
2018	$ 85	$ 11
2019	$ 71	$ 10
2020	$ 55	$ 10

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 affiliated and unaffiliated companies. 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 7.

Annuities

The Company currently reinsures 90% of certain fixed annuities to an affiliate. The Company also reinsures portions of the living and death benefit guarantees issued in connection with certain variable annuities to

6. Reinsurance (continued)

unaffiliated reinsurers. 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 Company also assumes 100% of the living and death benefit guarantees issued in connection with certain variable annuities issued by certain affiliates.

Life

For its Life 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. 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 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 also reinsures portions of certain whole life, level premium term and universal life policies with secondary death benefit guarantees to certain affiliates. The Company evaluates its reinsurance programs routinely and may increase or decrease its retention at any time.

Corporate & Other

The Company reinsures, through 100% quota share reinsurance agreements, a closed block of certain long-term care and workers' compensation business written by the Company.

The Company also assumes risk on certain client arrangements from both affiliated and unaffiliated companies. This reinsurance activity relates to risk-sharing agreements and multinational pooling.

Catastrophe Coverage

The Company has exposure to catastrophes which could contribute to significant fluctuations in the Company's results of operations. The Company uses excess of retention and quota share reinsurance agreements to provide greater diversification of risk and minimize exposure to larger risks.

Reinsurance Recoverables

The Company reinsures its business through a diversified group of well-capitalized 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 as of December 31, 2015 and 2014, 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 $2.6 billion and $2.4 billion of unsecured unaffiliated reinsurance recoverable balances as of December 31, 2015 and 2014, respectively.

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6. Reinsurance (continued)

As of December 31, 2015, the Company had $8.7 billion of net unaffiliated ceded reinsurance recoverables. Of this total, $7.4 billion, or 85%, were with the Company's five largest unaffiliated ceded reinsurers, including $1.3 billion of net unaffiliated ceded reinsurance recoverables which were unsecured. As of December 31, 2014, the Company had $8.3 billion of net unaffiliated ceded reinsurance recoverables. Of this total, $7.2 billion, or 87%, were with the Company's five largest unaffiliated ceded reinsurers, including $1.3 billion of net unaffiliated ceded reinsurance recoverables which were unsecured.

The amounts on the combined statements of operations include the impact of reinsurance. Information regarding the significant effects of reinsurance was as follows:

	Years Ended December 31,		
	2015	2014	2013
		(In millions)	
Premiums			
Direct premiums	$ 2,472	$ 2,435	$ 1,791
Reinsurance assumed	297	94	73
Reinsurance ceded	(1,090)	(1,029)	(846)
Net premiums	$ 1,679	$ 1,500	$ 1,018
Universal life and investment-type product policy fees			
Direct universal life and investment-type product policy fees	$ 4,472	$ 4,497	$ 4,384
Reinsurance assumed	132	368	366
Reinsurance ceded	(594)	(530)	(495)
Net universal life and investment-type product policy fees	$ 4,010	$ 4,335	$ 4,255
Other revenues			
Direct other revenues	$ 292	$ 292	$ 318
Reinsurance assumed	—	28	1
Reinsurance ceded	130	215	297
Net other revenues	$ 422	$ 535	$ 616
Policyholder benefits and claims			
Direct policyholder benefits and claims	$ 5,208	$ 5,105	$ 4,978
Reinsurance assumed	298	242	169
Reinsurance ceded	(2,237)	(2,013)	(1,500)
Net policyholder benefits and claims	$ 3,269	$ 3,334	$ 3,647
Interest credited to policyholder account balances			
Direct interest credited to policyholder account balances	$ 1,195	$ 1,217	$ 1,297
Reinsurance assumed	78	76	91
Reinsurance ceded	(14)	(15)	(12)
Net interest credited to policyholder account balances	$ 1,259	$ 1,278	$ 1,376
Amortization of deferred policy acquisition costs and value of business acquired			
Direct amortization of deferred policy acquisition costs and value of business acquired	$ 839	$ 1,062	$ 151
Reinsurance assumed	8	99	(10)
Reinsurance ceded	(66)	(52)	(18)
Net amortization of deferred policy acquisition costs and value of business acquired	$ 781	$ 1,109	$ 123

Brighthouse Financial, Inc. and Related Companies

Notes to the Combined Financial Statements — (continued)

6. Reinsurance (continued)

	Years Ended December 31, 2015	2014	2013
	(In millions)		
Other expenses			
Direct other expenses	$2,128	$2,244	$2,310
Reinsurance assumed	47	2	29
Reinsurance ceded	(55)	(47)	(61)
Net other expenses	$2,120	$2,199	$2,278

The amounts on the combined balance sheets include the impact of reinsurance. Information regarding the significant effects of reinsurance was as follows as of:

	December 31, 2015				2014			
	Direct	Assumed	Ceded	Total Balance Sheet	Direct	Assumed	Ceded	Total Balance Sheet
	(In millions)							
Assets								
Premiums, reinsurance and other receivables	$ 781	$ 160	$17,937	$18,878	$ 941	$ 55	$17,684	$ 18,680
Deferred policy acquisition costs and value of business acquired	6,628	218	(456)	6,390	6,724	246	(388)	6,582
Total assets	$ 7,409	$ 378	$17,481	$25,268	$ 7,665	$ 301	$17,296	$ 25,262
Liabilities								
Future policy benefits	$29,948	$ 1,255	$ —	$31,203	$28,437	$ 1,205	$ —	$ 29,642
Policyholder account balances	37,093	428	—	37,521	37,037	389	—	37,426
Other policy-related balances	1,354	1,804	(1)	3,157	1,232	1,691	1	2,924
Other liabilities	2,888	86	1,412	4,386	2,890	63	1,755	4,708
Total liabilities	$71,283	$ 3,573	$ 1,411	$76,267	$69,596	$ 3,348	$ 1,756	$ 74,700

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 $7.0 billion and $7.2 billion as of December 31, 2015 and 2014, respectively. The deposit liabilities on reinsurance were $1 million as of both December 31, 2015 and 2014.

Related Party Reinsurance Transactions

The Company has reinsurance agreements with certain of MetLife, Inc.'s subsidiaries, including MLIC, GALIC, MetLife Europe Limited, MetLife Reinsurance Company of Vermont, Delaware American Life Insurance Company and American Life Insurance Company, all of which are related parties.

6. Reinsurance (continued)

Information regarding the significant effects of affiliated reinsurance included on the combined statements of operations was as follows:

	Years Ended December 31,		
	2015	2014	2013
	(In millions)		
Premiums			
Reinsurance assumed	$ 227	$ 55	$ 28
Reinsurance ceded	(687)	(652)	(463)
Net premiums	$ (460)	$ (597)	$ (435)
Universal life and investment-type product policy fees			
Reinsurance assumed	$ 132	$ 261	$ 226
Reinsurance ceded	(59)	(48)	(41)
Net universal life and investment-type product policy fees	$ 73	$ 213	$ 185
Other revenues			
Reinsurance assumed	$ —	$ 28	$ 1
Reinsurance ceded	130	215	297
Net other revenues	$ 130	$ 243	$ 298
Policyholder benefits and claims			
Reinsurance assumed	$ 248	$ 209	$ 129
Reinsurance ceded	(678)	(618)	(407)
Net policyholder benefits and claims	$ (430)	$ (409)	$ (278)
Interest credited to policyholder account balances			
Reinsurance assumed	$ 78	$ 76	$ 91
Reinsurance ceded	(14)	(15)	(12)
Net interest credited to policyholder account balances	$ 64	$ 61	$ 79
Amortization of deferred policy acquisition costs and value of business acquired			
Reinsurance assumed	$ 24	$ 90	$ 9
Reinsurance ceded	(58)	(43)	(8)
Net amortization of deferred policy acquisition costs and value of business acquired	$ (34)	$ 47	$ 1
Other expenses			
Reinsurance assumed	$ 41	$ (2)	$ 24
Reinsurance ceded	(38)	(27)	(33)
Net other expenses	$ 3	$ (29)	$ (9)

6. Reinsurance (continued)

Information regarding the significant effects of affiliated reinsurance included on the combined balance sheets was as follows as of:

	December 31,			
	2015		2014	
	Assumed	Ceded	Assumed	Ceded
	(In millions)			
Assets				
Premiums, reinsurance and other receivables	$ 128	$9,046	$ 44	$9,234
Deferred policy acquisition costs and value of business acquired	120	(440)	164	(370)
Total assets	$ 248	$8,606	$ 208	$8,864
Liabilities				
Future policy benefits	$ 591	$ —	$ 561	$ —
Policyholder account balances	428	—	389	—
Other policy-related balances	1,785	(1)	1,689	1
Other liabilities	27	1,016	16	1,394
Total liabilities	$ 2,831	$1,015	$ 2,655	$1,395

The Company assumes risks from affiliates related to guaranteed minimum benefit guarantees written directly by the affiliates. These assumed reinsurance agreements contain embedded derivatives and changes in their estimated fair value are also included within net derivative gains (losses). The embedded derivatives associated with these agreements are included within policyholder account balances and were $428 million and $389 million as of December 31, 2015 and 2014, respectively. Net derivative gains (losses) associated with the embedded derivatives were ($34) million, ($296) million and $1.5 billion for the years ended December 31, 2015, 2014 and 2013, respectively.

The Company cedes risks to an affiliate related to guaranteed minimum benefit guarantees written directly by the Company. These ceded reinsurance agreements contain embedded derivatives and changes in their estimated fair value are also included within net derivative gains (losses). The embedded derivatives associated with these cessions are included within premiums, reinsurance and other receivables and were $328 million and $228 million as of December 31, 2015 and 2014, respectively. Net derivative gains (losses) associated with the embedded derivatives were $100 million, $80 million and $0 for the years ended December 31, 2015, 2014 and 2013, respectively.

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 $8.1 billion and $7.9 billion of unsecured affiliated reinsurance recoverable balances as of December 31, 2015 and 2014, respectively.

Affiliated 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 affiliated reinsurance were $6.7 billion and $7.0 billion as of December 31, 2015 and 2014, respectively. There were no deposit liabilities on affiliated reinsurance as of both December 31, 2015 and 2014.

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7. Investments

See Note 9 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 combined 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*") and certain structured investment transactions) is dependent upon certain factors such as prepayments and defaults, and changes in such factors could result in changes in amounts to be earned.

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7. Investments (continued)

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, ABS and commercial mortgage-backed securities ("*CMBS*") (collectively, "*Structured Securities*").

	December 31, 2015					December 31, 2014				
	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	$ 20,662	$1,112	$ 553	$ —	$ 21,221	$ 19,282	$1,887	$ 152	$ —	$ 21,017
U.S. government and agency	13,216	1,374	66	—	$ 14,524	14,621	1,794	7	—	$ 16,408
RMBS	9,871	222	127	22	$ 9,944	6,711	328	33	39	$ 6,967
Foreign corporate	5,847	174	233	1	$ 5,787	6,138	351	74	—	$ 6,415
ABS	4,384	20	60	—	$ 4,344	3,248	52	21	—	$ 3,279
State and political subdivision	3,253	402	23	1	$ 3,631	2,854	522	3	—	$ 3,373
CMBS (1)	3,428	31	36	(1)	$ 3,424	2,644	69	9	(1)	$ 2,705
Foreign government	686	106	11	—	781	634	138	2	—	770
Total fixed maturity securities	$ 61,347	$3,441	$ 1,109	$ 23	$ 63,656	$ 56,132	$5,141	$ 301	$ 38	$ 60,934
Equity securities										
Non-redeemable preferred stock	$ 265	$ 16	$ 9	$ —	$ 272	$ 272	$ 9	$ 7	$ —	$ 274
Common stock	167	23	5	—	185	176	60	3	—	233
Total equity securities	$ 432	$ 39	$ 14	$ —	$ 457	$ 448	$ 69	$ 10	$ —	$ 507

(1) The noncredit loss component of OTTI losses for CMBS was in an unrealized gain position of $1 million as of both December 31, 2015 and 2014, 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 $11 million and $14 million with unrealized gains (losses) of $1 million and $4 million as of December 31, 2015 and 2014, 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

7. Investments (continued)

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 as of December 31, 2015:

	Due in One Year or Less	Due After One Year Through Five Years	Due After Five Years Through Ten Years	Due After Ten Years	Structured Securities	Total Fixed Maturity Securities
			(In millions)			
Amortized cost	$ 2,827	$ 10,524	$ 9,663	$ 20,650	$ 17,683	$ 61,347
Estimated fair value	$ 2,836	$ 10,849	$ 9,664	$ 22,595	$ 17,712	$ 63,656

Actual maturities may differ from contractual maturities due to the exercise of call or prepayment options. Fixed maturity securities not due at a single maturity date have been presented in the year of final contractual maturity. Structured Securities are shown separately, as they are not due at a single maturity.

Brighthouse Financial, Inc. and Related Companies

Notes to the Combined Financial Statements — (continued)

7. Investments (continued)

Continuous Gross Unrealized Losses for Fixed Maturity and Equity Securities AFS by Sector

The following table presents the estimated fair value and gross unrealized losses of fixed maturity and equity securities AFS in 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, 2015				December 31, 2014			
	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
	(Dollars in millions)							
Fixed maturity securities								
U.S. corporate	$ 6,598	$ 397	$ 872	$ 156	$ 2,010	$ 57	$ 1,061	$ 95
U.S. government and agency	4,267	66	—	—	4,067	5	163	2
RMBS	5,184	104	527	45	700	26	571	46
Foreign corporate	1,969	112	735	122	1,263	63	179	11
ABS	2,683	42	551	18	673	6	496	15
State and political subdivision	624	21	43	3	20	—	97	3
CMBS	1,917	32	105	3	199	2	296	6
Foreign government	142	10	6	1	28	1	11	1
Total fixed maturity securities	$ 23,384	$ 784	$ 2,839	$ 348	$ 8,960	$ 160	$ 2,874	$ 179
Equity securities								
Non-redeemable preferred stock	$ 25	$ 1	$ 40	$ 8	$ 28	$ 1	$ 44	$ 6
Common stock	6	5	1	—	11	3	—	—
Total equity securities	$ 31	$ 6	$ 41	$ 8	$ 39	$ 4	$ 44	$ 6
Total number of securities in an unrealized loss position	2,273		466		880		414	

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 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

7. Investments (continued)

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; (viii) the potential for impairments due to weakening of foreign currencies on non-functional currency denominated fixed maturity securities that are near maturity; and (ix) 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, state and political subdivision securities and foreign government 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

7. Investments (continued)

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 concluded that these securities were not other-than-temporarily impaired as of December 31, 2015. Future OTTI will depend primarily on economic fundamentals, issuer performance (including changes in the present value of future cash flows expected to be collected), changes in credit ratings, collateral valuation, interest rates and credit spreads. If economic fundamentals deteriorate or if there are adverse changes in the above factors, OTTI may be incurred in upcoming periods.

Gross unrealized losses on fixed maturity securities increased $793 million during the year ended December 31, 2015 to $1.1 billion. The increase in gross unrealized losses for the year ended December 31, 2015, was primarily attributable to widening credit spreads, an increase in interest rates and, to a lesser extent, the impact of weakening foreign currencies on non-functional currency denominated fixed maturity securities.

As of December 31, 2015, $76 million of the total $1.1 billion of gross unrealized losses were from 23 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 $76 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, $53 million, or 70%, were related to gross unrealized losses on 11 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 $76 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, $23 million, or 30%, were related to gross unrealized losses on 12 below investment grade fixed maturity securities. Unrealized losses on below investment grade fixed maturity securities are principally related to U.S. and foreign corporate securities (primarily industrial and utility securities) and non-agency RMBS (primarily alternative residential mortgage loans) and are the result of significantly wider credit spreads resulting from higher risk premiums since purchase, largely due to economic

7. Investments (continued)

and market uncertainties including concerns over lower oil prices in the energy sector and valuations of residential real estate supporting non-agency RMBS. Management evaluates U.S. and foreign corporate securities based on factors such as expected cash flows and the financial condition and near-term and long-term prospects of the issuers and evaluates non-agency RMBS based on actual and projected cash flows after considering the quality of underlying collateral, expected prepayment speeds, current and forecasted loss severity, consideration of the payment terms of the underlying assets backing a particular security and the payment priority within the tranche structure of the security.

Equity Securities

Gross unrealized losses on equity securities increased $4 million during the year ended December 31, 2015 to $14 million. Of the $14 million, $5 million were from two securities with gross unrealized losses of 20% or more of cost for 12 months or greater. Of the $5 million, 40% were rated A or better, and all were from financial services industry investment grade non-redeemable preferred stock.

Mortgage Loans

Mortgage Loans by Portfolio Segment

Mortgage loans are summarized as follows as of:

	December 31,			
	2015		2014	
	Carrying Value	% of Total	Carrying Value	% of Total
	(Dollars in millions)			
Mortgage loans				
Commercial	$ 5,515	73.3%	$ 4,462	73.2%
Agricultural	1,539	20.5	1,376	22.6
Residential	335	4.4	—	—
Subtotal	7,389	98.2	5,838	95.8
Valuation allowances	(37)	(0.5)	(26)	(0.4)
Subtotal mortgage loans, net	7,352	97.7	5,812	95.4
Commercial mortgage loans held by CSEs — FVO	172	2.3	280	4.6
Total mortgage loans, net	$ 7,524	100.0%	$ 6,092	100.0%

The Company purchases unaffiliated mortgage loans under a master participation agreement, from an affiliate, simultaneously with the affiliate's origination or acquisition of mortgage loans. The aggregate amount of unaffiliated mortgage loan participation interests purchased by the Company from an affiliate during the years ended December 31, 2015, 2014 and 2013 were $2.0 billion, $370 million and $802 million, respectively. In connection with the mortgage loan participations, the affiliate collected mortgage loan principal and interest payments on the Company's behalf and the affiliate remitted such payments to the Company in the amount of $1.0 billion, $1.0 billion and $1.5 billion during the years ended December 31, 2015, 2014 and 2013, respectively.

Purchases of mortgage loans from third parties were $346 million and $0 for the years ended December 31, 2015 and 2014, respectively.

7. Investments (continued)

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

See "— Related Party Investment Transactions" for discussion of related party mortgage loans.

Information on commercial, agricultural and residential mortgage loans is presented in the tables below. Information on commercial mortgage loans held by CSEs — FVO is presented in Note 9. The Company elects the FVO for certain commercial mortgage loans and related long-term debt that are managed on a total return basis.

Mortgage Loans, Valuation Allowance and Impaired Loans by Portfolio Segment

Mortgage loans by portfolio segment, by method of evaluation of credit loss, impaired mortgage loans including those modified in a troubled debt restructuring, and the related valuation allowances, were as follows as of and for the years ended:

	Evaluated Individually for Credit Losses					Evaluated Collectively for Credit Losses		Impaired Loans	
	Impaired Loans with a Valuation Allowance			Impaired Loans without a Valuation Allowance					
	Unpaid Principal Balance	Recorded Investment	Valuation Allowances	Unpaid Principal Balance	Recorded Investment	Recorded Investment	Valuation Allowances	Carrying Value	Average Recorded Investment
					(In millions)				
December 31, 2015									
Commercial	$ —	$ —	$ —	$ —	$ —	$ 5,515	$ 29	$ —	$ —
Agricultural	4	3	—	—	—	1,536	5	3	3
Residential	—	—	—	—	—	335	3	—	—
Total	$ 4	$ 3	$ —	$ —	$ —	$ 7,386	$ 37	$ 3	$ 3
December 31, 2014									
Commercial	$ —	$ —	$ —	$ —	$ —	$ 4,462	$ 22	$ —	$ 43
Agricultural	4	3	—	—	—	1,373	4	3	3
Residential	—	—	—	—	—	—	—	—	—
Total	$ 4	$ 3	$ —	$ —	$ —	$ 5,835	$ 26	$ 3	$ 46

The average recorded investment for impaired commercial, agricultural and residential mortgage loans was $73 million, $2 million and $0, respectively, for the year ended December 31, 2013.

7. Investments (continued)

Valuation Allowance Roll-forward by Portfolio Segment

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

	Commercial	Agricultural	Residential	Total
		(In millions)		
Balance as of January 1, 2013	$ 34	$ 3	$ —	$ 37
Provision (release)	(2)	1	—	(1)
Balance as of December 31, 2013	32	4	—	36
Provision (release)	(10)	—	—	(10)
Balance as of December 31, 2014	22	4	—	26
Provision (release)	7	1	3	11
Balance as of December 31, 2015	$ 29	$ 5	$ 3	$ 37

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 roll-over analysis, property inspections, market analysis, estimated valuations of the underlying collateral, loan-to-value ratios, debt service coverage ratios, and tenant

7. Investments (continued)

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. All agricultural mortgage loans are monitored on an ongoing basis. 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 the values utilized in calculating the ratio are updated annually on a rolling basis, with a portion of the portfolio updated each quarter. In addition, the loan-to-value ratio is routinely updated for all but the lowest risk loans as part of the Company's ongoing review of its commercial mortgage loan portfolio.

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 historical experience of affiliates of the Company. In contrast to the commercial and 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.

7. Investments (continued)

Credit Quality of Commercial Mortgage Loans

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

	Recorded Investment						
	Debt Service Coverage Ratios						
	> 1.20x	1.00x - 1.20x	< 1.00x	Total	% of Total	Estimated Fair Value	% of Total
	(Dollars in millions)						
December 31, 2015							
Loan-to-value ratios							
Less than 65%	$ 4,833	$ 153	$ 106	$5,092	92.3%	$ 5,315	92.8%
65% to 75%	330	—	10	340	6.2	332	5.8
76% to 80%	—	—	—	—	—	—	—
Greater than 80%	44	25	14	83	1.5	80	1.4
Total	$ 5,207	$ 178	$ 130	$5,515	100.0%	$ 5,727	100.0%
December 31, 2014							
Loan-to-value ratios							
Less than 65%	$ 3,835	$ 277	$ 128	$4,240	95.0%	$ 4,626	95.3%
65% to 75%	113	15	—	128	2.9	134	2.8
76% to 80%	9	—	—	9	0.2	10	0.2
Greater than 80%	46	25	14	85	1.9	83	1.7
Total	$ 4,003	$ 317	$ 142	$4,462	100.0%	$ 4,853	100.0%

Credit Quality of Agricultural Mortgage Loans

The credit quality of agricultural mortgage loans was as follows as of:

	December 31,			
	2015		2014	
	Recorded Investment	% of Total	Recorded Investment	% of Total
	(Dollars in millions)			
Loan-to-value ratios				
Less than 65%	$ 1,444	93.8%	$ 1,312	95.3%
65% to 75%	95	6.2	64	4.7
Total	$ 1,539	100.0%	$ 1,376	100.0%

The estimated fair value of agricultural mortgage loans was $1.6 billion and $1.4 billion as of December 31, 2015 and 2014, respectively.

Credit Quality of Residential Mortgage Loans

As of December 31, 2015, the Company had residential mortgage loans with a recorded investment of $335 million, $331 million of which was classified as performing. The estimated fair value of all residential mortgage loans was $345 million as of December 31, 2015. The Company did not hold any residential mortgage loans as of December 31, 2014.

7. 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 as of both December 31, 2015 and 2014. 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 Company had no commercial or agricultural mortgage loans past due and no commercial or agricultural mortgage loans in non-accrual status as of either December 31, 2015 or 2014. The recorded investment of residential mortgage loans past due and in non-accrual status was $4 million at December 31, 2015.

Mortgage Loans Modified in a Troubled Debt Restructuring

The Company may grant concessions related to borrowers experiencing financial difficulties, which are classified as troubled debt restructurings. 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. During the years ended December 31, 2015 and 2014, there were no mortgage loans modified in a troubled debt restructuring.

Other Invested Assets

Freestanding derivatives with positive estimated fair values and loans to affiliates comprise over 80% of other invested assets. *See* Note 9 for information about freestanding derivatives with positive estimated fair values and *see* "— Related Party Investment Transactions" for information regarding loans to affiliates. Other invested assets also includes funds withheld, tax credit and renewable energy partnerships and leveraged leases.

Tax Credit Partnerships

The carrying value of tax credit partnerships was $54 million and $52 million as of December 31, 2015 and 2014, respectively. Net investment income (loss) from tax credit partnerships were ($1) million, $4 million, and $1 million for the years ended December 31, 2015, 2014 and 2013, respectively.

Leveraged Leases

Investment in leveraged leases consisted of the following as of:

	December 31,	
	2015	2014
	(In millions)	
Rental receivables, net	$ 90	$ 92
Estimated residual values	14	14
Subtotal	104	106
Unearned income	(33)	(34)
Investment in leveraged leases, net of non-recourse debt	$ 71	$ 72

Rental receivables are generally due in periodic installments. The payment periods for leveraged leases range from one to 17 years. For rental receivables, the primary credit quality indicator is whether the rental

7. Investments (continued)

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. As of December 31, 2015 and 2014, all rental receivables were performing.

The deferred income tax liability related to leveraged leases was $76 million and $71 million as of December 31, 2015 and 2014, respectively.

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 $1.2 billion and $984 million as of December 31, 2015 and 2014, respectively.

Net Unrealized Investment Gains (Losses)

Unrealized investment gains (losses) on fixed maturity and equity securities AFS and the effect on DAC, VOBA, DSI and future policy benefits, that would result from the realization of the unrealized gains (losses), are included in net unrealized investment gains (losses) in AOCI.

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

	Years Ended December 31,		
	2015	2014	2013
		(In millions)	
Fixed maturity securities	$2,324	$ 4,842	$1,915
Fixed maturity securities with noncredit OTTI losses included in AOCI	(23)	(38)	(53)
Total fixed maturity securities	2,301	4,804	1,862
Equity securities	54	69	13
Derivatives	388	293	39
Other	5	80	(82)
Subtotal	2,748	5,246	1,832
Amounts allocated from:			
Future policy benefits	(126)	(613)	—
DAC and VOBA related to noncredit OTTI losses recognized in AOCI	(1)	(2)	—
DAC, VOBA and DSI	(202)	(409)	(288)
Subtotal	(329)	(1,024)	(288)
Deferred income tax benefit (expense) related to noncredit OTTI losses recognized in AOCI	9	14	19
Deferred income tax benefit (expense)	(855)	(1,491)	(595)
Net unrealized investment gains (losses)	$1,573	$ 2,745	$ 968

Brighthouse Financial, Inc. and Related Companies

Notes to the Combined Financial Statements — (continued)

7. Investments (continued)

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

	Years Ended December 31, 2015	Years Ended December 31, 2014
	(In millions)	
Balance as of January 1,	$(38)	$(53)
Noncredit OTTI losses and subsequent changes recognized	8	7
Securities sold with previous noncredit OTTI loss	19	11
Subsequent changes in estimated fair value	(12)	(3)
Balance as of December 31,	$(23)	$(38)

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

	Years Ended December 31, 2015	2014	2013
	(In millions)		
Balance as of January 1,	$ 2,745	$ 968	$ 2,901
Fixed maturity securities on which noncredit OTTI losses have been recognized	15	15	29
Unrealized investment gains (losses) during the year	(2,513)	3,399	(4,108)
Unrealized investment gains (losses) relating to:			
Future policy benefits	487	(613)	746
DAC and VOBA related to noncredit OTTI losses recognized in AOCI	1	(2)	(5)
DAC, VOBA and DSI	207	(121)	405
Deferred income tax benefit (expense) related to noncredit OTTI losses recognized in AOCI	(5)	(5)	(8)
Deferred income tax benefit (expense)	636	(896)	1,008
Balance as of December 31,	$ 1,573	$2,745	$ 968
Change in net unrealized investment gains (losses)	$(1,172)	$1,777	$(1,933)

Concentrations of Credit Risk

There were no investments in any counterparty that were greater than 10% of the Company's shareholder's net investment, other than the U.S. government and its agencies, as of both December 31, 2015 and 2014.

Securities Lending

Elements of the securities lending program are presented below as of:

	December 31, 2015	December 31, 2014
	(In millions)	
Securities on loan: (1)		
Amortized cost	$8,047	$5,748
Estimated fair value	$8,830	$6,703
Cash collateral on deposit from counterparties (2)	$8,981	$6,781
Security collateral on deposit from counterparties (3)	$ 23	$ 60
Reinvestment portfolio — estimated fair value	$8,938	$6,846

7. Investments (continued)

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

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

	December 31, 2015				
	Remaining Tenor of Securities Lending Agreements				
	Open (1)	1 Month or Less	1 to 6 Months	Total	% of Total
	(Dollars in millions)				
Cash collateral liability by loaned security type					
U.S. government and agency	$ 2,631	$ 3,140	$ 1,338	$7,109	79.1%
Agency RMBS	—	939	579	1,518	16.9
U.S. corporate	9	302	—	311	3.5
Foreign government	1	42	—	43	0.5
Foreign corporate	—	—	—	—	—
Total	$ 2,641	$ 4,423	$ 1,917	$8,981	100.0%

	December 31, 2014				
	Remaining Tenor of Securities Lending Agreements				
	Open (1)	1 Month or Less	1 to 6 Months	Total	% of Total
	(Dollars in millions)				
Cash collateral liability by loaned security type					
U.S. government and agency	$ 2,618	$ 2,611	$ 822	$6,051	89.2%
Agency RMBS	—	95	542	637	9.4
U.S. corporate	7	35	—	42	0.6
Foreign government	7	—	—	7	0.1
Foreign corporate	22	22	—	44	0.7
Total	$ 2,654	$ 2,763	$ 1,364	$6,781	100.0%

(1) The related loaned security could be returned to the Company on the next business day which would require the Company to immediately return the cash collateral.

If the Company is required to return significant amounts of cash collateral on short notice and is forced to sell securities to meet the return obligation, it may have difficulty selling such collateral that is invested in securities in a timely manner, be forced to sell securities in a volatile or illiquid market for less than what otherwise would have been realized under normal market conditions, or both. The estimated fair value of the securities on loan related to the cash collateral on open as of December 31, 2015 was $2.6 billion, over 99% of which were U.S. government and agency securities which, if put back to the Company, could be immediately sold to satisfy the cash requirement.

7. Investments (continued)

The reinvestment portfolio acquired with the cash collateral consisted principally of fixed maturity securities (including agency RMBS, U.S. government and agency, ABS, non-agency RMBS and U.S. corporate securities) with 51% invested in agency RMBS, U.S. government and agency, cash equivalents, short-term investments or held in cash as of December 31, 2015. If the securities on loan or the reinvestment portfolio become less liquid, the Company has the liquidity resources of most of its general account available to meet any potential cash demands when securities on loan are put back to the Company.

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

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

	December 31,	
	2015	2014
	(In millions)	
Invested assets on deposit (regulatory deposits)	$ 7,251	$ 7,340
Invested assets held in trust (reinsurance agreements) (1)	8,083	7,603
Invested assets pledged as collateral (2)	2,803	3,175
Total invested assets on deposit, held in trust and pledged as collateral	$18,137	$18,118

(1) The Company has held in trust certain investments, primarily fixed maturity securities, in connection with certain reinsurance transactions.

(2) The Company has pledged invested assets in connection with various agreements and transactions, including funding agreements (*see* Note 4) and derivative transactions (*see* Note 8).

See "— Securities Lending" for information regarding securities on loan.

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.

The Company's PCI fixed maturity securities were as follows as of:

	December 31,	
	2015	2014
	(In millions)	
Outstanding principal and interest balance (1)	$1,281	$704
Carrying value (2)	$ 952	$541

7. Investments (continued)

(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.

The following table presents information about PCI fixed maturity securities acquired during the periods indicated:

	Years Ended December 31, 2015	2014
	(In millions)	
Contractually required payments (including interest)	$ 797	$ 119
Cash flows expected to be collected (1)	$ 709	$ 91
Fair value of investments acquired	$ 520	$ 65

(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 fixed maturity securities for:

	Years Ended December 31, 2015	2014
	(In millions)	
Accretable yield, January 1,	$ 269	$ 331
Investments purchased	189	26
Accretion recognized in earnings	(51)	(27)
Disposals	(8)	(13)
Reclassification (to) from nonaccretable difference	21	(48)
Accretable yield, December 31,	$ 420	$ 269

Collectively Significant Equity Method Investments

The Company holds investments in real estate joint ventures, real estate funds and other limited partnership interests consisting of leveraged buy-out funds, hedge funds, private equity funds, joint ventures and other funds. The portion of these investments accounted for under the equity method had a carrying value of $2.4 billion as of December 31, 2015. The Company's maximum exposure to loss related to these equity method investments is limited to the carrying value of these investments plus unfunded commitments of $792 million as of December 31, 2015. Except for certain real estate joint ventures, the Company's investments in real estate funds and other limited partnership interests are generally of a passive nature in that the Company does not participate in the management of the entities.

As described in Note 1, the Company generally records its share of earnings in its equity method investments using a three-month lag methodology and within net investment income. Aggregate net investment income from these equity method investments exceeded 10% of the Company's combined pre-tax income (loss) for the three most recent annual periods: 2015, 2014 and 2013. This aggregated summarized financial data does not represent the Company's proportionate share of the assets, liabilities, or earnings of such entities.

The aggregated summarized financial data presented below reflects the latest available financial information and is as of, and for, the years ended December 31, 2015, 2014 and 2013. Aggregate total assets of these entities

7. Investments (continued)

totaled $288.9 billion and $260.2 billion as of December 31, 2015 and 2014, respectively. Aggregate total liabilities of these entities totaled $41.3 billion and $18.9 billion as of December 31, 2015 and 2014, respectively. Aggregate net income (loss) of these entities totaled $13.7 billion, $25.1 billion and $20.9 billion for the years ended December 31, 2015, 2014 and 2013, respectively. Aggregate net income (loss) from the underlying entities in which the Company invests is primarily comprised of investment income, including recurring investment income and realized and unrealized investment gains (losses).

Variable Interest Entities

The Company has invested in certain structured transactions (including CSEs) that are VIEs. In certain instances, the Company holds both the power to direct the most significant activities of the entity, as well as an economic interest in the entity and, as such, is deemed to be the primary beneficiary or consolidator of the entity.

The determination of the VIE's primary beneficiary requires an evaluation of the contractual and implied rights and obligations associated with each party's relationship with or involvement in the entity, an estimate of the entity's expected losses and expected residual returns and the allocation of such estimates to each party involved in the entity. The Company generally uses a qualitative approach to determine whether it is the primary beneficiary. However, for VIEs that are investment companies or apply measurement principles consistent with those utilized by investment companies, the primary beneficiary is based on a risks and rewards model and is defined as the entity that will absorb a majority of a VIE's expected losses, receive a majority of a VIE's expected residual returns if no single entity absorbs a majority of expected losses, or both. The Company reassesses its involvement with VIEs on a quarterly basis. The use of different methodologies, assumptions and inputs in the determination of the primary beneficiary could have a material effect on the amounts presented within the combined financial statements.

Consolidated VIEs

Creditors or beneficial interest holders of VIEs where the Company is the primary beneficiary have no recourse to the general credit of the Company, as the Company's obligation to the VIEs is limited to the amount of its committed investment.

The following table presents the total assets and total liabilities relating to VIEs for which the Company has concluded that it is the primary beneficiary and which are consolidated as of December 31, 2015 and 2014.

	December 31,			
	2015		2014	
	Total Assets	Total Liabilities	Total Assets	Total Liabilities
	(In millions)			
MRSC (collateral financing arrangement (primarily securities)) (1)	$3,374	$ —	$3,471	$ —
CSEs (assets (primarily loans) and liabilities (primarily debt)) (2)	173	49	282	140
Total	$3,547	$ 49	$3,753	$ 140

(1) *See* Note 12 for a description of the MRSC collateral financing arrangement.

(2) The Company consolidates entities that are structured as CMBS. The assets of these entities can only be used to settle their respective liabilities, and under no circumstances is the Company liable for any principal or interest shortfalls should any arise. The Company's exposure was limited to that of its remaining

7. Investments (continued)

investment in these entities of $105 million and $123 million at estimated fair value as of December 31, 2015 and 2014, respectively. The long-term debt bears interest primarily at fixed rates ranging from 2.25% to 5.57%, payable primarily on a monthly basis. Interest expense related to these obligations, included in other expenses, was $8 million, $36 million and $122 million for the years ended December 31, 2015, 2014 and 2013, respectively.

Unconsolidated VIEs

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

	December 31,			
	2015		2014	
	Carrying Amount	Maximum Exposure to Loss (1)	Carrying Amount	Maximum Exposure to Loss (1)
	(In millions)			
Fixed maturity securities AFS:				
Structured Securities (2)	$17,712	$ 17,712	$12,951	$ 12,951
U.S. and foreign corporate	615	615	655	655
Other limited partnership interests	1,371	1,652	1,778	2,168
Other investments (3)	92	100	117	130
Total	$19,790	$ 20,079	$15,501	$ 15,904

(1) The maximum exposure to loss relating to fixed maturity and equity securities AFS is equal to their carrying amounts or the carrying amounts of retained interests. The maximum exposure to loss relating to other limited partnership interests and real estate joint ventures is equal to the carrying amounts plus any unfunded commitments. For certain of its investments in other invested assets, the Company's return is in the form of income tax credits which are guaranteed by creditworthy third parties. For such investments, the maximum exposure to loss is equal to the carrying amounts plus any unfunded commitments, reduced by income tax credits guaranteed by third parties of less than $1 million as of both December 31, 2015 and 2014. Such a maximum loss would be expected to occur only upon bankruptcy of the issuer or investee.

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

(3) Other investments is comprised of real estate joint ventures, other invested assets and non-redeemable preferred stock.

As described in Note 16, the Company makes commitments to fund partnership investments in the normal course of business. Excluding these commitments, the Company did not provide financial or other support to investees designated as VIEs during the years ended December 31, 2015, 2014 and 2013.

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7. Investments (continued)

Net Investment Income

The components of net investment income were as follows:

	Years Ended December 31,		
	2015	2014	2013
	(In millions)		
Investment income:			
Fixed maturity securities	$2,478	$2,346	$2,567
Equity securities	19	17	13
Mortgage loans	373	350	373
Policy loans	78	82	80
Real estate and real estate joint ventures	108	80	55
Other limited partnership interests	134	267	272
Cash, cash equivalents and short-term investments	9	5	7
Other	12	7	1
Subtotal	3,211	3,154	3,368
Less: Investment expenses	128	113	135
Subtotal, net	3,083	3,041	3,233
FVO CSEs — interest income — commercial mortgage loans	16	49	133
Net investment income	$3,099	$3,090	$3,366

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

See "— Related Party Investment Transactions" for discussion of affiliated net investment income and investment expenses.

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7. Investments (continued)

Net Investment Gains (Losses)

Components of Net Investment Gains (Losses)

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

	Years Ended December 31,		
	2015	2014	2013
	(In millions)		
Total gains (losses) on fixed maturity securities:			
Total OTTI losses recognized — by sector and industry:			
U.S. and foreign corporate securities — by industry:			
Consumer	$ (8)	$ (2)	$ —
Utility	(6)	—	—
Industrial	(3)	—	—
Transportation	—	(2)	(3)
Finance	—	—	(3)
Total U.S. and foreign corporate securities	(17)	(4)	(6)
RMBS	(14)	(10)	(15)
OTTI losses on fixed maturity securities recognized in earnings	(31)	(14)	(21)
Fixed maturity securities — net gains (losses) on sales and disposals	(59)	5	44
Total gains (losses) on fixed maturity securities	(90)	(9)	23
Total gains (losses) on equity securities:			
Total OTTI losses recognized — by sector:			
Common stock	(3)	(7)	(3)
Non-redeemable preferred stock	—	(8)	(2)
OTTI losses on equity securities recognized in earnings	(3)	(15)	(5)
Equity securities — net gains (losses) on sales and disposals	18	14	10
Total gains (losses) on equity securities	15	(1)	5
Mortgage loans	(11)	18	5
Real estate and real estate joint ventures	98	(4)	2
Other limited partnership interests	(1)	(9)	(6)
Other	—	42	(3)
Subtotal	11	37	26
FVO CSEs:			
Commercial mortgage loans	(7)	(13)	(56)
Long-term debt — related to commercial mortgage loans	4	19	88
Non-investment portfolio gains (losses) (1)	(1)	(478)	(51)
Subtotal	(4)	(472)	(19)
Total net investment gains (losses)	$ 7	$ (435)	$ 7

(1) Non-investment portfolio gains (losses) for the year ended December 31, 2014 includes a loss of $549 million related to the disposition of MAL as more fully described in Note 3.

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

See "— Related Party Investment Transactions" for discussion of affiliated net investment gains (losses) related to transfers of invested assets to affiliates.

Brighthouse Financial, Inc. and Related Companies

Notes to the Combined Financial Statements — (continued)

7. Investments (continued)

Gains (losses) from foreign currency transactions included within net investment gains (losses) were ($5) million, $66 million and ($59) million for the years ended December 31, 2015, 2014 and 2013, respectively.

Sales or Disposals and Impairments of Fixed Maturity and Equity Securities

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

	Years Ended December 31,					
	2015	2014	2013	2015	2014	2013
	Fixed Maturity Securities			Equity Securities		
	(In millions)					
Proceeds	$32,524	$17,332	$13,075	$ 80	$ 57	$ 75
Gross investment gains	$ 190	$ 99	$ 213	$ 26	$ 15	$ 18
Gross investment losses	(249)	(94)	(169)	(8)	(1)	(8)
OTTI losses	(31)	(14)	(21)	(3)	(15)	(5)
Net investment gains (losses)	$ (90)	$ (9)	$ 23	$ 15	$ (1)	$ 5

Credit Loss Roll-forward

The table below presents a roll-forward of the cumulative credit loss component of OTTI loss recognized in earnings on fixed maturity securities still held for which a portion of the OTTI loss was recognized in OCI:

	Years Ended December 31,	
	2015	2014
	(In millions)	
Balance as of January 1,	$ 67	$ 67
Additions:		
Initial impairments — credit loss OTTI on securities not previously impaired	6	1
Additional impairments — credit loss OTTI on securities previously impaired	11	9
Reductions:		
Sales (maturities, pay downs or prepayments) of securities previously impaired as credit loss OTTI	(16)	(10)
Increase in cash flows — accretion of previous credit loss OTTI	(2)	—
Balance as of December 31,	$ 66	$ 67

7. Investments (continued)

Related Party Investment Transactions

The Company transfers invested assets, primarily consisting of fixed maturity securities, to and from affiliates. Invested assets transferred to and from affiliates were as follows:

	Years Ended December 31,		
	2015	2014	2013
		(In millions)	
Estimated fair value of invested assets transferred to affiliates	$185	$1,441	$874
Amortized cost of invested assets transferred to affiliates	$169	$1,362	$827
Net investment gains (losses) recognized on transfers	$ 16	$ 79	$ 47
Estimated fair value of invested assets transferred from affiliates	$928	$ 132	$834

In 2013, the Company transferred invested assets to and from MLIC of $739 million and $751 million, respectively, related to the establishment of a custodial account to secure certain policyholder liabilities, which is included in the table above.

In July 2014, the Company sold affiliated loans to affiliates, which were included in the table above, at an estimated fair value totaling $520 million and a $45 million gain was recognized in net investment gains (losses). Net investment income from these affiliated loans was $13 million and $28 million for the years ended December 31, 2014 and 2013, respectively.

The Company had affiliated loans outstanding to wholly owned real estate subsidiaries of MLIC, which were included in mortgage loans, with a carrying value of $242 million as of December 31, 2014. In August 2015 and November 2014, one affiliated loan with a carrying value of $132 million and two affiliated loans with a total carrying value of $120 million were repaid in cash prior to maturity. The remaining loan with a carrying value of $110 million was repaid in cash upon maturity on December 31, 2015. These affiliated loans were secured by interests in the real estate subsidiaries, which owned operating real estate with an estimated fair value in excess of the affiliated loans. Net investment income and mortgage loan prepayment income earned from these affiliated loans was $39 million, $34 million and $16 million for the years ended December 31, 2015, 2014 and 2013, respectively.

The Company had loans outstanding to affiliates, which were included in other invested assets, totaling $1.2 billion and $1.3 billion as of December 31, 2015 and 2014, respectively. Two loans totaling $1.1 billion and $1.2 billion as of December 31, 2015 and 2014, respectively, were outstanding to MetLife, Inc., which bear interest at fixed rates of 4.21% and 5.10%, payable semiannually, and are due on September 30, 2032 and December 31, 2033, respectively. *See also* Note 11 for the related surplus notes payable totaling $1.1 billion. In addition, the Company had affiliated loans outstanding to an investment subsidiary of MLIC totaling $50 million and $78 million as of December 31, 2015 and 2014, respectively, with interest rates ranging from 1.55% to 2.39% and scheduled maturity dates from October 2021 to June 2022. Net investment income from these affiliated loans was $52 million for both of the years ended December 31, 2015 and 2014 and $34 million for the year ended December 31, 2013.

The Company had an investment in an affiliated money market pool of $43 million and $70 million as of December 31, 2015 and 2014, which is included in short-term investments. Net investment income from this affiliated money market pool investment was less than $1 million for both of the years ended December 31, 2015 and 2014 and was ($2) million for the year ended December 31, 2013.

Brighthouse Financial, Inc. and Related Companies

Notes to the Combined Financial Statements — (continued)

7. Investments (continued)

The Company receives investment administrative services from an affiliate. The related investment administrative service charges were $81 million, $72 million, and $86 million for the years ended December 31, 2015, 2014 and 2013, respectively.

See "— Mortgage Loans — Mortgage Loans by Portfolio Segment" for discussion of mortgage loan participation agreements with affiliate.

8. Derivatives

Accounting for Derivatives

See Note 1 for a description of the Company's accounting policies for derivatives and Note 9 for information about the fair value hierarchy for derivatives.

Derivative Strategies

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

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

Interest Rate Derivatives

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

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

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

In exchange-traded interest rate (Treasury and swap) futures transactions, the Company agrees to purchase or sell a specified number of contracts, the value of which is determined by the different classes of interest rate

8. Derivatives (continued)

securities, and to post variation margin on a daily basis in an amount equal to the difference in the daily market values of those contracts. The Company enters into exchange-traded futures with regulated futures commission merchants that are members of the exchange. Exchange-traded interest rate (Treasury and swap) futures are used primarily to hedge mismatches between the duration of assets in a portfolio and the duration of liabilities supported by those assets, to hedge against changes in value of securities the Company owns or anticipates acquiring, to hedge against changes in interest rates on anticipated liability issuances by replicating Treasury or swap curve performance, and to hedge minimum guarantees embedded in certain variable annuity products offered by the Company. The Company utilizes exchange-traded interest rate futures in nonqualifying hedging relationships.

Swaptions are used by the Company to hedge interest rate risk associated with the Company's long-term liabilities and invested assets. A swaption is an option to enter into a swap with a forward starting effective date. In certain instances, the Company locks in the economic impact of existing purchased swaptions by entering into offsetting written swaptions. The Company pays a premium for purchased swaptions and receives a premium for written swaptions. The Company utilizes swaptions in nonqualifying hedging relationships. Swaptions are included in interest rate options.

The Company enters into interest rate forwards to buy and sell securities. The price is agreed upon at the time of the contract and payment for such a contract is made at a specified future date. The Company utilizes interest rate forwards in cash flow hedging relationships.

Foreign Currency Exchange Rate Derivatives

The Company uses foreign currency swaps to reduce the risk from fluctuations in foreign currency exchange rates associated with its assets and liabilities denominated in foreign currencies. In a foreign currency swap transaction, the Company agrees with another party to exchange, at specified intervals, the difference between one currency and another at a fixed exchange rate, generally set at inception, calculated by reference to an agreed upon notional amount. The notional amount of each currency is exchanged at the inception and termination of the currency swap by each party. The Company utilizes foreign currency swaps in fair value, cash flow and nonqualifying hedging relationships.

To a lesser extent, the Company uses foreign currency forwards and exchange-traded currency futures in nonqualifying hedging relationships.

Credit Derivatives

The Company enters into purchased credit default swaps to hedge against credit-related changes in the value of its investments. In a credit default swap transaction, the Company agrees with another party to pay, at specified intervals, a premium to hedge credit risk. If a credit event occurs, as defined by the contract, the contract may be cash settled or it may be settled gross by the delivery of par quantities of the referenced investment equal to the specified swap notional amount in exchange for the payment of cash amounts by the counterparty equal to the par value of the investment surrendered. Credit events vary by type of issuer but typically include bankruptcy, failure to pay debt obligations, repudiation, moratorium, involuntary restructuring or governmental intervention. In each case, payout on a credit default swap is triggered only after the Credit Derivatives Determinations Committee of the International Swaps and Derivatives Association, Inc. ("*ISDA*") deems that a credit event has occurred. The Company utilizes credit default swaps in nonqualifying hedging relationships.

8. Derivatives (continued)

The Company enters into written credit default swaps to synthetically create credit investments that are either more expensive to acquire or otherwise unavailable in the cash markets. These transactions are a combination of a derivative and one or more cash instruments, such as U.S. government and agency securities or other fixed maturity securities. These credit default swaps are not designated as hedging instruments.

To a lesser extent, the Company uses credit forwards to lock in the price to be paid for forward purchases of certain securities. The Company utilizes credit forwards in cash flow hedging relationships.

Equity Derivatives

The Company uses a variety of equity derivatives to reduce its exposure to equity market risk, including equity index options, equity variance swaps, exchange-traded equity futures and total rate of return swaps ("*TRRs*").

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

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

In exchange-traded equity futures transactions, the Company agrees to purchase or sell a specified number of contracts, the value of which is determined by the different classes of equity securities, and to post variation margin on a daily basis in an amount equal to the difference in the daily market values of those contracts. The Company enters into exchange-traded futures with regulated futures commission merchants that are members of the exchange. Exchange-traded equity futures are used primarily to hedge minimum guarantees embedded in certain variable annuity products offered by the Company. The Company utilizes exchange-traded equity futures in nonqualifying hedging relationships.

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

8. Derivatives (continued)

Primary Risks Managed by Derivatives

The following table presents the gross notional amount, estimated fair value and primary underlying risk exposure of the Company’s derivatives, excluding embedded derivatives, held as of:

		December 31,					
		2015			2014		
	Primary Underlying Risk Exposure	Gross Notional Amount	Estimated Fair Value Assets	Estimated Fair Value Liabilities	Gross Notional Amount	Estimated Fair Value Assets	Estimated Fair Value Liabilities
		(In millions)					
Derivatives Designated as Hedging Instruments:							
Fair value hedges:							
Interest rate swaps	Interest rate	$ 420	$ 38	$ 1	$ 379	$ 33	$ 2
Cash flow hedges:							
Interest rate swaps	Interest rate	230	60	—	369	81	—
Interest rate forwards	Interest rate	35	8	—	155	45	—
Foreign currency swaps	Foreign currency exchange rate	1,054	146	3	831	67	9
Subtotal		1,319	214	3	1,355	193	9
Total qualifying hedges		1,739	252	4	1,734	226	11
Derivatives Not Designated or Not Qualifying as Hedging Instruments:							
Interest rate swaps	Interest rate	23,134	1,804	638	25,919	1,710	602
Interest rate floors	Interest rate	7,036	33	24	16,404	83	69
Interest rate caps	Interest rate	13,792	38	—	7,901	11	—
Interest rate futures	Interest rate	630	2	—	325	1	—
Interest rate options	Interest rate	18,620	472	5	29,870	446	16
Foreign currency swaps	Foreign currency exchange rate	682	79	—	700	60	4
Foreign currency forwards	Foreign currency exchange rate	185	4	1	48	3	—
Credit default swaps — purchased	Credit	24	—	—	48	—	1
Credit default swaps — written	Credit	2,126	13	1	1,957	30	1
Equity futures	Equity market	3,669	37	—	3,086	34	—
Equity index options	Equity market	44,035	1,032	626	27,212	854	613
Equity variance swaps	Equity market	14,866	120	434	15,433	120	435
TRRs	Equity market	2,814	31	49	2,332	12	67
Total non-designated or nonqualifying derivatives		131,613	3,665	1,778	131,235	3,364	1,808
Total		$133,352	$ 3,917	$ 1,782	$132,969	$ 3,590	$ 1,819

Based on gross notional amounts, a substantial portion of the Company’s derivatives was not designated or did not qualify as part of a hedging relationship as of both December 31, 2015 and 2014. The Company’s use of derivatives includes (i) derivatives that serve as portfolio hedges of the Company’s exposure to various risks and

8. Derivatives (continued)

that generally do not qualify for hedge accounting due to the criteria required under the portfolio hedging rules; (ii) derivatives that economically hedge insurance liabilities that contain mortality or morbidity risk and that generally do not qualify for hedge accounting because the lack of these risks in the derivatives cannot support an expectation of a highly effective hedging relationship; (iii) derivatives that economically hedge embedded derivatives that do not qualify for hedge accounting because the changes in estimated fair value of the embedded derivatives are already recorded in net income; and (iv) written credit default swaps that are used to synthetically create credit investments and that do not qualify for hedge accounting because they do not involve a hedging relationship. For these nonqualified derivatives, changes in market factors can lead to the recognition of fair value changes on the statement of operations without an offsetting gain or loss recognized in earnings for the item being hedged.

Net Derivative Gains (Losses)

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

	Years Ended December 31,		
	2015	2014	2013
	(In millions)		
Freestanding derivatives and hedging gains (losses) (1)	$(151)	$ 873	$(5,835)
Embedded derivatives gains (losses)	(175)	(450)	5,361
Total net derivative gains (losses)	$(326)	$ 423	$ (474)

(1) Includes foreign currency transaction gains (losses) on hedged items in cash flow and nonqualifying hedging relationships, which are not presented elsewhere in this note.

The following table presents earned income on derivatives:

	Years Ended December 31,		
	2015	2014	2013
	(In millions)		
Qualifying hedges:			
Net investment income	$ 13	$ 6	$ 3
Interest credited to policyholder account balances	(2)	(2)	2
Nonqualifying hedges:			
Net derivative gains (losses)	361	274	(155)
Policyholder benefits and claims	14	32	(292)
Total	$386	$310	$(442)

8. Derivatives (continued)

Nonqualifying Derivatives and Derivatives for Purposes Other Than Hedging

The following table presents the amount and location of gains (losses) recognized in income for derivatives that were not designated or not qualifying as hedging instruments:

	Net Derivative Gains (Losses)	Net Investment Income (1)	Policyholder Benefits and Claims (2)
		(In millions)	
Year Ended December 31, 2015			
Interest rate derivatives	$ (67)	$ —	$ 5
Foreign currency exchange rate derivatives	45	—	—
Credit derivatives — purchased	—	—	—
Credit derivatives — written	(14)	—	—
Equity derivatives	(476)	(4)	(25)
Total	$ (512)	$ (4)	$ (20)
Year Ended December 31, 2014			
Interest rate derivatives	$ 1,174	$ —	$ 43
Foreign currency exchange rate derivatives	7	—	—
Credit derivatives — purchased	(22)	—	—
Credit derivatives — written	18	—	—
Equity derivatives	(591)	(8)	(279)
Total	$ 586	$ (8)	$ (236)
Year Ended December 31, 2013			
Interest rate derivatives	$ (1,543)	$ —	$ (27)
Foreign currency exchange rate derivatives	(545)	—	—
Credit derivatives — purchased	—	—	—
Credit derivatives — written	29	—	—
Equity derivatives	(3,625)	(7)	(726)
Total	$ (5,684)	$ (7)	$ (753)

(1) Changes in estimated fair value related to economic hedges of equity method investments in joint ventures.
(2) Changes in estimated fair value related to economic hedges of variable annuity guarantees included in future policy benefits.

Fair Value Hedges

The Company designates and accounts for the following as fair value hedges when they have met the requirements of fair value hedging: (i) interest rate swaps to convert fixed rate assets and liabilities to floating rate assets and liabilities; and (ii) foreign currency swaps to hedge the foreign currency fair value exposure of foreign currency denominated assets and liabilities.

Brighthouse Financial, Inc. and Related Companies

Notes to the Combined Financial Statements — (continued)

8. Derivatives (continued)

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

Derivatives in Fair Value Hedging Relationships	Hedged Items in Fair Value Hedging Relationships	Net Derivative Gains (Losses) Recognized for Derivatives	Net Derivative Gains (Losses) Recognized for Hedged Items	Ineffectiveness Recognized in Net Derivative Gains (Losses)
			(In millions)	
Year Ended December 31, 2015				
Interest rate swaps:	Fixed maturity securities	$ 1	$ 1	$ 2
	Policyholder liabilities (1)	2	(2)	—
Foreign currency swaps:	Foreign-denominated policyholder account balances (2)	—	—	—
Total		$ 3	$ (1)	$ 2
Year Ended December 31, 2014				
Interest rate swaps:	Fixed maturity securities	$ 1	$ (1)	$ —
	Policyholder liabilities (1)	32	(31)	1
Foreign currency swaps:	Foreign-denominated policyholder account balances (2)	—	—	—
Total		$ 33	$ (32)	$ 1
Year Ended December 31, 2013				
Interest rate swaps:	Fixed maturity securities	$ 7	$ (9)	$ (2)
	Policyholder liabilities (1)	(30)	28	(2)
Foreign currency swaps:	Foreign-denominated policyholder account balances (2)	2	(2)	—
Total		$ (21)	$ 17	$ (4)

(1) Fixed rate liabilities reported in policyholder account balances or future policy benefits.
(2) Fixed rate or floating rate liabilities.

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

Cash Flow Hedges

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

In certain instances, the Company discontinued cash flow hedge accounting because the forecasted transactions were no longer probable of occurring. Because certain of the forecasted transactions also were not

Brighthouse Financial, Inc. and Related Companies

Notes to the Combined Financial Statements — (continued)

8. Derivatives (continued)

probable of occurring within two months of the anticipated date, the Company reclassified amounts from AOCI into net derivative gains (losses). These amounts were $3 million for the year ended December 31, 2015 and not significant for both the years ended December 31, 2014 and 2013.

As of December 31, 2015 and 2014, the maximum length of time over which the Company was hedging its exposure to variability in future cash flows for forecasted transactions did not exceed four years and five years, respectively.

As of December 31, 2015 and 2014, the balance in AOCI associated with cash flow hedges was $388 million and $293 million, respectively.

The following table presents the effects of derivatives in cash flow hedging relationships on the combined statements of operations and the combined statements of shareholder's net investment:

Derivatives in Cash Flow Hedging Relationships	Amount of Gains (Losses) Deferred in AOCI on Derivatives (Effective Portion)	Amount and Location of Gains (Losses) Reclassified from AOCI into Income (Loss) (Effective Portion)		Amount and Location of Gains (Losses) Recognized in Income (Loss) on Derivatives (Ineffective Portion)
		Net Derivative Gains (Losses)	Net Investment Income	Net Derivative Gains (Losses)
	(In millions)			
Year Ended December 31, 2015				
Interest rate swaps	$ 15	$ 1	$ 1	$ 1
Interest rate forwards	2	2	2	—
Foreign currency swaps	85	—	—	—
Credit forwards	—	—	1	—
Total	$ 102	$ 3	$ 4	$ 1
Year Ended December 31, 2014				
Interest rate swaps	$ 131	$ 1	$ 1	$ —
Interest rate forwards	55	1	1	—
Foreign currency swaps	66	(6)	—	—
Credit forwards	—	—	—	—
Total	$ 252	$ (4)	$ 2	$ —
Year Ended December 31, 2013				
Interest rate swaps	$ (120)	$ —	$ —	$ —
Interest rate forwards	(57)	9	1	—
Foreign currency swaps	(17)	—	—	1
Credit forwards	(1)	—	1	—
Total	$ (195)	$ 9	$ 2	$ 1

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

As of December 31, 2015, $33 million of deferred net gains (losses) on derivatives in AOCI was expected to be reclassified to earnings within the next 12 months.

8. Derivatives (continued)

Credit Derivatives

In connection with synthetically created credit investment transactions, the Company writes credit default swaps for which it receives a premium to insure credit risk. Such credit derivatives are included within the nonqualifying derivatives and derivatives for purposes other than hedging table. If a credit event occurs, as defined by the contract, the contract may be cash settled or it may be settled gross by the Company paying the counterparty the specified swap notional amount in exchange for the delivery of par quantities of the referenced credit obligation. The Company's maximum amount at risk, assuming the value of all referenced credit obligations is zero, was $2.1 billion and $2.0 billion as of December 31, 2015 and 2014, respectively. The Company can terminate these contracts at any time through cash settlement with the counterparty at an amount equal to the then current estimated fair value of the credit default swaps. As of December 31, 2015 and 2014, the Company would have received $12 million and $29 million, respectively, to terminate all of these contracts.

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

	December 31,					
	2015			2014		
Rating Agency Designation of Referenced Credit Obligations (1)	Estimated Fair Value of Credit Default Swaps	Maximum Amount of Future Payments under Credit Default Swaps	Weighted Average Years to Maturity (2)	Estimated Fair Value of Credit Default Swaps	Maximum Amount of Future Payments under Credit Default Swaps	Weighted Average Years to Maturity (2)
	(Dollars in millions)					
Aaa/Aa/A						
Single name credit default swaps (corporate)	$ 1	$ 207	1.5	$ 2	$ 155	2.1
Credit default swaps referencing indices	1	219	4.0	1	134	1.3
Subtotal	2	426	2.8	3	289	1.7
Baa						
Single name credit default swaps (corporate)	2	409	1.6	5	454	2.3
Credit default swaps referencing indices	8	1,244	4.8	18	1,167	5.0
Subtotal	10	1,653	4.0	23	1,621	4.2
B						
Single name credit default swaps (corporate)	—	—	—	—	—	—
Credit default swaps referencing indices	—	47	5.0	3	47	5.0
Subtotal	—	47	5.0	3	47	5.0
Total	$ 12	$ 2,126	3.8	$ 29	$ 1,957	3.9

(1) The rating agency designations are based on availability and the midpoint of the applicable ratings among Moody's Investors Service ("*Moody's*"), S&P and Fitch Ratings. If no rating is available from a rating agency, then an internally developed rating is used.

(2) The weighted average years to maturity of the credit default swaps is calculated based on weighted average gross notional amounts.

8. Derivatives (continued)

Credit Risk on Freestanding Derivatives

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

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

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

See Note 9 for a description of the impact of credit risk on the valuation of derivatives.

Brighthouse Financial, Inc. and Related Companies

Notes to the Combined Financial Statements — (continued)

8. Derivatives (continued)

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

Derivatives Subject to a Master Netting Arrangement or a Similar Arrangement	December 31, 2015 Assets	2015 Liabilities	2014 Assets	2014 Liabilities
	(In millions)			
Gross estimated fair value of derivatives:				
OTC-bilateral (1)	$ 3,894	$ 1,725	$ 3,566	$ 1,767
OTC-cleared (1)	78	78	77	73
Exchange-traded	39	—	35	—
Total gross estimated fair value of derivatives (1)	4,011	1,803	3,678	1,840
Amounts offset on the combined balance sheets	—	—	—	—
Estimated fair value of derivatives presented on the combined balance sheets (1)	4,011	1,803	3,678	1,840
Gross amounts not offset on the combined balance sheets:				
Gross estimated fair value of derivatives: (2)				
OTC-bilateral	(1,577)	(1,577)	(1,592)	(1,592)
OTC-cleared	(70)	(70)	(54)	(54)
Exchange-traded	—	—	—	—
Cash collateral: (3), (4)				
OTC-bilateral	(1,624)	—	(762)	—
OTC-cleared	(8)	(8)	(22)	(18)
Exchange-traded	—	—	—	—
Securities collateral: (5)				
OTC-bilateral	(554)	(148)	(1,153)	(175)
OTC-cleared	—	—	—	—
Exchange-traded	—	—	—	—
Net amount after application of master netting agreements and collateral	$ 178	$ —	$ 95	$ 1

(1) As of December 31, 2015 and 2014, derivative assets included income or expense accruals reported in accrued investment income or in other liabilities of $94 million and $88 million, respectively. As of both December 31, 2015 and 2014, derivative liabilities included income or expense accruals reported in accrued investment income or in other liabilities of $21 million.

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

(3) Cash collateral received by the Company for OTC-bilateral and OTC-cleared derivatives is included in cash and cash equivalents, short-term investments or in fixed maturity securities, and the obligation to return it is included in payables for collateral under securities loaned and other transactions on the balance sheet. In certain instances, cash collateral pledged to the Company as initial margin for OTC-bilateral derivatives is held in separate custodial accounts and is not recorded on the Company’s balance sheet because the account title is in the name of the counterparty (but segregated for the benefit of the Company). The amount of this off-balance sheet collateral was $0 and $121 million as of December 31, 2015 and 2014, respectively.

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8. Derivatives (continued)

(4) The receivable for the return of cash collateral provided by the Company is inclusive of initial margin on exchange-traded and OTC-cleared derivatives and is included in premiums, reinsurance and other receivables on the balance sheet. The amount of cash collateral offset in the table above is limited to the net estimated fair value of derivatives after application of netting agreements. As of December 31, 2015 and 2014, the Company received excess cash collateral of $1 million and $33 million (including $0 and $33 million off-balance sheet cash collateral held in separate custodial accounts), respectively, and provided excess cash collateral of $62 million and $30 million, respectively, which is not included in the table above due to the foregoing limitation.

(5) Securities collateral received by the Company is held in separate custodial accounts and is not recorded on the balance sheet. Subject to certain constraints, the Company is permitted by contract to sell or re-pledge this collateral, but as of December 31, 2015, none of the collateral had been sold or re-pledged. Securities collateral pledged by the Company is reported in fixed maturity securities on the balance sheet. Subject to certain constraints, the counterparties are permitted by contract to sell or re-pledge this collateral. The amount of securities collateral offset in the table above is limited to the net estimated fair value of derivatives after application of netting agreements and cash collateral. As of December 31, 2015 and 2014, the Company received excess securities collateral with an estimated fair value of $0 and $122 million, respectively, for its OTC-bilateral derivatives, which are not included in the table above due to the foregoing limitation. As of December 31, 2015 and 2014, the Company provided excess securities collateral with an estimated fair value of $36 million and $17 million, respectively, for its OTC-bilateral derivatives, $35 million and $38 million, respectively, for its OTC-cleared derivatives, and $156 million and $165 million, respectively, for its exchange-traded derivatives, which are not included in the table above due to the foregoing limitation.

The Company's collateral arrangements for its OTC-bilateral derivatives generally require the party in a net liability position, after considering the effect of netting agreements, to pledge collateral when the estimated fair value of that party's derivatives reaches a minimum transfer amount. In addition, the Company's netting agreements for derivatives contain provisions that require MetLife Insurance Company USA, or its subsidiaries, as applicable and the counterparty to maintain a specific investment grade financial strength or credit rating from each of Moody's and S&P. If a party's financial strength or credit ratings were to fall below that specific investment grade financial strength or credit rating, that party would be in violation of these provisions, and the other party to the derivatives could terminate the transactions and demand immediate settlement and payment based on such party's reasonable valuation of the derivatives.

The following table presents the estimated fair value of the Company's OTC-bilateral derivatives that are in a net liability position after considering the effect of netting agreements, together with the estimated fair value and balance sheet location of the collateral pledged. The Company's collateral agreements require both parties to be fully collateralized, as such, the Company would not be required to post additional collateral as a result of a downgrade in its financial strength rating. OTC-bilateral derivatives that are not subject to collateral agreements are excluded from this table.

	December 31,	
	2015	2014
	(In millions)	
Estimated Fair Value of Derivatives in a Net Liability Position (1)	$148	$175
Estimated Fair Value of Collateral Provided:		
Fixed maturity securities	$179	$192
Cash	$ —	$ —

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

8. Derivatives (continued)

Embedded Derivatives

The Company issues certain products or purchases certain investments that contain embedded derivatives that are required to be separated from their host contracts and accounted for as freestanding derivatives. These host contracts principally include: variable annuities with guaranteed minimum benefits, including GMWBs, GMABs and certain GMIBs; affiliated ceded reinsurance of guaranteed minimum benefits related to GMWBs, GMABs and certain GMIBs; affiliated assumed reinsurance of guaranteed minimum benefits related to GMWBs and certain GMIBs; fixed annuities with equity indexed returns; and certain debt and equity securities.

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

	Balance Sheet Location	December 31, 2015	December 31, 2014
		(In millions)	
Embedded derivatives within asset host contracts:			
Ceded guaranteed minimum benefits	Premiums, reinsurance and other receivables	$566	$ 441
Funds withheld on assumed reinsurance	Other invested assets	35	53
Options embedded in debt or equity securities	Investments	(63)	(48)
Embedded derivatives within asset host contracts		$538	$ 446
Embedded derivatives within liability host contracts:			
Direct guaranteed minimum benefits	Policyholder account balances	$135	$(641)
Assumed guaranteed minimum benefits	Policyholder account balances	428	389
Other	Policyholder account balances	6	17
Embedded derivatives within liability host contracts		$569	$(235)

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

	Years Ended December 31, 2015	2014	2013
	(In millions)		
Net derivative gains (losses) (1), (2)	$(175)	$(450)	$5,361
Policyholder benefits and claims	$ 21	$ 87	$ (139)

(1) The valuation of direct and assumed guaranteed minimum benefits includes a nonperformance risk adjustment. The amounts included in net derivative gains (losses) in connection with this adjustment were $26 million, $62 million and ($1.0) billion for the years ended December 31, 2015, 2014 and 2013, respectively. In addition, the valuation of ceded guaranteed minimum benefits includes a nonperformance risk adjustment. The amounts included in net derivative gains (losses) in connection with this adjustment were ($5) million, ($4) million and $0 for the years ended December 31, 2015, 2014 and 2013, respectively.

(2) *See* Note 6 for discussion of affiliated net derivative gains (losses).

Related Party Freestanding Derivative Transactions

In November 2014, MetLife USA transferred derivatives to affiliates. The estimated fair value of freestanding derivative assets and liabilities transferred was $1.8 billion and $1.2 billion, respectively.

9. Fair Value

When developing estimated fair values, the Company considers three broad valuation techniques: (i) the market approach, (ii) the income approach, and (iii) the cost approach. The Company determines the most appropriate valuation technique to use, given what is being measured and the availability of sufficient inputs, giving priority to observable inputs. The Company categorizes its assets and liabilities measured at estimated fair value into a three-level hierarchy, based on the significant input with the lowest level in its valuation. The input levels are as follows:

Level 1	Unadjusted quoted prices in active markets for identical assets or liabilities. The Company defines active markets based on average trading volume for equity securities. The size of the bid/ask spread is used as an indicator of market activity for fixed maturity securities.
Level 2	Quoted prices in markets that are not active or inputs that are observable either directly or indirectly. These inputs can include quoted prices for similar assets or liabilities other than quoted prices in Level 1, quoted prices in markets that are not active, or other significant inputs that are observable or can be derived principally from or corroborated by observable market data for substantially the full term of the assets or liabilities.
Level 3	Unobservable inputs that are supported by little or no market activity and are significant to the determination of estimated fair value of the assets or liabilities. Unobservable inputs reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing the asset or liability.

Financial markets are susceptible to severe events evidenced by rapid depreciation in asset values accompanied by a reduction in asset liquidity. The Company's 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.

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

Brighthouse Financial, Inc. and Related Companies

Notes to the Combined Financial Statements — (continued)

9. Fair Value (continued)

Recurring Fair Value Measurements

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

	December 31, 2015			
	Fair Value Hierarchy			Total Estimated Fair Value
	Level 1	Level 2	Level 3	
	(In millions)			
Assets				
Fixed maturity securities:				
U.S. corporate	$ —	$ 19,513	$1,708	$ 21,221
U.S. government and agency	8,173	6,351	—	14,524
RMBS	—	8,579	1,365	9,944
Foreign corporate	—	5,010	777	5,787
ABS	—	3,892	452	4,344
State and political subdivision	—	3,618	13	3,631
CMBS	—	3,209	215	3,424
Foreign government	—	755	26	781
Total fixed maturity securities	8,173	50,927	4,556	63,656
Equity securities	44	316	97	457
Short-term investments (1)	74	1,703	47	1,824
Commercial mortgage loans held by CSEs — FVO	—	172	—	172
Loans to affiliates	—	1,178	—	1,178
Derivative assets: (2)				
Interest rate	2	2,445	8	2,455
Foreign currency exchange rate	—	229	—	229
Credit	—	12	1	13
Equity market	37	968	215	1,220
Total derivative assets	39	3,654	224	3,917
Embedded derivatives within asset host contracts (3)	—	—	601	601
Separate account assets (4)	624	113,677	146	114,447
Total assets	$8,954	$171,627	$5,671	$ 186,252
Liabilities				
Derivative liabilities: (2)				
Interest rate	$ —	$ 668	$ —	$ 668
Foreign currency exchange rate	—	4	—	4
Credit	—	1	—	1
Equity market	—	653	456	1,109
Total derivative liabilities	—	1,326	456	1,782
Embedded derivatives within liability host contracts (3)	—	—	569	569
Long-term debt of CSEs — FVO	—	48	—	48
Total liabilities	$ —	$ 1,374	$1,025	$ 2,399

Brighthouse Financial, Inc. and Related Companies

Notes to the Combined Financial Statements — (continued)

9. Fair Value (continued)

	December 31, 2014			
	Fair Value Hierarchy			Total Estimated Fair Value
	Level 1	Level 2	Level 3	
	(In millions)			
Assets				
Fixed maturity securities:				
U.S. corporate	$ —	$ 19,331	$1,686	$ 21,017
U.S. government and agency	10,450	5,958	—	16,408
RMBS	—	6,232	735	6,967
Foreign corporate	—	5,621	794	6,415
ABS	—	2,957	322	3,279
State and political subdivision	—	3,373	—	3,373
CMBS	—	2,522	183	2,705
Foreign government	—	770	—	770
Total fixed maturity securities	10,450	46,764	3,720	60,934
Equity securities	105	302	100	507
Short-term investments (1)	273	1,067	71	1,411
Commercial mortgage loans held by CSEs — FVO	—	280	—	280
Loans to affiliates	—	1,273	—	1,273
Derivative assets: (2)				
Interest rate	1	2,364	45	2,410
Foreign currency exchange rate	—	130	—	130
Credit	—	29	1	30
Equity market	34	770	216	1,020
Total derivative assets	35	3,293	262	3,590
Embedded derivatives within asset host contracts (3)	—	—	494	494
Separate account assets (4)	249	122,515	158	122,922
Total assets	$11,112	$175,494	$4,805	$ 191,411
Liabilities				
Derivative liabilities: (2)				
Interest rate	$ —	$ 689	$ —	$ 689
Foreign currency exchange rate	—	13	—	13
Credit	—	2	—	2
Equity market	—	657	458	1,115
Total derivative liabilities	—	1,361	458	1,819
Embedded derivatives within liability host contracts (3)	—	—	(235)	(235)
Long-term debt of CSEs — FVO	—	139	—	139
Total liabilities	$ —	$ 1,500	$ 223	$ 1,723

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

(2) Derivative assets are presented within other invested assets on the combined balance sheets and derivative liabilities are presented within other liabilities on the combined balance sheets. The amounts are presented

9. Fair Value (continued)

gross in the tables above to reflect the presentation on the combined balance sheets, but are presented net for purposes of the roll-forward in the Fair Value Measurements Using Significant Unobservable Inputs (Level 3) tables.

(3) Embedded derivatives within asset host contracts are presented within premiums, reinsurance and other receivables and other invested assets on the combined balance sheets. Embedded derivatives within liability host contracts are presented within policyholder account balances on the combined balance sheets. As of December 31, 2015 and 2014, debt and equity securities also included embedded derivatives of ($63) million and ($48) million, respectively.

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

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

Investments

Valuation Controls and Procedures

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

The Company reviews its valuation methodologies on an ongoing basis and revises those methodologies when necessary based on changing market conditions. Assurance is gained on the overall reasonableness and consistent application of input assumptions, valuation methodologies and compliance with fair value accounting standards through controls designed to ensure valuations represent an exit price. Several controls are utilized, 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 independent pricing services and ongoing due diligence to confirm that independent pricing services use market-based parameters. The process includes a determination of 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. The Company ensures that prices received from independent brokers, also referred to herein as "consensus pricing," represent a reasonable estimate of fair value by considering such pricing relative to the Company's knowledge of the current market dynamics and current pricing for similar financial instruments. While independent non-binding broker quotations are utilized, they are not used for a significant portion of the portfolio. For example, fixed maturity securities priced using independent non-binding broker quotations represent less than 1% of the

9. Fair Value (continued)

total estimated fair value of fixed maturity securities and 7% of the total estimated fair value of Level 3 fixed maturity securities as of December 31, 2015.

The Company also applies a formal process to challenge any prices received from independent pricing services that are not considered representative of estimated fair value. If prices received from independent pricing services are not considered reflective of market activity or representative of estimated fair value, independent non-binding broker quotations are obtained, or an internally developed valuation is prepared. Internally developed valuations of current estimated fair value, which reflect internal estimates of liquidity and nonperformance risks, compared with pricing received from the independent pricing services, did not produce material differences in the estimated fair values for the majority of the portfolio; accordingly, overrides were not material. This is, in part, because 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.

Securities, Short-term Investments, Loans to Affiliates and Long-term Debt of CSEs — FVO

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

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

The estimated fair value of loans to affiliates and long-term debt of CSEs — FVO is determined on a basis consistent with the methodologies described herein for securities.

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9. Fair Value (continued)

The valuation of most instruments listed below is determined using independent pricing sources, matrix pricing, discounted cash flow methodologies or other similar techniques that use either observable market inputs or unobservable inputs.

Instrument	Level 2 Observable Inputs	Level 3 Unobservable Inputs
Fixed Maturity Securities		
U.S. corporate and Foreign corporate securities		
	Valuation Techniques: Principally the market and income approaches.	Valuation Techniques: Principally the market approach.
	Key Inputs:	Key Inputs:

	• quoted prices in markets that are not active
	• benchmark yields; spreads off benchmark yields; new issuances; issuer rating
	• trades of identical or comparable securities; duration
	• Privately-placed securities are valued using the additional key inputs:
	  • market yield curve; call provisions
	  • observable prices and spreads for similar public or private securities that incorporate the credit quality and industry sector of the issuer
	  • delta spread adjustments to reflect specific credit-related issues
		• illiquidity premium
		• delta spread adjustments to reflect specific credit-related issues
		• credit spreads
		• quoted prices in markets that are not active for identical or similar securities that are less liquid and based on lower levels of trading activity than securities classified in Level 2
		• independent non-binding broker quotations

U.S. government and agency, State and political subdivision and Foreign government securities		
	Valuation Techniques: Principally the market approach. Key Inputs: • quoted prices in markets that are not active • benchmark U.S. Treasury yield or other yields • the spread off the U.S. Treasury yield curve for the identical security • issuer ratings and issuer spreads; broker-dealer quotes • comparable securities that are actively traded	Valuation Techniques: Principally the market approach. Key Inputs: • independent non-binding broker quotations • quoted prices in markets that are not active for identical or similar securities that are less liquid and based on lower levels of trading activity than securities classified in Level 2 • credit spreads

9. Fair Value (continued)

Instrument	Level 2 Observable Inputs	Level 3 Unobservable Inputs
Structured Securities		

	Valuation Techniques: Principally the market and income approaches.
	Key Inputs:
	• quoted prices in markets that are not active
	• spreads for actively traded securities; spreads off benchmark yields
	• expected prepayment speeds and volumes
	• current and forecasted loss severity; ratings; geographic region
	• weighted average coupon and weighted average maturity
	• average delinquency rates; debt-service coverage ratios
	• issuance-specific information, including, but not limited to:
	  • collateral type; structure of the security; vintage of the loans
	  • payment terms of the underlying assets
	  • payment priority within the tranche; deal performance
		Valuation Techniques: Principally the market and income approaches.
		Key Inputs:
		• credit spreads
		• quoted prices in markets that are not active for identical or similar securities that are less liquid and based on lower levels of trading activity than securities classified in Level 2
		• independent non-binding broker quotations

Equity Securities		
	Valuation Techniques: Principally the market approach. Key Input: • quoted prices in markets that are not considered active	Valuation Techniques: Principally the market and income approaches. Key Inputs: • credit ratings; issuance structures • quoted prices in markets that are not active for identical or similar securities that are less liquid and based on lower levels of trading activity than securities classified in Level 2 • independent non-binding broker quotations
Short-term investments and Loans to affiliates		
	• Short-term investments and loans to affiliates are of a similar nature and class to the fixed maturity and equity securities described above; accordingly, the valuation techniques and observable inputs used in their valuation are also similar to those described above.	• Short-term investments are of a similar nature and class to the fixed maturity and equity securities described above; accordingly, the valuation techniques and unobservable inputs used in their valuation are also similar to those described above.

9. Fair Value (continued)

Instrument	Level 2 Observable Inputs	Level 3 Unobservable Inputs
Commercial mortgage loans held by CSEs — FVO		
	Valuation Techniques: Principally the market approach. Key Input: • quoted securitization market price of the obligations of the CSEs determined principally by independent pricing services using observable inputs	• N/A
Separate Account Assets (1)		
Mutual funds without readily determinable fair values as prices are not published publicly		
	Key Input: • quoted prices or reported NAV provided by the fund managers	• N/A
Other limited partnership interests		
	• N/A	Valuation Techniques: Valued giving consideration to the underlying holdings of the partnerships and by applying a premium or discount, if appropriate. Key Inputs: • liquidity; bid/ask spreads; performance record of the fund manager • other relevant variables that may impact the exit value of the particular partnership interest

(1) Estimated fair value equals carrying value, based on the value of the underlying assets, including: mutual fund interests, fixed maturity securities, equity securities, derivatives, other limited partnership interests, short-term investments and cash and cash equivalents. Fixed maturity securities, equity securities, derivatives, short-term investments and cash and cash equivalents are similar in nature to the instruments described under "— Derivatives — Freestanding Derivatives."

Derivatives

The estimated fair value of derivatives is determined through the use of quoted market prices for exchange-traded derivatives, or through the use of pricing models for OTC-bilateral and OTC-cleared derivatives. The determination of estimated fair value, 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 such 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. The valuation controls and procedures for derivatives are described in "— Investments — Valuation Controls and Procedures."

9. Fair Value (continued)

The significant inputs to the pricing models for most OTC-bilateral and OTC-cleared derivatives are inputs that are observable in the market or can be derived principally from, or corroborated by, observable market data. Certain OTC-bilateral and OTC-cleared derivatives may rely on inputs that are significant to the estimated fair value that are not observable in the market or cannot be derived principally from, or corroborated by, observable market data. These unobservable inputs may involve significant management judgment or estimation. Even though unobservable, these inputs are based on assumptions deemed appropriate given the circumstances and management believes they are consistent with what other market participants would use when pricing such instruments.

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

The credit risk of both the counterparty and the Company are considered in determining the estimated fair value for all OTC-bilateral and OTC-cleared derivatives, and any potential credit adjustment is based on the net exposure by counterparty after taking into account the effects of netting agreements and collateral arrangements. The Company values its OTC-bilateral and OTC-cleared derivatives using standard swap curves which may include a spread to the risk-free rate, depending upon specific collateral arrangements. This credit spread is appropriate for those parties that execute trades at pricing levels consistent with similar collateral arrangements. As the Company and its significant derivative counterparties generally execute trades at such pricing levels and hold sufficient collateral, additional credit risk adjustments are not currently required in the valuation process. The Company's ability to consistently execute at such pricing levels is in part due to the netting agreements and collateral arrangements that are in place with all of its significant derivative counterparties. An evaluation of the requirement to make additional credit risk adjustments is performed by the Company each reporting period.

Freestanding Derivatives

Level 2 Valuation Techniques and Key Inputs:

This level includes all types of derivatives utilized by the Company with the exception of exchange-traded derivatives included within Level 1 and those derivatives with unobservable inputs as described in Level 3.

Level 3 Valuation Techniques and Key Inputs:

These valuation methodologies generally use the same inputs as described in the corresponding sections for Level 2 measurements of derivatives. However, these derivatives result in Level 3 classification because one or more of the significant inputs are not observable in the market or cannot be derived principally from, or corroborated by, observable market data.

9. Fair Value (continued)

Freestanding derivatives are principally valued using the income approach. Valuations of non-option-based derivatives utilize present value techniques, whereas valuations of option-based derivatives utilize option pricing models. Key inputs are as follows:

Instrument	Interest Rate	Foreign Currency Exchange Rate	Credit	Equity Market
Inputs common to Level 2 and Level 3 by instrument type	• swap yield curve • basis curves • interest rate volatility (1)	• swap yield curve • basis curves • currency spot rates • cross currency basis curves	• swap yield curve • credit curves • recovery rates	• swap yield curve • spot equity index levels • dividend yield curves • equity volatility (1)
Level 3	• swap yield curve (2) • basis curves (2)	• N/A	• swap yield curve (2) • credit curves (2) • credit spreads • repurchase rates • independent non-binding broker quotations	• dividend yield curves (2) • equity volatility (1), (2) • correlation between model inputs (1)

(1) Option-based only.
(2) Extrapolation beyond the observable limits of the curve(s).

Embedded Derivatives

Embedded derivatives principally include certain direct, assumed and ceded variable annuity guarantees, equity or bond indexed crediting rates within certain annuity contracts, and those related to funds withheld on ceded reinsurance agreements. Embedded derivatives are recorded at estimated fair value with changes in estimated fair value reported in net income.

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

The Company's actuarial department calculates the fair value of these embedded derivatives, which are estimated as the present value of projected future benefits minus the present value of projected future fees using actuarial and capital market assumptions including expectations concerning policyholder behavior. The calculation is based on in-force business, and is performed using standard actuarial valuation software which projects future cash flows from the embedded derivative over multiple risk neutral stochastic scenarios using observable risk-free rates.

Brighthouse Financial, Inc. and Related Companies

Notes to the Combined Financial Statements — (continued)

9. Fair Value (continued)

Capital market assumptions, such as risk-free rates and implied volatilities, are based on market prices for publicly traded instruments to the extent that prices for such instruments are observable. Implied volatilities beyond the observable period are extrapolated based on observable implied volatilities and historical volatilities. Actuarial assumptions, including mortality, lapse, withdrawal and utilization, are unobservable and are reviewed at least annually based on actuarial studies of historical experience.

The valuation of these guarantee liabilities includes nonperformance risk adjustments and adjustments for a risk margin related to non-capital market inputs. The nonperformance adjustment 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 of such actuarial assumptions as annuitization, premium persistency, partial withdrawal and surrenders. 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. These guarantees 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 nonperformance risk; and 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.

The Company assumed from an affiliated insurance company the risk associated with certain GMIBs. These embedded derivatives are included in policyholder account balances on the combined balance sheets with changes in estimated fair value reported in net derivative gains (losses). The value of the embedded derivatives on these assumed risks is determined using a methodology consistent with that described previously for the guarantees directly written by the Company.

The Company ceded to an affiliate the risk associated with certain of the GMIBs, GMABs and GMWBs described above that are also accounted for as embedded derivatives. In addition to ceding risks associated with guarantees that are accounted for as embedded derivatives, the Company also cedes, to an affiliated company, certain directly written GMIBs that are accounted for as insurance (i.e., not as embedded derivatives), but where the reinsurance agreement contains an embedded derivative. These embedded derivatives are included within premiums, reinsurance and other receivables on the combined balance sheets with changes in estimated fair value reported in net derivative gains (losses). 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 the Company with the exception of the input for nonperformance risk that reflects the credit of the reinsurer.

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

9. Fair Value (continued)

The Company issues certain annuity contracts which allow the policyholder to participate in returns from equity indices. These equity indexed features are embedded derivatives which are measured at estimated fair value separately from the host fixed annuity contract, with changes in estimated fair value reported in net derivative gains (losses). These embedded derivatives are classified within policyholder account balances on the combined balance sheets.

The estimated fair value of the embedded equity indexed derivatives, based on the present value of future equity returns to the policyholder using actuarial and present value assumptions including expectations concerning policyholder behavior, is calculated by the Company's actuarial department. The calculation is based on in-force business and uses standard capital market techniques, such as Black-Scholes, to calculate the value of the portion of the embedded derivative for which the terms are set. The portion of the embedded derivative covering the period beyond where terms are set is calculated as the present value of amounts expected to be spent to provide equity indexed returns in those periods. The valuation of these embedded derivatives also includes the establishment of a risk margin, as well as changes in nonperformance risk.

Embedded Derivatives Within Asset and Liability Host Contracts

Level 3 Valuation Techniques and Key Inputs:

Direct and assumed guaranteed minimum benefits

These embedded derivatives are principally valued using the income approach. Valuations are based on option pricing techniques, which utilize significant inputs that may include swap yield curves, currency exchange rates and implied volatilities. These embedded derivatives result in Level 3 classification because one or more of the significant inputs are not observable in the market or cannot be derived principally from, or corroborated by, observable market data. Significant unobservable inputs generally include: the extrapolation beyond observable limits of the swap yield curves and implied volatilities, actuarial assumptions for policyholder behavior and mortality and the potential variability in policyholder behavior and mortality, nonperformance risk and cost of capital for purposes of calculating the risk margin.

Reinsurance ceded on certain guaranteed minimum benefits

These embedded derivatives are principally valued using the income approach. The valuation techniques and significant market standard unobservable inputs used in their valuation are similar to those described above in "— Direct and assumed guaranteed minimum benefits" and also include counterparty credit spreads.

Transfers between Levels

Overall, transfers between levels occur when there are changes in the observability of inputs and market activity. Transfers into or out of any level are assumed to occur at the beginning of the period.

Transfers between Levels 1 and 2:

For assets and liabilities measured at estimated fair value and still held as of December 31, 2015 and 2014, transfers between Levels 1 and 2 were not significant.

Transfers into or out of Level 3:

Assets and liabilities are transferred into Level 3 when a significant input cannot be corroborated with market observable data. This occurs when market activity decreases significantly and underlying inputs cannot

Brighthouse Financial, Inc. and Related Companies

Notes to the Combined Financial Statements — (continued)

9. Fair Value (continued)

be observed, current prices are not available, and/or when there are significant variances in quoted prices, thereby affecting transparency. Assets and liabilities are transferred out of Level 3 when circumstances change such that a significant input can be corroborated with market observable data. This may be due to a significant increase in market activity, a specific event, or one or more significant input(s) becoming observable.

Assets and Liabilities Measured at Fair Value Using Significant Unobservable Inputs (Level 3)

The following table presents certain quantitative information about the significant unobservable inputs used in the fair value measurement, and the sensitivity of the estimated fair value to changes in those inputs, for the more significant asset and liability classes measured at fair value on a recurring basis using significant unobservable inputs (Level 3) as of:

			December 31, 2015		December 31, 2014		Impact of
	Valuation Techniques	Significant Unobservable Inputs	Range	Weighted Average (1)	Range	Weighted Average (1)	Increase in Input on Estimated Fair Value (2)
Fixed maturity securities (3)							
U.S. corporate and foreign corporate	• Matrix pricing	• Delta spread adjustments (4)	(65) - 240	48	(35) - 240	51	Decrease
	• Market pricing	• Quoted prices (5)	13 - 780	278	— - 750	347	Increase
	• Consensus pricing	• Offered quotes (5)	68 - 100	86	78 - 103	90	Increase
RMBS	• Market pricing	• Quoted prices (5)	29 - 292	93	66 - 108	97	Increase (6)
ABS	• Market pricing	• Quoted prices (5)	97 - 103	100	97 - 108	101	Increase (6)
	• Consensus pricing	• Offered quotes (5)	66 - 105	99	62 - 106	99	Increase (6)
CMBS	• Market pricing	• Quoted prices (5)	60 - 104	103	57 - 112	105	Increase (6)
Derivatives							
Interest rate	• Present value techniques	• Swap yield (7)	317 - 317		278 - 297		Increase (8)
Credit	• Present value techniques	• Credit spreads (9)	— - —		99 - 99		Decrease (9)
	• Consensus pricing	• Offered quotes (10)					
Equity market	• Present value techniques or option pricing models	• Volatility (11)	17% - 36%		15% - 27%		Increase (8)
		• Correlation (12)	70% - 70%		70% - 70%		
Embedded derivatives							
Direct, assumed and ceded guaranteed minimum benefits	• Option pricing techniques	• Mortality rates:					
		Ages 0 - 40	0% - 0.09%		0% - 0.10%		Decrease (13)
		Ages 41 - 60	0.04% - 0.65%		0.04% - 0.65%		Decrease (13)
		Ages 61 - 115	0.26% - 100%		0.26% - 100%		Decrease (13)
		• Lapse rates:					
		Durations 1 - 10	0.25% - 100%		0.50% - 100%		Decrease (14)
		Durations 11 - 20	3% - 100%		3% - 100%		Decrease (14)
		Durations 21 - 116	3% - 100%		3% - 100%		Decrease (14)
		• Utilization rates	0% - 25%		20% - 50%		Increase (15)
		• Withdrawal rates	0.25% - 10%		0.07% - 10%		(16)
		• Long-term equity volatilities	17.40% - 25%		17.40% - 25%		Increase (17)
		• Nonperformance risk spread	0.04% - 0.52%		0.03% - 1.39%		Decrease (18)

(1) The weighted average for fixed maturity securities is determined based on the estimated fair value of the securities.

(2) The impact of a decrease in input would have the opposite impact on estimated fair value. For embedded derivatives, changes to direct and assumed guaranteed minimum benefits are based on liability positions; changes to ceded guaranteed minimum benefits are based on asset positions.

Brighthouse Financial, Inc. and Related Companies

Notes to the Combined Financial Statements — (continued)

9. Fair Value (continued)

(3) Significant increases (decreases) in expected default rates in isolation would result in substantially lower (higher) valuations.
(4) Range and weighted average are presented in basis points.
(5) Range and weighted average are presented in accordance with the market convention for fixed maturity securities of dollars per hundred dollars of par.
(6) Changes in the assumptions used for the probability of default is accompanied by a directionally similar change in the assumption used for the loss severity and a directionally opposite change in the assumptions used for prepayment rates.
(7) Ranges represent the rates across different yield curves and are presented in basis points. The swap yield curves are utilized among different types of derivatives to project cash flows, as well as to discount future cash flows to present value. Since this valuation methodology uses a range of inputs across a yield curve to value the derivative, presenting a range is more representative of the unobservable input used in the valuation.
(8) Changes in estimated fair value are based on long U.S. dollar net asset positions and will be inversely impacted for short U.S. dollar net asset positions.
(9) Represents the risk quoted in basis points of a credit default event on the underlying instrument. Credit derivatives with significant unobservable inputs are primarily comprised of written credit default swaps.
(10) As of both December 31, 2015 and 2014, independent non-binding broker quotations were used in the determination of less than 1% of the total net derivative estimated fair value.
(11) Ranges represent the underlying equity volatility quoted in percentage points. Since this valuation methodology uses a range of inputs across multiple volatility surfaces to value the derivative, presenting a range is more representative of the unobservable input used in the valuation.
(12) Ranges represent the different correlation factors utilized as components within the valuation methodology. Presenting a range of correlation factors is more representative of the unobservable input used in the valuation. Increases (decreases) in correlation in isolation will increase (decrease) the significance of the change in valuations.
(13) Mortality rates vary by age and by demographic characteristics such as gender. Mortality rate assumptions are based on company experience. A mortality improvement assumption is also applied. For any given contract, mortality rates vary throughout the period over which cash flows are projected for purposes of valuing the embedded derivative.
(14) Base lapse rates are adjusted at the contract level based on a comparison of the actuarially calculated guaranteed values and the current policyholder account value, as well as other factors, such as the applicability of any surrender charges. A dynamic lapse function reduces the base lapse rate when the guaranteed amount is greater than the account value as in the money contracts are less likely to lapse. Lapse rates are also generally assumed to be lower in periods when a surrender charge applies. For any given contract, lapse rates vary throughout the period over which cash flows are projected for purposes of valuing the embedded derivative.
(15) The utilization rate assumption estimates the percentage of contract holders with a GMIB or lifetime withdrawal benefit who will elect to utilize the benefit upon becoming eligible. The rates may vary by the type of guarantee, the amount by which the guaranteed amount is greater than the account value, the contract's withdrawal history and by the age of the policyholder. For any given contract, utilization rates vary throughout the period over which cash flows are projected for purposes of valuing the embedded derivative.
(16) The withdrawal rate represents the percentage of account balance that any given policyholder will elect to withdraw from the contract each year. The withdrawal rate assumption varies by age and duration of the contract, and also by other factors such as benefit type. For any given contract, withdrawal rates vary throughout the period over which cash flows are projected for purposes of valuing the embedded derivative. For GMWBs, any increase (decrease) in withdrawal rates results in an increase (decrease) in the estimated fair value of the guarantees. For GMABs and GMIBs, any increase (decrease) in withdrawal rates results in a decrease (increase) in the estimated fair value.
(17) Long-term equity volatilities represent equity volatility beyond the period for which observable equity volatilities are available. For any given contract, long-term equity volatility rates vary throughout the period over which cash flows are projected for purposes of valuing the embedded derivative.
(18) Nonperformance risk spread varies by duration and by currency. For any given contract, multiple nonperformance risk spreads will apply, depending on the duration of the cash flow being discounted for purposes of valuing the embedded derivative.

The following is a summary of the valuation techniques and significant unobservable inputs used in the fair value measurement of assets and liabilities classified within Level 3 that are not included in the preceding table. Generally, all other classes of securities classified within Level 3, including those within separate account assets and embedded derivatives within funds withheld related to certain assumed reinsurance, use the same valuation techniques and significant unobservable inputs as previously described for Level 3 securities. This includes matrix pricing and discounted cash flow methodologies, inputs such as quoted prices for identical or similar securities that are less liquid and based on lower levels of trading activity than securities classified in Level 2, as well as independent non-binding broker quotations. The sensitivity of the estimated fair value to changes in the significant unobservable inputs for these other assets and liabilities is similar in nature to that described in the preceding table. The valuation techniques and significant unobservble inputs used in the fair value measurement

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9. Fair Value (continued)

for the more significant assets measured at estimated fair value on a nonrecurring basis and determined using significant unobservable inputs (Level 3) are summarized in "— Nonrecurring Fair Value Measurements."

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

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)								
	Fixed Maturity Securities								
	Corporate (1)	Structured	State and Political Subdivision	Foreign Government	Equity Securities	Short-term Investments	Net Derivatives (2)	Net Embedded Derivatives (3)	Separate Account Assets (4)
	(In millions)								
Balance, January 1, 2014	$ 2,290	$ 1,678	$ —	$ —	$ 131	$ —	$ (292)	$ 767	$ 153
Total realized/unrealized gains (losses) included in net income (loss) (5)	2	10	—	—	(2)	—	(4)	(343)	(1)
Total realized/unrealized gains (losses) included in AOCI	72	13	—	—	7	—	57	107	—
Purchases (7)	397	648	—	—	—	71	4	—	12
Sales (7)	(220)	(354)	—	—	(24)	—	—	—	(9)
Issuances (7)	—	—	—	—	—	—	—	—	—
Settlements (7)	—	—	—	—	—	—	39	198	—
Transfers into Level 3 (8)	175	26	—	—	6	—	—	—	3
Transfers out of Level 3 (8)	(236)	(781)	—	—	(18)	—	—	—	—
Balance, December 31, 2014	2,480	1,240	—	—	100	71	(196)	729	158
Total realized/unrealized gains (losses) included in net income (loss) (5)	16	22	—	—	11	—	(74)	(133)	(6)
Total realized/unrealized gains (losses) included in AOCI	(123)	(14)	—	(3)	(10)	—	2	—	—
Purchases (7)	406	1,353	13	29	—	47	22	—	3
Sales (7)	(192)	(367)	—	—	(16)	—	—	—	(5)
Issuances (7)	—	—	—	—	—	—	—	—	—
Settlements (7)	—	—	—	—	—	—	14	(564)	—
Transfers into Level 3 (8)	207	31	—	—	19	—	—	—	—
Transfers out of Level 3 (8)	(309)	(233)	—	—	(7)	(71)	—	—	(4)
Balance, December 31, 2015	$ 2,485	$ 2,032	$ 13	$ 26	$ 97	$ 47	$ (232)	$ 32	$ 146
Changes in unrealized gains (losses) included in net income (loss) for the instruments still held as of December 31, 2013 (9)	$ 5	$ 2	$ —	$ —	$ (5)	$ —	$ (443)	$ 5,376	$ —
Changes in unrealized gains (losses) included in net income (loss) for the instruments still held as of December 31, 2014 (9)	$ 2	$ 6	$ —	$ —	$ (1)	$ —	$ (7)	$ (308)	$ —

Brighthouse Financial, Inc. and Related Companies

Notes to the Combined Financial Statements — (continued)

9. Fair Value (continued)

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)								
	Fixed Maturity Securities								
	Corporate (1)	Structured	State and Political Subdivision	Foreign Government	Equity Securities	Short-term Investments	Net Derivatives (2)	Net Embedded Derivatives (3)	Separate Account Assets (4)
					(In millions)				
Changes in unrealized gains (losses) included in net income (loss) for the instruments still held as of December 31, 2015 (9)	$ 11	$ 21	$ —	$ —	$ —	$ —	$ (64)	$ (248)	$ —
Gains (Losses) Data for the year ended December 31, 2013									
Total realized/unrealized gains (losses) included in net income (loss) (5)	$ 1	$ 4	$ —	$ —	$ 8	$ —	$ (466)	$ 5,208	$ 6
Total realized/unrealized gains (losses) included in AOCI	$ (41)	$ (4)	$ —	$ —	$ 21	$ —	$ (58)	$ 292	$ —

(1) Comprised of U.S. and foreign corporate securities.
(2) Freestanding derivative assets and liabilities are presented net for purposes of the roll-forward.
(3) Embedded derivative assets and liabilities are presented net for purposes of the roll-forward.
(4) Investment performance related to separate account assets is fully offset by corresponding amounts credited to contract holders within separate account liabilities. Therefore, such changes in estimated fair value are not recorded in net income (loss). For the purpose of this disclosure, these changes are presented within net investment gains (losses).
(5) Amortization of premium/accretion of discount is included within net investment income. Impairments charged to net income (loss) on securities are included in net investment gains (losses). Lapses associated with net embedded derivatives are included in net derivative gains (losses). Substantially all realized/unrealized gains (losses) included in net income (loss) for net derivatives and net embedded derivatives are reported in net derivatives gains (losses).
(6) Interest and dividend accruals, as well as cash interest coupons and dividends received, are excluded from the roll-forward.
(7) Items purchased/issued and then sold/settled in the same period are excluded from the roll-forward. Fees attributed to embedded derivatives are included in settlements.
(8) Gains and losses, in net income (loss) and OCI, are calculated assuming transfers into and/or out of Level 3 occurred at the beginning of the period. Items transferred into and then out of Level 3 in the same period are excluded from the roll-forward.
(9) Changes in unrealized gains (losses) included in net income (loss) relate to assets and liabilities still held at the end of the respective periods. Substantially all changes in unrealized gains (losses) included in net income (loss) for net derivatives and net embedded derivatives are reported in net derivative gains (losses).

Fair Value Option

The following table presents information for certain assets and liabilities of CSEs, which are accounted for under the FVO. These assets and liabilities were initially measured at fair value.

	December 31,	
	2015	2014
	(In millions)	
Assets (1)		
Unpaid principal balance	$121	$223
Difference between estimated fair value and unpaid principal balance	51	57
Carrying value at estimated fair value	$172	$280
Liabilities (1)		
Contractual principal balance	$ 46	$133
Difference between estimated fair value and contractual principal balance	2	6
Carrying value at estimated fair value	$ 48	$139

9. Fair Value (continued)

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

Nonrecurring Fair Value Measurements

The following table presents information for assets measured at estimated fair value on a nonrecurring basis during the periods and still held as of the reporting dates (for example, when there is evidence of impairment). The estimated fair values for these assets were determined using significant unobservable inputs (Level 3).

	As of December 31,			Years Ended December 31,		
	2015	2014	2013	2015	2014	2013
	Carrying Value After Measurement			Gains (Losses)		
	(In millions)					
Mortgage loans (1)	$ 3	$ 3	$ 19	$ —	$ —	$ (3)
Other limited partnership interests (2)	$ 2	$ 38	$ 5	$ (1)	$ (6)	$ (6)

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

(2) For these cost method investments, estimated fair value is determined from information provided on the financial statements of the underlying entities including NAV data. These investments include private equity and debt funds that typically invest primarily in various strategies including domestic and international leveraged buyout funds; power, energy, timber and infrastructure development funds; venture capital funds; and below investment grade debt and mezzanine debt funds. Distributions will be generated from investment gains, from operating income from the underlying investments of the funds and from liquidation of the underlying assets of the funds. It is estimated that the underlying assets of the funds will be liquidated over the next two to 10 years. Unfunded commitments for these investments as of both December 31, 2015 and 2014 were not significant.

Fair Value of Financial Instruments Carried at Other Than Fair Value

The following tables provide fair value information for financial instruments that are carried on the balance sheet at amounts other than fair value. These tables exclude the following financial instruments: cash and cash equivalents, accrued investment income, payables for collateral under securities loaned and other transactions and those short-term investments that are not securities, such as time deposits, and therefore are not included in the three level hierarchy table disclosed in the "— Recurring Fair Value Measurements" section. The estimated fair value of the excluded financial instruments, which are primarily classified in Level 2, approximates carrying value as they are short-term in nature such that the Company believes there is minimal risk of material changes in interest rates or credit quality. All remaining balance sheet amounts excluded from the tables below are not considered financial instruments subject to this disclosure.

Brighthouse Financial, Inc. and Related Companies

Notes to the Combined Financial Statements — (continued)

9. Fair Value (continued)

The carrying values and estimated fair values for such financial instruments, and their corresponding placement in the fair value hierarchy, are summarized as follows as of:

	December 31, 2015				
		Fair Value Hierarchy			
	Carrying Value	Level 1	Level 2	Level 3	Total Estimated Fair Value
	(In millions)				
Assets					
Mortgage loans	$ 7,352	$ —	$ —	$ 7,661	$ 7,661
Policy loans	$ 1,692	$ —	$ 950	$ 985	$ 1,935
Real estate joint ventures	$ 23	$ —	$ —	$ 65	$ 65
Other limited partnership interests	$ 52	$ —	$ —	$ 57	$ 57
Premiums, reinsurance and other receivables	$ 7,037	$ —	$ 84	$ 7,937	$ 8,021
Liabilities					
Policyholder account balances	$20,418	$ —	$ —	$21,893	$ 21,893
Long-term debt	$ 1,888	$ —	$2,320	$ —	$ 2,320
Collateral financing arrangement	$ 2,797	$ —	$ —	$ 2,797	$ 2,797
Other liabilities	$ 301	$ —	$ 81	$ 220	$ 301
Separate account liabilities	$ 1,283	$ —	$1,283	$ —	$ 1,283

	December 31, 2014				
		Fair Value Hierarchy			
	Carrying Value	Level 1	Level 2	Level 3	Total Estimated Fair Value
	(In millions)				
Assets					
Mortgage loans	$ 5,812	$ —	$ —	$ 6,291	$ 6,291
Policy loans	$ 1,615	$ —	$ 862	$ 1,030	$ 1,892
Real estate joint ventures	$ 37	$ —	$ —	$ 83	$ 83
Other limited partnership interests	$ 63	$ —	$ —	$ 81	$ 81
Premiums, reinsurance and other receivables	$ 7,258	$ —	$ 55	$ 8,075	$ 8,130
Liabilities					
Policyholder account balances	$22,036	$ —	$ —	$23,683	$ 23,683
Long-term debt	$ 1,889	$ —	$2,447	$ —	$ 2,447
Collateral financing arrangement	$ 2,797	$ —	$ —	$ 2,797	$ 2,797
Other liabilities	$ 384	$ —	$ 170	$ 214	$ 384
Separate account liabilities	$ 1,435	$ —	$1,435	$ —	$ 1,435

The methods, assumptions and significant valuation techniques and inputs used to estimate the fair value of financial instruments are summarized as follows:

Mortgage Loans

The estimated fair value of mortgage loans is primarily determined by estimating expected future cash flows and discounting them using current interest rates for similar mortgage loans with similar credit risk, or is determined from pricing for similar loans.

9. Fair Value (continued)

Policy Loans

Policy loans with fixed interest rates are classified within Level 3. The estimated fair values for these loans are determined using a discounted cash flow model applied to groups of similar policy loans determined by the nature of the underlying insurance liabilities. Cash flow estimates are developed by applying a weighted-average interest rate to the outstanding principal balance of the respective group of policy loans and an estimated average maturity determined through experience studies of the past performance of policyholder repayment behavior for similar loans. These cash flows are discounted using current risk-free interest rates with no adjustment for borrower credit risk, as these loans are fully collateralized by the cash surrender value of the underlying insurance policy. Policy loans with variable interest rates are classified within Level 2 and the estimated fair value approximates carrying value due to the absence of borrower credit risk and the short time period between interest rate resets, which presents minimal risk of a material change in estimated fair value due to changes in market interest rates.

Real Estate Joint Ventures and Other Limited Partnership Interests

The estimated fair values of these cost method investments are generally based on the Company's share of the NAV as provided on the financial statements of the investees. In certain circumstances, management may adjust the NAV by a premium or discount when it has sufficient evidence to support applying such adjustments.

Premiums, Reinsurance and Other Receivables

Premiums, reinsurance and other receivables are principally comprised of certain amounts recoverable under reinsurance agreements, amounts on deposit with financial institutions to facilitate daily settlements related to certain derivatives and amounts receivable for securities sold but not yet settled.

Amounts recoverable under ceded reinsurance agreements, which the Company has determined do not transfer significant risk such that they are accounted for using the deposit method of accounting, have been classified as Level 3. The valuation is based on discounted cash flow methodologies using significant unobservable inputs. The estimated fair value is determined using interest rates determined to reflect the appropriate credit standing of the assuming counterparty.

The amounts on deposit for derivative settlements, classified within Level 2, essentially represent the equivalent of demand deposit balances and amounts due for securities sold are generally received over short periods such that the estimated fair value approximates carrying value.

Policyholder Account Balances

These policyholder account balances include investment contracts which primarily include certain funding agreements, fixed deferred annuities, modified guaranteed annuities, fixed term payout annuities and total control accounts. The valuation of these investment contracts is based on discounted cash flow methodologies using significant unobservable inputs. The estimated fair value is determined using current market risk-free interest rates adding a spread to reflect the nonperformance risk in the liability.

Long-term Debt and Collateral Financing Arrangement

The estimated fair values of long-term debt and collateral financing arrangement are principally determined using market standard valuation methodologies. Valuations of instruments classified as Level 2 are based

9. Fair Value (continued)

primarily on quoted prices in markets that are not active or using matrix pricing that use standard market observable inputs such as quoted prices in markets that are not active and observable yields and spreads in the market. Instruments valued using discounted cash flow methodologies use standard market observable inputs including market yield curve, duration, observable prices and spreads for similar publicly traded or privately traded issues.

Valuations of instruments classified as Level 3 are based primarily on discounted cash flow methodologies that utilize unobservable discount rates that can vary significantly based upon the specific terms of each individual arrangement. The determination of estimated fair value of collateral financing arrangement incorporates valuations obtained from the counterparties to the arrangement, as part of the collateral management process.

Other Liabilities

Other liabilities consist primarily of interest payable, amounts due for securities purchased but not yet settled and funds withheld amounts payable, which are contractually withheld by the Company in accordance with the terms of the reinsurance agreements. The Company evaluates the specific terms, facts and circumstances of each instrument to determine the appropriate estimated fair values, which are not materially different from the carrying values.

Separate Account Liabilities

Separate account liabilities represent those balances due to policyholders under contracts that are classified as investment contracts.

Separate account liabilities classified as investment contracts primarily represent variable annuities with no significant mortality risk to the Company such that the death benefit is equal to the account balance and certain contracts that provide for benefit funding.

Since separate account liabilities are fully funded by cash flows from the separate account assets which are recognized at estimated fair value as described in the section "— Recurring Fair Value Measurements," the value of those assets approximates the estimated fair value of the related separate account liabilities. The valuation techniques and inputs for separate account liabilities are similar to those described for separate account assets.

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10. Goodwill

Information regarding goodwill by segment was as follows:

	Annuities	Life	Run-off	Total
		(In millions)		
Balance as of January 1, 2013				
Goodwill	$ 1,187	$ 376	$ 214	$ 1,777
Accumulated impairment	(1,187)	(376)	—	(1,563)
Total goodwill, net	—	—	214	214
Balance as of December 31, 2013				
Goodwill	1,187	376	214	1,777
Accumulated impairment	(1,187)	(376)	—	(1,563)
Total goodwill, net	—	—	214	214
Dispositions (1)	—	—	(53)	(53)
Balance as of December 31, 2014				
Goodwill	1,187	376	161	1,724
Accumulated impairment	(1,187)	(376)	—	(1,563)
Total goodwill, net	—	—	161	161
Balance as of December 31, 2015				
Goodwill	1,187	376	161	1,724
Accumulated impairment	(1,187)	(376)	—	(1,563)
Total goodwill, net	$ —	$ —	$ 161	$ 161

(1) In connection with the sale of MAL, goodwill in the Run-off reporting unit was reduced by $53 million during the year ended December 31, 2014. *See* Note 3.

11. Debt

Long-term debt outstanding was as follows:

	Interest Rate	Maturity	December 31, 2015	December 31, 2014
		(Dollars in millions)		
Surplus notes — affiliated with MetLife Capital Trust X	8.595%	2038	$ 750	$ 750
Surplus note — affiliated with MetLife, Inc.	5.130%	2032	750	750
Surplus note — affiliated with MetLife, Inc.	6.000%	2033	350	350
Long-term debt — unaffiliated (1)	7.028%	2030	38	39
Total long-term debt (2)			$1,888	$1,889

(1) Principal and interest is paid quarterly.

(2) Excludes $48 million and $139 million of long-term debt relating to CSEs as of December 31, 2015 and 2014, respectively. *See* Note 7.

In December 2014, MetLife USA repaid in cash at maturity its $75 million 6.798% affiliated note due to MetLife Credit Corporation.

The aggregate maturities of long-term debt as of December 31, 2015 were $1 million in 2016, $1 million in 2017, $2 million in each of 2018, 2019 and 2020 and $1.9 billion thereafter.

Brighthouse Financial, Inc. and Related Companies

Notes to the Combined Financial Statements — (continued)

11. Debt (continued)

Interest expense related to the Company's indebtedness is included in other expenses and was $134 million, $138 million and $116 million for the years ended December 31, 2015, 2014 and 2013, respectively. *See* Notes 7 and 12 for information about the MRSC collateral financing arrangement.

Certain of the Company's debt instruments and committed facilities contain financial covenants. The Company is not aware of any non-compliance with these financial covenants as of December 31, 2015.

Affiliated Surplus Notes

MetLife USA

In 2008, MetLife USA issued $750 million, 8.595% surplus notes to an affiliated trust, MetLife Capital Trust X. The affiliated trust issued $750 million, 9.250% fixed-to-floating rate exchangeable surplus trust securities to third-party investors. The exchangeable surplus trust securities will be exchanged for $750 million of MetLife, Inc. 9.250% fixed-to-floating rate junior subordinated debentures on the scheduled redemption date in 2038, mandatorily under certain circumstances, and at any time upon MetLife, Inc.'s option. If the MetLife, Inc. junior subordinated debentures are not redeemed on the scheduled redemption date in 2038, interest will accrue on such securities at the rate of three-month LIBOR plus 5.540% until repaid, through the final maturity date in 2068. Pursuant to the related financing agreements, MetLife, Inc. pays the 0.655% differential between the 8.595% MetLife USA pays to MetLife, Inc. on the surplus notes and the 9.250% MetLife, Inc. pays to the third-party investors on the exchangeable surplus trust securities, which totaled $5 million in each of the years ended December 31, 2015, 2014 and 2013. Interest expense at 9.250% has been recorded in these combined financial statements, which is included in other expenses.

MRD

Certain reserves associated with business reinsured by MRD were secured with long-term financing involving the exchange of notes between MRD and MetLife, Inc.

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 5.130%, payable semi-annually. Simultaneously, in exchange for the surplus note, MetLife, Inc. issued a $750 million senior note to MRD due September 2032, which is included in other invested assets. The senior note bears interest at a fixed rate of 4.210%, payable semi-annually. *See* Note 7.

In December 2013, MRD issued a $350 million surplus note to MetLife, Inc. due December 2033. The surplus note bears interest at a fixed rate of 6.000%, payable semi-annually. Simultaneously, in exchange for the surplus note, MetLife, Inc. issued a $350 million senior note to MRD due December 2033, which is included in other invested assets. The senior note bears interest at a fixed rate of 5.100%, payable semi-annually. *See* Note 7.

Payments of interest and principal on these affiliated surplus notes, which are subordinate to all other obligations, may be made only with the prior approval of the Delaware Commissioner of Insurance (the "*Delaware Commissioner*").

Letters of Credit

The Company had access to an unsecured credit facility and certain committed facilities from various banks, either directly with the bank or indirectly through letters of credit available to MetLife, Inc. for the benefit of the

Table of Contents

11. Debt (continued)

Company and certain other affiliates of MetLife, Inc. These facilities were used for collateral for certain of the Company's affiliated reinsurance liabilities. Total fees associated with letters of credit and committed facilities utilized by the Company was $61 million, $73 million and $97 million for the years ended December 31, 2015, 2014 and 2013, respectively, and was included in other expenses. *See also* "Shareholder's Net Investment —Capital Contributions Transactions" in Note 13 for capital contributions from MetLife, Inc. related to letter of credit fees. As of December 31, 2015, the Company had $3.6 billion in letters of credit outstanding.

Account Party/Borrower(s)	Expiration	Maximum Capacity	Used by the Company	Used by Affiliates	Drawdowns	Unused Commitments
				(In millions)		
MetLife, Inc. and MetLife Funding, Inc.	May 2019 (1)	$ 4,000	$ —	$ 484	$ —	$ 3,516
MetLife, Inc.	June 2018 (2)	425	200	225	—	—
MRSC and MetLife, Inc.	June 2037 (3)	3,500	—	—	2,797	703
MRV Cell and MetLife, Inc.	September 2038 (4)	4,250	3,357	—	—	893
Total		$ 12,175	$ 3,557	$ 709	$ 2,797	$ 5,112

(1) All borrowings under this unsecured credit facility must be repaid by May 30, 2019, except that letters of credit outstanding on that date may remain outstanding until no later than May 30, 2020.

(2) Capacity as of December 31, 2015 of $425 million decreases in June 2017, March 2018 and June 2018 to $395 million, $200 million and $0, respectively.

(3) Capacity of $3.5 billion through maturity in June 2037, after which it is reduced to $0. The drawdown on this facility is associated with the MRSC collateral financing arrangement described in Note 12 and is recorded as a liability by MetLife, Inc. This liability has been attributed to MRSC and has been recorded in the combined balance sheets.

(4) Capacity as of December 31, 2015 of $4.3 billion decreases periodically commencing in April 2028 to $3.1 billion in September 2038, and decreases to $0 upon maturity in September 2038. Unused commitment of $893 million is based on maximum capacity. MRV Cell is responsible only for reimbursement obligations relating to $2.9 billion of the $3.4 billion of letters of credit outstanding as of December 31, 2015. MetLife, Inc. is responsible only for reimbursement obligations relating to the remaining letters of credit outstanding as of such date.

12. Collateral Financing Arrangement

In 2007, MetLife, Inc. and MRSC entered into a 30-year collateral financing arrangement with an unaffiliated financial institution that provides up to $3.5 billion of statutory reserve support for MRSC associated with reinsurance obligations under affiliated reinsurance agreements. Such statutory reserves are associated with universal and variable life policies with secondary guarantees ("*ULSG*") and are required under U.S. Valuation of Life Policies Model Regulation (commonly referred to as Regulation A-XXX). As of both December 31, 2015 and 2014, the amount funded under the collateral financing arrangement and recorded as a liability by MetLife, Inc. was $2.8 billion. This liability has been attributed to MRSC and has been recorded in the accompanying combined balance sheets. *See* Note 13.

Proceeds from the collateral financing arrangement were placed in trusts to support MRSC's statutory obligations associated with the reinsurance of secondary guarantees. The trusts are VIEs which are consolidated by MRSC. The unaffiliated financial institution is entitled to the return on the investment portfolio held by the trusts. The assets are principally invested in fixed maturity securities and are presented as such within the

12. Collateral Financing Arrangement (continued)

Company's balance sheets, with the related income included within net investment income in the Company's statements of operations. The estimated fair value of the assets held in trust as of December 31, 2015 and 2014 was $3.4 billion and $3.5 billion, respectively. *See* Note 7.

The collateral financing arrangement may be extended by agreement of MetLife, Inc. and the unaffiliated financial institution on each anniversary of the closing.

In connection with the collateral financing arrangement, MetLife, Inc. entered into an agreement with the same unaffiliated financial institution under which MetLife, Inc. is entitled to the return on the investment portfolio held by the trusts established in connection with this collateral financing arrangement in exchange for the quarterly payment of a stated rate of return to the unaffiliated financial institution. The amount collected by MetLife, Inc. as net investment income on the investment portfolio held by the trusts was $78 million, $67 million and $63 million for the years ended December 31, 2015, 2014 and 2013, respectively; while interest expense as the payment of the stated rate of return to the unaffiliated financial institution was $28 million, $27 million and $28 million for the years ended December 31, 2015, 2014 and 2013, respectively. MetLife, Inc. has allocated these amounts to MRSC as net investment income and interest expense, respectively, with the offset in shareholder's net investment as non-cash returns of capital and non-cash capital contributions, respectively. *See* Notes 11 and 13.

MetLife, Inc. may also be required to make payments to the unaffiliated financial institution, for deposit into the trusts, related to any decline in the estimated fair value of the assets held by the trusts, as well as amounts outstanding upon maturity or early termination of the collateral financing arrangement. During 2015, 2014 and 2013, no payments were made or received by MetLife, Inc.

13. Shareholder's Net Investment

Shareholder's Net Investment

<u>Capital Stock Transactions</u>

In August 2014, MICC, the predecessor to MetLife USA, redeemed for $1.4 billion and retired 4,595,317 shares of its common stock owned by MetLife Investors Group, LLC, an affiliate.

<u>Capital Transactions</u>

In December 2015 and 2014, the Company accrued in premiums, reinsurance and other receivables and shareholder's net investment, $120 million and $385 million, respectively, in capital contributions from MetLife, Inc. The receivables were settled for cash in 2016 and 2015, respectively.

During the years ended December 31, 2015, 2014 and 2013, the Company received cash capital contributions of $10 million, $476 million, and $150 million, respectively, from MetLife, Inc.

MetLife, Inc. has made payments and received collections on behalf of the Company. Such net amounts, as well as amortization of deferred credit and committed facility structuring costs and debt issuance costs incurred by MetLife, Inc. on behalf of the Company, are recorded as non-cash net contributions of capital. During the years ended December 31, 2015, 2014 and 2013, MetLife, Inc. made non-cash net contributions of capital of $14 million, $35 million and $68 million, respectively, in the forms of payment of letters of credit fees and amortization of deferred credit and committed facility structuring costs and debt issuance costs incurred on the

13. Shareholder's Net Investment (continued)

Company's behalf, partially offset by the collection of net investment income, net of interest expense, related to the MRSC collateral financing arrangement on the Company's behalf. *See* Note 12.

For all periods presented, certain transactions related to expense allocations were settled through shareholder's net investment.

See Note 18 for information on a subsequent cash capital contribution to MetLife USA from MetLife, Inc.

Dividends

The Company paid cash dividends to certain MetLife affiliates related to a profit sharing agreement of $72 million, $67 million and $65 million, for the years ended December 31, 2015, 2014 and 2013, respectively.

Stock-Based Compensation Plans

Overview

The stock-based compensation expenses recognized by the Company are related to awards under MetLife, Inc. 2005 Stock and Incentive Compensation Plan and the MetLife, Inc. 2015 Stock and Incentive Compensation Plan (together, the "*Stock Plans*"), payable in shares of MetLife, Inc. common stock ("*Shares*"), or options to purchase MetLife, Inc. common stock. The Company does not issue any equity awards.

Description of Plan - General Terms

Under the Stock Plans, awards granted to employees may be in the form of Stock Options, Stock Appreciation Rights, Restricted Stock or Restricted Stock Units, Performance Shares or Performance Share Units, Cash-Based Awards and Stock-Based Awards (each as defined in the Stock Plans with reference to Shares).

Stock Options

Stock Options are the contingent right of award holders to purchase Shares at a stated price for a limited time. All Stock Options have an exercise price equal to the closing price of a Share reported on the New York Stock Exchange on the date of grant, and have a maximum term of 10 years. The vast majority of Stock Options granted has become or will become exercisable at a rate of one-third of each award on each of the first three anniversaries of the grant date. Other Stock Options have become or will become exercisable on the third anniversary of the grant date. Vesting is subject to continued service, except for employees who meet specified age and service criteria and in certain other limited circumstances.

Performance Shares

Performance Shares are units that, if they vest, are multiplied by a performance factor to produce a number of final Performance Shares which are payable in Shares. Performance Shares are accounted for as equity awards. They are not credited with dividend-equivalents for actual dividends paid on Shares during the performance period. Performance Share awards normally vest in their entirety at the end of the three-year performance period. Vesting is subject to continued service, except for employees who meet specified age and in certain other limited circumstances.

Brighthouse Financial, Inc. and Related Companies

Notes to the Combined Financial Statements — (continued)

13. Shareholder's Net Investment (continued)

Restricted Stock Units

Restricted Stock Units are units that, if they vest, are payable in an equal number of Shares. Restricted Stock Units are accounted for as equity awards. They are not credited with dividend-equivalents for dividends paid on Shares. Accordingly, the estimated fair value of Restricted Stock Units is based upon the closing price of Shares on the date of grant, reduced by the present value of estimated dividends to be paid on that stock.

The vast majority of Restricted Stock Units normally vest in thirds on the first three anniversaries of their grant date. Other Restricted Stock Units normally vest in their entirety on the third anniversary of their grant date. Vesting is subject to continued service, except for employees who meet specified age and service criteria and in certain other limited circumstances.

Compensation Expense Related to Stock-Based Compensation

Compensation expense related to awards under the Stock Plans is recognized based on the number of awards expected to vest, which represents the awards granted less expected forfeitures over the life of the award, as estimated at the date of grant. Unless a material deviation from the assumed forfeiture rate is observed during the term in which the awards are expensed, any adjustment necessary to reflect differences in actual experience is recognized in the period the award becomes payable or exercisable.

Compensation expense related to awards under the Stock Plans is principally related to the issuance of Stock Options, Performance Shares and Restricted Stock Units. The majority of the awards granted by MetLife, Inc. each year under the Stock Plans are made in the first quarter of each year.

The expense related to stock-based compensation included in other expenses was $8 million, $7 million and $6 million for the years ended December 31, 2015, 2014 and 2013, respectively.

Statutory Equity and Income

The states of domicile of the Company's insurance companies impose risk-based capital ("*RBC*") requirements that were developed by the National Association of Insurance Commissioners ("*NAIC*"). Regulatory compliance is determined by a ratio of a company's total adjusted capital, calculated in the manner prescribed by the NAIC ("*TAC*") to its authorized control level RBC, calculated in the manner prescribed by the NAIC ("*ACL RBC*"), based on the statutory-based filed financial statements. Companies below specific trigger levels or ratios are classified by their respective levels, each of which requires specified corrective action. The minimum level of TAC before corrective action commences is twice ACL RBC. The RBC ratios for the Company's insurance companies were each in excess of 350% for all periods presented.

The Company's insurance companies prepare statutory-basis financial statements in accordance with statutory accounting practices prescribed or permitted by the insurance department of the state of domicile. The NAIC has adopted the Codification of Statutory Accounting Principles (*"Statutory Codification"*). Statutory Codification is intended to standardize regulatory accounting and reporting to state insurance departments. However, statutory accounting principles continue to be established by individual state laws and permitted practices. Modifications by the various state insurance departments may impact the effect of Statutory Codification on the statutory capital and surplus of the Company's insurance companies.

Statutory accounting principles differ from GAAP primarily by charging policy acquisition costs to expense as incurred, establishing future policy benefit liabilities using different actuarial assumptions, reporting surplus notes as surplus instead of debt, reporting of reinsurance agreements and valuing securities on a different basis.

13. Shareholder's Net Investment (continued)

In addition, certain assets are not admitted under statutory accounting principles and are charged directly to surplus. The most significant assets not admitted by the Company's insurance companies are net deferred income tax assets resulting from temporary differences between statutory accounting principles basis and tax basis not expected to reverse and become recoverable within three years.

The Company's insurance companies have no material state prescribed accounting practices, except as described below.

The Delaware Department of Insurance approved two statutory accounting permitted practices for MetLife USA. For December 31, 2013, MetLife USA applied a U.S. GAAP reserving methodology for certain foreign blocks of business held by an affiliate. In addition, the Delaware Department of Insurance granted permission for MetLife USA not to calculate, record or disclose the effect of this permitted practice on statutory surplus and net income for the year ended December 31, 2013.

The tables below present amounts from the Company's insurance companies, which are derived from the statutory-basis financial statements as filed with the insurance regulators.

Statutory net income (loss) was as follows:

Company	State of Domicile	Years Ended December 31, 2015	2014	2013
		(In millions)		
MetLife Insurance Company USA	Delaware	$(1,022)	$1,543	$3,358
New England Life Insurance Company	Massachusetts	$ 157	$ 303	$ 103
First MetLife Investors Insurance Company	New York	$ 17	$ 11	$ (24)

Statutory capital and surplus was as follows as of:

Company	December 31, 2015	2014
	(In millions)	
MetLife Insurance Company USA	$5,942	$6,042
New England Life Insurance Company	$ 632	$ 675
First MetLife Investors Insurance Company	$ 321	$ 297

The Company's captive life reinsurance companies, which reinsure risks including level premium term life and ULSG assumed from other MetLife subsidiaries, have no state prescribed accounting practices, except for MRD. MRD, with the explicit permission of the Delaware Commissioner, has included, as admitted assets, the value of letters of credit issued to MRD, which resulted in higher statutory capital and surplus of $200 million and $75 million for the years ended December 31, 2015 and 2014, respectively. MRD's RBC would not have triggered a regulatory event without the use of the state prescribed practice. The combined statutory net income (loss) of the Company's captive life reinsurance companies was ($372) million, ($386) million and ($687) million for the years ended December 2015, 2014 and 2013, respectively, and the combined statutory capital and surplus, including the aforementioned prescribed practice, was $4.4 billion and $4.5 billion as of December 31, 2015 and 2014, respectively.

Brighthouse Financial, Inc. and Related Companies

Notes to the Combined Financial Statements — (continued)

13. Shareholder's Net Investment (continued)

Dividend Restrictions

The table below sets forth the dividends permitted to be paid by the Company's insurance companies without insurance regulatory approval and dividends paid:

Company	2016 Permitted Without Approval (1)	2015 Paid (2)	2014 Paid (2)
	(In millions)		
MetLife Insurance Company USA	$ 586	$ 500	$ 155(3)
New England Life Insurance Company	$ 156	$ 199	$ 227(4)
First MetLife Investors Insurance Company (5)	$ 16	$ —	$ —

(1) Reflects dividend amounts that may be paid during 2016 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 2016, some or all of such dividends may require regulatory approval.

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

(3) In 2014, MICC changed its name to MetLife USA and merged with certain affiliates and a subsidiary. MetLife USA did not pay dividends in 2014; however, prior to the mergers, one of the affiliates paid dividends of $155 million.

(4) During December 2014, NELICO distributed shares of its former subsidiary to Metropolitan Life Insurance Company as an extraordinary in-kind dividend of $113 million, as calculated on a statutory basis, and also paid an extraordinary cash dividend to Metropolitan Life Insurance Company in the amount of $114 million.

(5) As discussed below, the New York Insurance Law was amended, permitting FMLI to pay dividends without prior regulatory approval under one of two alternative formulations beginning in 2016. The dividend amount that FMLI may pay during 2016 under the new formulation is reflected in the table above.

Under Delaware Insurance Code, MetLife USA is permitted, without prior insurance regulatory clearance, to pay a stockholder dividend as long as the amount of the dividend when aggregated with all other dividends in the preceding 12 months does not exceed the greater of: (i) 10% of its surplus to policyholders as of the end of the immediately preceding calendar year; or (ii) its net statutory gain from operations for the immediately preceding calendar year (excluding realized capital gains). MetLife USA will be permitted to pay a dividend in excess of the greater of such two amounts only if it files notice of the declaration of such a dividend and the amount thereof with the Delaware Commissioner and the Delaware Commissioner either approves the distribution of the dividend or does not disapprove the distribution within 30 days of its filing. In addition, any dividend that exceeds (defined as "*unassigned funds (surplus)*") as of the immediately preceding calendar year requires insurance regulatory approval. Under Delaware Insurance Code, the Delaware Commissioner has broad discretion in determining whether the financial condition of a stock life insurance company would support the payment of such dividends to its stockholders.

Under Massachusetts State Insurance Law, NELICO is permitted, without prior insurance regulatory clearance, to pay a stockholder dividend as long as the aggregate amount of the dividend, when aggregated with all other dividends paid in the preceding 12 months, does not exceed the greater of: (i) 10% of its surplus to policyholders as of the end of the immediately preceding calendar year; or (ii) its statutory net gain from operations for the immediately preceding calendar year. NELICO will be permitted to pay a dividend in excess of the greater of such two amounts only if it files notice of the declaration of such a dividend and the amount thereof with the Massachusetts Commissioner of Insurance (the "*Massachusetts Commissioner*") and the Massachusetts Commissioner either approves the distribution of the dividend or does not disapprove the

13. Shareholder's Net Investment (continued)

distribution within 30 days of its filing. In addition, any dividend that exceeds unassigned funds (surplus) as of the last filed annual statutory statement requires insurance regulatory approval. Under Massachusetts State Insurance Law, the Massachusetts Commissioner has broad discretion in determining whether the financial condition of a stock life insurance company would support the payment of such dividends to its stockholders.

Effective for dividends paid during 2016 and going forward, the New York Insurance Law was amended permitting FMLI, without prior insurance regulatory clearance, to pay stockholder dividends to its parent in any calendar year based on either of two standards. Under one standard, FMLI is permitted, without prior insurance regulatory clearance, to pay dividends out of positive unassigned funds (surplus), excluding 85% of the change in net unrealized capital gains or losses (less capital gains tax), for the immediately preceding calendar year), in an amount up to the greater of: (i) 10% of its surplus to policyholders as of the end of the immediately preceding calendar year, or (ii) its statutory net gain from operations for the immediately preceding calendar year (excluding realized capital gains), not to exceed 30% of surplus to policyholders as of the end of the immediately preceding calendar year. In addition, under this standard, FMLI may not, without prior insurance regulatory clearance, pay any dividends in any calendar year immediately following a calendar year for which its net gain from operations, excluding realized capital gains, was negative. Under the second standard, if dividends are paid out of other than earned surplus, FMLI may, without prior insurance regulatory clearance, pay an amount up to the lesser of: (i) 10% of its surplus to policyholders as of the end of the immediately preceding calendar year, or (ii) its statutory net gain from operations for the immediately preceding calendar year (excluding realized capital gains). In addition, FMLI will be permitted to pay a dividend to its parent in excess of the amounts allowed under both standards only if it files notice of its intention to declare such a dividend and the amount thereof with the New York Superintendent of Financial Services (the "*Superintendent*") and the Superintendent either approves the distribution of the dividend or does not disapprove the dividend within 30 days of its filing. Under New York Insurance Law, the Superintendent has broad discretion in determining whether the financial condition of a stock life insurance company would support the payment of such dividends to its stockholders.

Under South Carolina Captive Insurance Law, MRSC may not declare or pay dividends in any form to its parent other than in accordance with certain insurance securitization transaction agreements, and in no extent shall the dividends decrease the capital of MRSC below $250,000, and, after giving effect to the dividends, the assets of MRSC including assets held in trust pursuant to the terms of the insurance securitization, must be sufficient to satisfy the Director of the South Carolina Department of Insurance (the "*Director*") that MRSC can meet its obligations. Approval by the Director of an ongoing plan for the payment of dividends or other distribution by MRSC must be conditioned upon the retention, at the time of each payment, of capital or surplus equal to or in excess of amounts specified by, or determined in accordance with formulas approved for MRSC by the Director. In addition, the licensing order issued by the Director with respect to MRSC provides that dividends shall be paid only if such dividends have been approved by the Director.

MRSC did not pay any dividends during 2015 and 2014.

Under Delaware Captive Insurance Law, no dividend or distribution may be made from a protected cell of MRD without the prior approval of the Delaware Commissioner. Further, under Delaware Captive Insurance Law, no dividend or distribution may be made from a protected cell of MRD to its parent other than in accordance with the financing transactions to which MRD is a party and in no event shall the dividends decrease the capital of MRD below $500,000, and provided that the dividend will not jeopardize the fulfillment of the obligations of MRD pursuant to its special purpose financing transactions or threaten the solvency or liquidity of MRD.

13. Shareholder's Net Investment (continued)

MRD did not pay any dividends during 2015 and 2014.

Under Vermont Captive Insurance Law, no dividend or distribution may be made from a protected cell of MRV, including the MRV Cell, to its parent without the approval of the Vermont Commissioner of Insurance (the "*Vermont Commissioner*") and, in no event shall the Vermont Commissioner grant such approval if the dividend would result in the insolvency or impairment of the corresponding protected cell. The Vermont Captive Insurance Law also permits MRV to make any dividends or distributions that are in accordance with formulas approved for MRV by the Vermont Commissioner. The licensing order issued by the Vermont Commissioner to MRV provides that MRV may declare and pay dividends or distributions from the capital and surplus attributable to a designated protected cell of MRV, including the MRV Cell, provided that the total adjusted capital of such protected cell immediately following such dividend shall not be less than 200% authorized control level RBC and provided that MRV provides the Vermont Commissioner with revised pro forma financial projections to reflect such dividend.

MRV did not pay any dividends during 2015 and 2014.

Brighthouse Financial, Inc. and Related Companies

Notes to the Combined Financial Statements — (continued)

13. Shareholder's Net Investment (continued)

Accumulated Other Comprehensive Income (Loss)

Information regarding changes in the balances of each component of AOCI was as follows:

	Unrealized Investment Gains (Losses), Net of Related Offsets (1)	Unrealized Gains (Losses) on Derivatives	Foreign Currency Translation Adjustments	Defined Benefit Plans Adjustment	Total
			(In millions)		
Balance as of December 31, 2012	$ 2,742	$ 159	$ (21)	$ (48)	$ 2,832
OCI before reclassifications	(2,675)	(195)	54	34	(2,782)
Deferred income tax benefit (expense)	910	68	(2)	(12)	964
AOCI before reclassifications, net of income tax	977	32	31	(26)	1,014
Amounts reclassified from AOCI	(52)	(11)	—	6	(57)
Deferred income tax benefit (expense)	18	4	—	(2)	20
Amounts reclassified from AOCI, net of income tax	(34)	(7)	—	4	(37)
Balance as of December 31, 2013	943	25	31	(22)	977
OCI before reclassifications	2,751	252	(55)	6	2,954
Deferred income tax benefit (expense)	(894)	(88)	3	(2)	(981)
AOCI before reclassifications, net of income tax	2,800	189	(21)	(18)	2,950
Amounts reclassified from AOCI	(7)	2	—	5	—
Deferred income tax benefit (expense)	2	(1)	—	(2)	(1)
Amounts reclassified from AOCI, net of income tax	(5)	1	—	3	(1)
Sale of subsidiary (2)	(320)	—	6	—	(314)
Deferred income tax benefit (expense)	80	—	—	—	80
Sale of subsidiary, net of income tax	(240)	—	6	—	(234)
Balance as of December 31, 2014	2,555	190	(15)	(15)	2,715
OCI before reclassifications	(1,975)	102	(25)	(10)	(1,908)
Deferred income tax benefit (expense)	692	(36)	8	4	668
AOCI before reclassifications, net of income tax	1,272	256	(32)	(21)	1,475
Amounts reclassified from AOCI	77	(7)	—	4	74
Deferred income tax benefit (expense)	(27)	2	—	(1)	(26)
Amounts reclassified from AOCI, net of income tax	50	(5)	—	3	48
Balance as of December 31, 2015	$ 1,322	$ 251	$ (32)	$ (18)	$ 1,523

(1) *See* Note 7 for information on offsets to investments related to future policy benefits, DAC, VOBA and DSI.

(2) *See* Note 3.

Brighthouse Financial, Inc. and Related Companies

Notes to the Combined Financial Statements — (continued)

13. Shareholder's Net Investment (continued)

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

AOCI Components	Amounts Reclassified from AOCI Years Ended December 31, 2015	2014	2013	Combined Statements of Operations and Comprehensive Income (Loss) Locations
	(In millions)			
Net unrealized investment gains (losses):				
Net unrealized investment gains (losses)	$ (79)	$ (11)	$ 31	Net investment gains (losses)
Net unrealized investment gains (losses)	13	14	19	Net investment income
Net unrealized investment gains (losses)	(11)	4	2	Net derivative gains (losses)
Net unrealized investment gains (losses), before income tax	(77)	7	52	
Income tax (expense) benefit	27	(2)	(18)	
Net unrealized investment gains (losses), net of income tax	(50)	5	34	
Unrealized gains (losses) on derivatives — cash flow hedges:				
Interest rate swaps	1	1	—	Net derivative gains (losses)
Interest rate swaps	1	1	—	Net investment income
Interest rate forwards	2	1	9	Net derivative gains (losses)
Interest rate forwards	2	1	1	Net investment income
Foreign currency swaps	—	(6)	—	Net derivative gains (losses)
Credit forwards	1	—	1	Net investment income
Gains (losses) on cash flow hedges, before income tax	7	(2)	11	
Income tax (expense) benefit	(2)	1	(4)	
Gains (losses) on cash flow hedges, net of income tax	5	(1)	7	
Defined benefit plans adjustment:				
Amortization of net actuarial gains (losses)	(2)	(1)	(2)	
Amortization of prior service (costs) credit	(2)	(4)	(4)	
Amortization of defined benefit plan items, before income tax	(4)	(5)	(6)	
Income tax (expense) benefit	1	2	2	
Amortization of defined benefit plan items, net of income tax	(3)	(3)	(4)	
Total reclassifications, net of income tax	$ (48)	$ 1	$ 37	

14. Employee Benefit Plans

Pension and Other Postretirement Benefit Plans

The Company's employees, sales representatives and retirees participate in defined benefit pension plans sponsored by MLIC. These plans also include participants from other affiliates of MLIC. The Company also provides postemployment and postretirement medical and life insurance benefits for certain retired employees through plans sponsored by MLIC. Employees of the Company who were hired prior to 2003 (or, in certain cases, rehired during or after 2003) and meet age and service criteria while working for the Company may become eligible for these other postretirement benefits. Virtually all participants contribute a portion of the total costs of postretirement medical benefits. Employees hired after 2003 are not eligible for any employer subsidy for postretirement medical benefits. The Company accounts for these plans as multiemployer benefit plans and as a result the assets, obligations and other comprehensive gains and losses of these benefit plans are not included in the accompanying combined balance sheets or the additional disclosure below.

The Company's share of pension expense was $24 million, $25 million and $29 million for the years ended December 31, 2015, 2014 and 2013, respectively. In addition, the Company's share of other postretirement expense was $4 million, $2 million and $1 million for the years ended December 31, 2015, 2014 and 2013, respectively. Within its combined statement of operations, the Company has included pension expense associated with its employees that participate in the plans.

In addition, the Company sponsors a qualified and a nonqualified defined benefit pension plan, as well as other postretirement benefit plans. The obligations and related net periodic benefit expense associated with these plans are included in the combined financial statements and the additional disclosures below. Effective December 31, 2014, the Company sponsored pension and other postretirement plans were amended to eliminate benefit accruals prospectively and are closed to new entrants. A limited group of active participants continue to have the opportunity to earn eligibility requirements to receive certain benefits in certain pension and other postretirement plans with continuing active service. See below for additional information related to these participants.

In July 2016, MetLife, Inc. completed the sale to Massachusetts Mutual Life Insurance Company of MetLife's U.S. Retail advisor force and certain assets associated with the MetLife Premier Client Group, including all of the issued and outstanding shares of MetLife's affiliated broker-dealer, MetLife Securities, Inc., a wholly owned subsidiary of MetLife, Inc. In connection with this transaction, sales representatives will no longer participate in the pension plans. The sale also closed the opportunity to earn eligibility requirements for the limited group of active participants as they ceased to be employed by the Company. The transaction resulted in a curtailment charge for certain pension and postretirement benefit plans. The curtailment charge of $11 million ($7 million, net of income tax) was recognized in 2016. The Company does not expect future expense for these pension and postretirement plans to be material.

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14. Employee Benefit Plans (continued)

Obligations and Funded Status

	December 31,			
	2015		2014	
	Pension Benefits (1)	Other Postretirement Benefits	Pension Benefits (1)	Other Postretirement Benefits
	(In millions)			
Change in benefit obligations				
Benefit obligations as of January 1,	$ 223	$ 30	$ 193	$ 32
Service costs	—	—	4	1
Interest costs	9	1	9	1
Plan participants' contributions	—	2	—	2
Net actuarial (gains) losses	(10)	2	39	5
Change in benefits and other	—	2	(13)	(7)
Benefits paid	(9)	(5)	(9)	(4)
Benefit obligations as of December 31,	213	32	223	30
Change in plan assets				
Estimated fair value of plan assets as of January 1,	154	—	133	—
Actual return on plan assets	(5)	—	22	—
Plan participants' contributions	—	2	—	2
Employer contributions	8	3	8	2
Benefits paid	(9)	(5)	(9)	(4)
Estimated fair value of plan assets as of December 31,	148	—	154	—
Over (under) funded status as of December 31,	$ (65)	$ (32)	$ (69)	$ (30)
Amounts recognized on the combined balance sheets				
Other liabilities	$ (65)	$ (32)	$ (69)	$ (30)
AOCI				
Net actuarial (gains) losses	$ 27	$ (2)	$ 24	$ (4)
Prior service costs (credit)	—	3	—	2
AOCI, before income tax	$ 27	$ 1	$ 24	$ (2)
Accumulated benefit obligation	$ 213	N/A	$ 223	N/A

(1) Includes nonqualified unfunded plans, for which the aggregate PBO was $63 million and $65 million as of December 31, 2015 and 2014, respectively.

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14. Employee Benefit Plans (continued)

Information for pension plans with accumulated benefit obligations ("*ABO*") in excess of plan assets was as follows as of:

	December 31, 2015	December 31, 2014
	(In millions)	
Projected benefit obligations	$213	$223
Accumulated benefit obligations	$213	$223
Estimated fair value of plan assets	$148	$154

The PBO exceeded assets for all pension plans as of both December 31, 2015 and 2014.

Net Periodic Benefit Costs

The components of net periodic benefit costs and other changes in plan assets and benefit obligations recognized in OCI were as follows:

	Years Ended December 31, 2015		2014		2013	
	Pension Benefits	Other Postretirement Benefits	Pension Benefits	Other Postretirement Benefits	Pension Benefits	Other Postretirement Benefits
	(In millions)					
Net periodic benefit costs						
Service costs	$ —	$ —	$ 4	$ 1	$ 5	$ 1
Interest costs	9	1	9	1	9	1
Settlement and curtailment costs (1)	—	—	14	2	—	—
Expected return on plan assets	(9)	—	(7)	—	(7)	—
Amortization of net actuarial (gains) losses	2	—	1	—	2	—
Amortization of prior service costs (credit)	—	2	1	3	2	2
Total net periodic benefit costs (credit)	2	3	22	7	11	4
Other changes in plan assets and benefit obligations recognized in OCI						
Net actuarial (gains) losses	5	2	12	1	(24)	(10)
Prior service costs (credit)	—	3	(16)	(3)	—	—
Amortization of net actuarial (gains) losses	(2)	—	(1)	—	(2)	—
Amortization of prior service (costs) credit	—	(2)	(1)	(3)	(2)	(2)
Total recognized in OCI	3	3	(6)	(5)	(28)	(12)
Total recognized in net periodic benefit costs and OCI	$ 5	$ 6	$ 16	$ 2	$ (17)	$ (8)

(1) The Company sponsored pension and other postretirement plans were amended effective December 31, 2014.

Brighthouse Financial, Inc. and Related Companies

Notes to the Combined Financial Statements — (continued)

14. Employee Benefit Plans (continued)

The estimated net actuarial (gains) losses and prior service costs (credit) for the defined benefit pension plans and other postretirement benefit plans that will be amortized from AOCI into net periodic benefit costs over the next year are $2 million and $0, and less than ($1) million and $1 million, respectively.

Assumptions

Assumptions used in determining benefit obligations were as follows:

	Pension Benefits	Other Postretirement Benefits
December 31, 2015		
Weighted average discount rate	4.50%	4.60%
Rate of compensation increase	N/A	N/A
December 31, 2014		
Weighted average discount rate	4.10%	4.10%
Rate of compensation increase	4.50% - 5.00%	N/A

Assumptions used in determining net periodic benefit costs were as follows:

	Pension Benefits	Other Postretirement Benefits
Year Ended December 31, 2015		
Weighted average discount rate	4.10%	4.10%
Weighted average expected rate of return on plan assets	5.75%	N/A
Rate of compensation increase	N/A	N/A
Year Ended December 31, 2014		
Weighted average discount rate	5.15% and 4.45% (1)	5.15%
Weighted average expected rate of return on plan assets	5.75%	N/A
Rate of compensation increase	4.50% - 5.00%	N/A
Year Ended December 31, 2013		
Weighted average discount rate	4.20%	4.20%
Weighted average expected rate of return on plan assets	5.75%	N/A
Rate of compensation increase	4.50% - 5.00%	N/A

(1) As a result of the Company sponsored pension plan amendments, a discount rate of 5.15% was used for the period January 1, 2014 through July 31, 2014, and a discount rate of 4.45% was used for the period August 1, 2014 through December 31, 2014.

The weighted average discount rate is determined annually based on the yield, measured on a yield to worst basis, of a hypothetical portfolio constructed of high quality debt instruments available on the valuation date, which would provide the necessary future cash flows to pay the aggregate PBO when due.

The weighted average expected rate of return on plan assets is based on anticipated performance of the various asset sectors in which the plan invests, weighted by target allocation percentages. Anticipated future performance is based on long-term historical returns of the plan assets by sector, adjusted for the Company's long-term expectations on the performance of the markets. While the precise expected rate of return derived using this approach will fluctuate from year to year, the Company's policy is to hold this long-term assumption constant as long as it remains within reasonable tolerance from the derived rate.

14. Employee Benefit Plans (continued)

The expected rate of return on plan assets for use in that plan's valuation in 2016 is currently anticipated to be 5.75% for pension benefits.

The assumed healthcare costs trend rates used in measuring the APBO and net periodic benefit costs were as follows:

	December 31,			
	2015		2014	
	Before Age 65	Age 65 and older	Before Age 65	Age 65 and older
Following year	6.4%	34.9%	5.7%	19.7%
Ultimate rate to which cost increase is assumed to decline	4.2%	5.9%	4.5%	14.2%
Year in which the ultimate trend rate is reached	2093	2020	2083	2017(1)

(1) The rate is no longer applied after this date as projected employer costs will have reached the plan cap.

Assumed healthcare costs trend rates may have a significant effect on the amounts reported for healthcare plans. A 1% increase in the assumed healthcare costs trend rates would increase total service and interest costs components and APBO by less than $1 million. A 1% decrease in the assumed healthcare costs trend rates would decrease total service and interest costs components and APBO by less than $1 million.

As of December 31, 2014, the improved mortality rate assumption used for all pension and postretirement benefit plans is the RP-2000 healthy mortality table projected generationally using 175% of Scale AA. The mortality rate assumption was revised based upon the results of a comprehensive study of MetLife, Inc.'s demographic experience and reflects the current best estimate of expected mortality rates for MetLife's participant population. Prior to December 31, 2014, the mortality rate assumption used to value the benefit obligations and net periodic benefit cost for these plans was the RP-2000 healthy mortality table projected generationally using 100% of Scale AA.

Plan Assets

The Company provides employees with benefits under various Employee Retirement Income Security Act of 1974 ("*ERISA*") benefit plans. These include qualified pension plans, postretirement medical plans and certain retiree life insurance coverage. The assets of the Company's qualified pension plans are held in an insurance group annuity contract, and the vast majority of the assets of the postretirement medical plan and backing the retiree life coverage are held in a trust which largely utilizes insurance contracts to hold the assets. All of these contracts are issued by MLIC and the assets under the contracts are held in insurance separate accounts that have been established by the Company. The underlying assets of the separate accounts are principally comprised of cash and cash equivalents, short-term investments, fixed maturity and equity securities, and derivatives.

The insurance contract provider engages investment management firms ("*Managers*") to serve as sub-advisors for the separate accounts based on the specific investment needs and requests identified by the plan fiduciary. These Managers have portfolio management discretion over the purchasing and selling of securities and other investment assets pursuant to the respective investment management agreements and guidelines established for each insurance separate account. The assets of the qualified pension plan (the "*Invested Plan*") are well diversified across multiple asset categories and across a number of different Managers, with the intent of minimizing risk concentrations within any given asset category or with any of the given Managers.

14. Employee Benefit Plans (continued)

The Invested Plans, other than those held in participant directed investment accounts, are managed in accordance with investment policies consistent with the longer-term nature of related benefit obligations and within prudent risk parameters. Specifically, investment policies are oriented toward (i) maximizing the Invested Plan's funded status; (ii) minimizing the volatility of the Invested Plan's funded status; (iii) generating asset returns that exceed liability increases; and (iv) targeting rates of return in excess of a custom benchmark and industry standards over appropriate reference time periods. These goals are expected to be met through identifying appropriate and diversified asset classes and allocations, ensuring adequate liquidity to pay benefits and expenses when due and controlling the costs of administering and managing the Invested Plan's investments. Independent investment consultants are periodically used to evaluate the investment risk of Invested Plan's assets relative to liabilities, analyze the economic and portfolio impact of various asset allocations and management strategies and to recommend asset allocations.

Derivative contracts may be used to reduce investment risk, to manage duration and to replicate the risk/return profile of an asset or asset class. Derivatives may not be used to leverage a portfolio in any manner, such as to magnify exposure to an asset, asset class, interest rates or any other financial variable. Derivatives are also prohibited for use in creating exposures to securities, currencies, indices or any other financial variable that is otherwise restricted.

The table below summarizes the actual weighted average allocation of the estimated fair value of total plan assets by asset class as of December 31 for the years indicated and the approved target allocation by major asset class as of December 31, 2015 for the Invested Plans:

	December 31,		
	2015		2014
	Target	Actual Allocation	Actual Allocation
Asset Class			
Fixed maturity securities	80%	77%	79%
Equity securities	10%	22%	18%
Alternative securities (1)	10%	1%	3%
Total assets		100%	100%

(1) Alternative securities primarily include short-term investments.

Estimated Fair Value

The pension and other postretirement benefit plan assets are categorized into a three-level fair value hierarchy, as described in Note 9, based upon the significant input with the lowest level in its valuation. The Level 2 asset category includes certain separate accounts that are primarily invested in liquid and readily marketable securities. The estimated fair value of such separate accounts is based upon reported NAV provided by fund managers and this value represents the amount at which transfers into and out of the respective separate account are effected. These separate accounts provide reasonable levels of price transparency and can be corroborated through observable market data. Directly held investments are primarily invested in U.S. and foreign government and corporate securities. The Level 3 asset category includes separate accounts that are invested in assets that provide little or no price transparency due to the infrequency with which the underlying assets trade and generally require additional time to liquidate in an orderly manner. Accordingly, the values for separate accounts invested in these alternative asset classes are based on inputs that cannot be readily derived from or corroborated by observable market data.

Brighthouse Financial, Inc. and Related Companies

Notes to the Combined Financial Statements — (continued)

14. Employee Benefit Plans (continued)

The pension plan assets measured at estimated fair value on a recurring basis and their corresponding placement in the fair value hierarchy are summarized as follows:

	December 31, 2015			
	Fair Value Hierarchy			
	Level 1	Level 2	Level 3	Total Estimated Fair Value
	(In millions)			
Assets				
Fixed maturity securities:				
Corporate	$ —	$ 47	$ 1	$ 48
U.S. government bonds	33	6	—	39
Foreign bonds	—	12	—	12
Federal agencies	—	6	—	6
Municipals	—	4	—	4
Other (1)	—	5	—	5
Total fixed maturity securities	33	80	1	114
Equity securities:				
Common stock — domestic	18	—	—	18
Common stock — foreign	14	—	—	14
Total equity securities	32	—	—	32
Short-term investments	—	2	—	2
Total assets	$ 65	$ 82	$ 1	$ 148

	December 31, 2014			
	Fair Value Hierarchy			
	Level 1	Level 2	Level 3	Total Estimated Fair Value
	(In millions)			
Assets				
Fixed maturity securities:				
Corporate	$ —	$ 49	$ 1	$ 50
U.S. government bonds	32	7	—	39
Foreign bonds	—	15	—	15
Federal agencies	—	8	—	8
Municipals	—	3	—	3
Other (1)	—	7	—	7
Total fixed maturity securities	32	89	1	122
Equity securities:				
Common stock — domestic	27	—	—	27
Common stock — foreign	1	—	—	1
Total equity securities	28	—	—	28
Short-term investments	2	2	—	4
Total assets	$ 62	$ 91	$ 1	$ 154

(1) Other primarily includes mortgage-backed securities and collateralized mortgage obligations.

14. Employee Benefit Plans (continued)

For each of the years ended December 31, 2015, 2014 and 2013, the changes to pension plan assets invested in corporate fixed maturity securities measured at estimated fair value on a recurring basis using significant unobservable (Level 3) inputs were not significant.

Expected Future Contributions and Benefit Payments

It is the Company's practice to make contributions to the qualified pension plan to comply with minimum funding requirements of ERISA, the Pension Protection Act of 2006, the Internal Revenue Code of 1986 and the applicable rules and regulations. In accordance with such practice, no contributions are required for 2016. The Company expects to make discretionary contributions to the qualified pension plan of $2 million in 2016. For information on employer contributions, *see* "— Obligations and Funded Status."

Benefit payments due under the nonqualified pension plans are primarily funded from the Company's general assets as they become due under the provision of the plans, therefore benefit payments equal employer contributions. The Company expects to make contributions of $3 million to fund the benefit payments in 2016.

Postretirement benefits are either: (i) not vested under law; (ii) a non-funded obligation of the Company; or (iii) both. Current regulations do not require funding for these benefits. The Company uses its general assets, net of participant's contributions, to pay postretirement medical claims as they come due. As permitted under the terms of the governing trust document, the Company may be reimbursed from plan assets for postretirement medical claims paid from their general assets. The Company expects to make contributions of $2 million towards benefit obligations in 2016, to pay postretirement medical claims.

Gross benefit payments for the next 10 years, which reflect expected future service where appropriate, are expected to be as follows:

	Pension Benefits	Other Postretirement Benefits
	(In millions)	
2016	$ 9	$ 3
2017	$ 9	$ 3
2018	$ 10	$ 3
2019	$ 10	$ 3
2020	$ 11	$ 3
2021-2025	$ 66	$ 12

Additional Information

As previously discussed, most of the assets of the pension benefit plans are held in a group annuity contract issued by MLIC. Total revenues from these contracts recognized on the combined statements of operations were less than $1 million for each of the years ended December 31, 2015, 2014 and 2013, and included policy charges and net investment income from investments backing the contracts and administrative fees. Total investment income (loss), including realized and unrealized gains (losses), credited to the account balances was ($5) million, $22 million and ($2) million for the years ended December 31, 2015, 2014 and 2013, respectively. The terms of these contracts are consistent in all material respects with those that MLIC offers to unaffiliated parties that are similarly situated.

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14. Employee Benefit Plans (continued)

Defined Contribution Plans

Effective December 31, 2014, the Company sponsored defined contribution plans were merged into the MetLife Savings & Investment Plan sponsored by MLIC. The Company made no contributions for the year ended December 31, 2015; and contributed less than $1 million for both the years ended December 31, 2014 and 2013. The Company participates in a defined contribution plan sponsored by MLIC for substantially all employees under which a portion of employee contributions are matched.

15. Income Tax

The provision for income tax was as follows:

	Years Ended December 31,		
	2015	2014	2013
		(In millions)	
Current:			
Federal	$ 33	$(412)	$ (696)
State and local	—	2	1
Foreign	—	6	8
Subtotal	33	(404)	(687)
Deferred:			
Federal	310	775	1,002
State and local	—	—	—
Foreign	—	(2)	18
Subtotal	310	773	1,020
Provision for income tax expense (benefit)	$343	$ 369	$ 333

The reconciliation of the income tax provision at the U.S. statutory rate to the provision for income tax as reported was as follows:

	Years Ended December 31,		
	2015	2014	2013
		(In millions)	
Tax provision at U.S. statutory rate	$ 511	$ 535	$ 478
Tax effect of:			
Dividend received deduction	(144)	(132)	(108)
Tax-exempt income	(2)	(1)	(2)
Prior year tax	(4)	(25)	—
Low income housing tax credits	(4)	(4)	(1)
Other tax credits	(13)	(11)	(11)
Sale of subsidiary	—	—	(24)
Other, net	(1)	7	1
Provision for income tax expense (benefit)	$ 343	$ 369	$ 333

Brighthouse Financial, Inc. and Related Companies

Notes to the Combined Financial Statements — (continued)

15. Income Tax (continued)

Deferred income tax represents the tax effect of the differences between the book and tax bases of assets and liabilities. Net deferred income tax assets and liabilities consisted of the following as of:

	December 31, 2015	December 31, 2014
	(In millions)	
Deferred income tax assets:		
Tax credit carryforwards	$ 184	$ 157
Employee benefit	53	15
Other	49	37
Total deferred income tax assets	286	209
Deferred income tax liabilities:		
Policyholder liabilities and receivables	1,400	753
Investments, including derivatives	139	407
Intangibles	127	112
Net unrealized investment gains	846	1,461
DAC	1,576	1,602
Other	—	11
Total deferred income tax liabilities	4,088	4,346
Net deferred income tax asset (liability)	$(3,802)	$(4,137)

The following table sets forth the general business credits, foreign tax credits, and other credit carryforwards for tax purposes as of December 31, 2015.

	Tax Credit Carryforwards		
	General Business Credits	Foreign Tax Credits	Other
	(In millions)		
Expiration			
2016-2020	$ —	$ —	$ —
2021-2025	—	22	—
2026-2030	—	—	—
2031-2035	5	—	—
Indefinite	—	—	164
	$ 5	$ 22	$ 164

The Company currently participates in a tax sharing agreement with MetLife, Inc., as described in Note 1.

Brighthouse Financial, Inc. and its includable life insurance and non-life insurance companies have joined with MetLife, Inc. and includable subsidiaries in filing a consolidated U.S. federal income tax return in accordance with the provisions of the Code. The Company also files income tax returns with various state and local jurisdictions. The Company is under continuous examination by the Internal Revenue Service ("*IRS*") and other tax authorities in jurisdictions in which the Company has significant business operations. The income tax years under examination vary by jurisdiction and subsidiary. The Company is no longer subject to U.S. federal, state or local income tax examinations for years prior to 2007. Management believes it has established adequate tax liabilities, and final resolution of the audit for the years 2007 and forward is not expected to have a material impact on the Company's combined financial statements.

Brighthouse Financial, Inc. and Related Companies

Notes to the Combined Financial Statements — (continued)

15. Income Tax (continued)

The Company's liability for unrecognized tax benefits may increase or decrease in the next 12 months. A reasonable estimate of the increase or decrease cannot be made at this time. However, the Company continues to believe that the ultimate resolution of the pending issues will not result in a material change to its combined financial statements, although the resolution of income tax matters could impact the Company's effective tax rate for a particular future period.

A reconciliation of the beginning and ending amount of unrecognized tax benefits was as follows:

	Years Ended December 31,		
	2015	2014	2013
	(In millions)		
Balance as of January 1,	$ 60	$ 50	$ 17
Additions for tax positions of prior years	5	16	34
Reductions for tax positions of prior years	—	(8)	(1)
Additions for tax positions of current year	3	2	1
Reductions for tax positions of current year	—	—	(1)
Settlements with tax authorities	$ (4)	$ —	$ —
Balance as of December 31,	$ 64	$ 60	$ 50
Unrecognized tax benefits that, if recognized would impact the effective rate	$ 53	$ 49	$ 49

The Company classifies interest accrued related to unrecognized tax benefits in interest expense, included within other expenses, while penalties are included in income tax expense.

Interest was as follows:

	Years Ended December 31,		
	2015	2014	2013
	(In millions)		
Interest recognized on the combined statements of operations	$ —	$ (1)	$ 7

	December 31,	
	2015	2014
	(In millions)	
Interest included in other liabilities on the combined balance sheets	$ 7	$ 7

The Company had no penalties for the years ended December 31, 2015, 2014 and 2013.

The U.S. Treasury Department and the IRS have indicated that they intend to address through regulations the methodology to be followed in determining the dividends received deduction ("*DRD*"), related to variable life insurance and annuity contracts. The DRD reduces the amount of dividend income subject to tax and is a significant component of the difference between the actual tax expense and expected amount determined using the federal statutory tax rate of 35%. Any regulations that the IRS ultimately proposes for issuance in this area will be subject to public notice and comment, at which time insurance companies and other interested parties will have the opportunity to raise legal and practical questions about the content, scope and application of such regulations. As a result, the ultimate timing and substance of any such regulations are unknown at this time. For the years ended December 31, 2015, 2014 and 2013, the Company recognized an income tax benefit of

Brighthouse Financial, Inc. and Related Companies

Notes to the Combined Financial Statements — (continued)

15. Income Tax (continued)

$154 million, $157 million and $121 million, respectively, related to the separate account DRD. The 2015 benefit included a benefit of $11 million related to a true-up of the 2014 tax return. The 2014 and 2013 benefit included a benefit of $25 million and $13 million related to a true-up of the 2013 and 2012 tax returns, respectively.

16. Contingencies, Commitments and Guarantees

Contingencies

Litigation

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

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

The Company establishes liabilities for litigation and regulatory loss contingencies when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated. It is possible that some matters could require the Company to pay damages or make other expenditures or establish accruals in amounts that could not be estimated as of December 31, 2015.

Matters as to Which an Estimate Can Be Made

For some loss contingency matters, the Company is able to estimate a reasonably possible range of loss. For such matters where a loss is believed to be reasonably possible, but not probable, no accrual has been made. As of December 31, 2015, the Company estimates the aggregate range of reasonably possible losses in excess of amounts accrued for these matters to be $0 to $25 million.

Matters as to Which an Estimate Cannot Be Made

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

16. Contingencies, Commitments and Guarantees (continued)

Unclaimed Property Litigation

On November 14, 2012, the West Virginia Treasurer filed an action against MetLife Investors USA Insurance Company in West Virginia state court (*West Virginia ex rel. John D. Perdue v. MetLife Investors USA Insurance Company, Circuit Court of Putnam County, Civil Action No. 12-C-363*) alleging that MetLife Investors USA Insurance Company violated the West Virginia Uniform Unclaimed Property Act (the "*Act*"), seeking to compel compliance with the Act, and seeking payment of unclaimed property, interest, and penalties. On November 21, 2012 and December 28, 2012, the Treasurer filed substantially identical suits in West Virginia state court against New England Life Insurance Company and MetLife Insurance Company of Connecticut, respectively. In August 2016, these companies and the West Virginia Treasurer reached an agreement in principle to resolve these actions.

Diversified Lending Group Litigations
Hartshorne v. NELICO, et al. (Los Angeles County Superior Court, filed March 25, 2015)

Plaintiffs have named NELICO in twelve related lawsuits in California state court alleging various causes of action including multiple negligence and statutory claims relating to the Diversified Lending Group Ponzi scheme. In August of 2016, a trial of claims by plaintiff Christine Ramirez resulted in a verdict against MetLife, Inc., MetLife Securities, and NELICO for $239,890 in compensatory damages and $15 million in punitive damages. NELICO expects to appeal.

Thrivent Financial for Lutherans v. MetLife Insurance Company USA, (E.D. Wis., filed September 12, 2016)

Plaintiff filed a complaint against MetLife Insurance Company USA, contending that MetLife's use of the Brighthouse Financial trademark and logo will infringe on its trademarks. Alleging violations of federal and state law, Plaintiff seeks preliminary and permanent injunctions, compensatory damages, and other relief. MetLife Insurance Company USA intends to defend this action vigorously.

Sales Practices Claims

Over the past several years, the Company has faced claims and regulatory inquiries and investigations, alleging improper marketing or sales of individual life insurance policies, annuities, mutual funds or other products. The Company continues to defend vigorously against the claims in these matters. The Company believes adequate provision has been made in its combined financial statements for all probable and reasonably estimable losses for sales practices matters.

Summary

Various litigation, claims and assessments against the Company, in addition to those discussed previously and those otherwise provided for in the Company's combined financial statements, have arisen in the course of the Company's business, including, but not limited to, in connection with its activities as an insurer, investor and taxpayer. Further, state insurance regulatory authorities and other federal and state authorities regularly make inquiries and conduct investigations concerning the Company's compliance with applicable insurance and other laws and regulations.

It is not possible to predict the ultimate outcome of all pending investigations and legal proceedings. In some of the matters referred to previously, large and/or indeterminate amounts, including punitive and treble

16. Contingencies, Commitments and Guarantees (continued)

damages, are sought. Although, in light of these considerations it is possible that an adverse outcome in certain cases could have a material effect upon the Company's financial position, based on information currently known by the Company's management, in its opinion, the outcomes 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 effect on the Company's combined net income or cash flows in particular quarterly or annual periods.

Insolvency Assessments

Most of the jurisdictions in which the Company is admitted to transact business require insurers doing business within the jurisdiction to participate in guaranty associations, which are organized to pay contractual benefits owed pursuant to insurance policies issued by impaired, insolvent or failed insurers. These associations levy assessments, up to prescribed limits, on all member insurers in a particular state on the basis of the proportionate share of the premiums written by member insurers in the lines of business in which the impaired, insolvent or failed insurer engaged. Some states permit member insurers to recover assessments paid through full or partial premium tax offsets.

Assets and liabilities held for insolvency assessments were as follows:

	December 31,	
	2015	2014
	(In millions)	
Other Assets:		
Premium tax offset for future discounted and undiscounted assessments	$ 14	$ 14
Premium tax offsets currently available for paid assessments	14	19
	$ 28	$ 33
Other Liabilities:		
Insolvency assessments	$ 18	$ 19

Commitments

Mortgage Loan Commitments

The Company commits to lend funds under mortgage loan commitments. The amounts of these mortgage loan commitments were $128 million and $36 million as of December 31, 2015 and 2014, respectively.

Commitments to Fund Partnership Investments, Bank Credit Facilities and Private Corporate Bond Investments

The Company commits to fund partnership investments and to lend funds under bank credit facilities and private corporate bond investments. The amounts of these unfunded commitments were $1.0 billion and $931 million as of December 31, 2015 and 2014, respectively.

Other Commitments

The Company has entered into collateral arrangements with affiliates, which require the transfer of collateral in connection with secured demand notes. As of December 31, 2015 and 2014 the Company had agreed

16. Contingencies, Commitments and Guarantees (continued)

to fund up to $20 million and $32 million, respectively, of cash upon the request by these affiliates and had transferred collateral consisting of various securities with a fair market value of $25 million and $57 million, respectively, to custody accounts to secure the demand notes. Each of these affiliates is permitted by contract to sell or re-pledge this collateral.

Guarantees

In the normal course of its business, the Company has provided certain indemnities, guarantees and commitments to third parties such that it may be required to make payments now or in the future. In the context of acquisition, disposition, investment and other transactions, the Company has provided indemnities and guarantees, including those related to tax, environmental and other specific liabilities and other indemnities and guarantees that are triggered by, among other things, breaches of representations, warranties or covenants provided by the Company. In addition, in the normal course of business, the Company provides indemnifications to counterparties in contracts with triggers similar to the foregoing, as well as for certain other liabilities, such as third-party lawsuits. These obligations are often subject to time limitations that vary in duration, including contractual limitations and those that arise by operation of law, such as applicable statutes of limitation. In some cases, the maximum potential obligation under the indemnities and guarantees is subject to a contractual limitation ranging from less than $1 million to $223 million, with a cumulative maximum of $265 million, while in other cases such limitations are not specified or applicable. Since certain of these obligations are not subject to limitations, the Company does not believe that it is possible to determine the maximum potential amount that could become due under these guarantees in the future. Management believes that it is unlikely the Company will have to make any material payments under these indemnities, guarantees, or commitments.

In addition, the Company indemnifies its directors and officers as provided in its charters and by-laws. Also, the Company indemnifies its agents for liabilities incurred as a result of their representation of the Company's interests. Since these indemnities are generally not subject to limitation with respect to duration or amount, the Company does not believe that it is possible to determine the maximum potential amount that could become due under these indemnities in the future.

The Company's recorded liabilities were $2 million and $1 million as of December 31, 2015 and 2014, respectively, for indemnities, guarantees and commitments.

17. Related Party Transactions

The Company has not historically operated as a standalone business and has various existing relationships with MetLife for services necessary to conduct its activities.

Non-Broker-Dealer Transactions

The following table summarizes income and expense from transactions with MetLife (excluding broker-dealer transactions) for the years indicated:

	Years Ended December 31,			Years Ended December 31,		
	2015	2014	2013	2015	2014	2013
	Income			Expense		
	(In millions)					
MetLife	$ (178)	$ (236)	$ 1,502	$ 802	$ 864	$ 927

17. Related Party Transactions (continued)

The following table summarizes assets and liabilities from transactions with MetLife (excluding broker-dealer transactions) for the years indicated:

	As of December 31,		As of December 31,	
	2015	2014	2015	2014
	Assets		Liabilities	
	(In millions)			
MetLife	$10,288	$10,962	$ 8,566	$ 8,750

The material arrangements between the Company and MetLife are as follows:

Reinsurance Agreements

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 affiliated companies. The Company participates in reinsurance activities in order to limit losses, minimize exposure to significant risks and provide additional capacity for future growth.

The Company has reinsurance agreements with certain of MetLife, Inc.'s subsidiaries, including MLIC, General American Life Insurance Company, MetLife Europe Limited, MetLife Reinsurance Company of Vermont, Delaware American Life Insurance Company and American Life Insurance Company, all of which are related parties. *See* Note 6 for further discussion of the affiliated reinsurance agreements.

Financing and Capital Support Arrangements

The Company has financing arrangements with MetLife that are used to support reinsurance obligations arising under affiliated reinsurance agreements. The Company recognized interest expense for affiliated debt of $125 million, $130 million and $109 million, for the years ended December 31, 2015, 2014 and 2013, respectively. *See* Notes 11 and 12 for further discussion of the related party financing arrangements.

Additionally, MetLife provides various capital support commitments and guarantees to the Company. Under these arrangements, MetLife has agreed to cause each affected entity to meet specified capital and surplus levels or has guaranteed certain contractual obligations. The terms of the material capital support commitments follow.

MetLife, Inc., in connection with MRD's reinsurance of certain universal life and term life risks, entered into capital maintenance agreements pursuant to which MetLife, Inc. agreed, without limitation as to amount, to cause the first and second protected cells of MRD to maintain total adjusted capital equal to or greater than 200% of each such protected cell's company action level RBC, as defined in state insurance statutes. In addition, MetLife, Inc. entered into an agreement with the Delaware Department of Insurance to increase such capital maintenance threshold to 300% of each such protected cell's company action level RBC, in the event of specified downgrades in the senior unsecured debt ratings of MetLife, Inc.

MetLife, Inc., in connection with MRV's reinsurance of certain universal life and term life insurance risks, committed to the Vermont Department of Financial Regulation 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.

17. Related Party Transactions (continued)

MetLife, Inc., in connection with the collateral financing arrangement associated with MRSC reinsurance of ULSG, 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 12 for further discussion of collateral financing arrangements.

MetLife, Inc. has a net worth maintenance agreement with its insurance subsidiary, FMLI. Under this agreement, as amended, MetLife, Inc. agreed, without limitation as to the amount, to cause FMLI 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.

Investment Transactions

The Company has extended loans to certain subsidiaries of MetLife, Inc. Additionally, in the ordinary course of business, the Company transfers invested assets, primarily consisting of fixed maturity securities, to and from MetLife affiliates. *See* Note 7 for further discussion of the related party investment transactions.

Shared Services and Overhead Allocations

MetLife provides the Company certain services, which include, but are not limited to, executive oversight, treasury, finance, legal, human resources, tax planning, internal audit, financial reporting, information technology and investor relations. For certain of these arrangements, charges are based on various performance measures or activity-based costing. The bases for such charges are modified and adjusted by management when necessary or appropriate to reflect fairly and equitably the actual incidence of cost incurred by the Company and/or affiliate. Management believes that the methods used to allocate expenses under these arrangements are reasonable. Net expenses incurred with MetLife related to these arrangements, recorded in other operating expenses, were $1.1 billion, $999 million and $931 million for the years ended December 31, 2015, 2014 and 2013, respectively.

Stock-Based Compensation Plans

The Company's employees participate in MetLife stock-based compensation plans, the costs of which have been allocated to the Company and recorded in the combined statements of income. *See* Note 13 for further discussion of the stock-based compensation plans.

Broker-Dealer Transactions

The Company accrues related party revenues and expenses arising from transactions with MetLife's broker-dealers whereby the MetLife broker-dealers sell the Company's variable annuity and life products. The affiliated revenue for the Company is fee income from trusts and mutual funds whose shares serve as investment options of policyholders of the Company. The affiliated expense for the Company is commissions collected on the sale of variable products by the Company and passed through to the broker-dealer.

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17. Related Party Transactions (continued)

The following table summarizes income and expense from transactions with related broker-dealers for the years indicated:

	Years Ended December 31,			Years Ended December 31,		
	2015	2014	2013	2015	2014	2013
	Fee Income			Commission Expense		
	(In millions)					
MetLife broker-dealers	$ 235	$ 230	$ 239	$ 652	$ 657	$ 747

The following table summarizes assets and liabilities from transactions with affiliated broker-dealers as follows:

	As of December 31,		As of December 31,	
	2015	2014	2015	2014
	Fee Income Receivables		Secured Demand Notes	
	(In millions)			
MetLife broker-dealers	$ 20	$ 21	$ 20	$ 32

18. Subsequent Events

The Company has evaluated events subsequent to December 31, 2015 through October 5, 2016, which is the date these financial statements were available to be issued.

Actuarial Review

In 2016, the Company accelerated the actuarial assumption review to the second quarter with respect to the assumptions related to its retail variable annuities business. The Company also refined its actuarial model, that calculates the reserves for ULSG. The impact on net income (loss) was a charge of $2.7 billion ($1.8 billion, net of income tax).

Reinsurance Recapture Transaction

Effective April 1, 2016, MetLife USA recaptured risks related to certain single premium deferred annuity contracts previously reinsured to MLIC, an affiliate. As a result of this recapture, the significant effects to the Company were an increase in investments and cash and cash equivalents of $4.3 billion and an increase in DAC of $87 million, offset by a decrease in premiums, reinsurance and other receivables of $4.0 billion. MetLife USA recognized a gain of $246 million, net of income tax, as a result of this reinsurance termination.

Capital Contribution

On February 24, 2016, MetLife USA received a capital contribution of $1.5 billion in cash from MetLife, Inc.

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Brighthouse Financial, Inc. and Related Companies

Schedule I

Combined Summary of Investments —
Other Than Investments in Related Parties
December 31, 2015

(In millions)

Types of Investments	Cost or Amortized Cost (1)	Estimated Fair Value	Amount at Which Shown on Balance Sheet
Fixed maturity securities:			
Bonds:			
U.S. government and agency securities	$ 13,216	$ 14,524	$ 14,524
State and political subdivision securities	3,253	3,631	3,631
Public utilities	2,761	2,905	2,905
Foreign government securities	686	781	781
All other corporate bonds	23,397	23,687	23,687
Total bonds	43,313	45,528	45,528
Mortgage-backed and asset-backed securities	17,683	17,712	17,712
Redeemable preferred stock	351	416	416
Total fixed maturity securities	61,347	63,656	63,656
Equity securities:			
Non-redeemable preferred stock	265	272	272
Common stock:			
Industrial, miscellaneous and all other	161	177	177
Banks, trust and insurance companies	2	5	5
Public utilities	4	3	3
Total equity securities	432	457	457
Mortgage loans held-for-investment	7,524		7,524
Policy loans	1,692		1,692
Real estate and real estate joint ventures	632		632
Other limited partnership interests	1,850		1,850
Short-term investments	1,832		1,832
Other invested assets	5,986		5,986
Total investments	$ 81,295		$ 83,629

(1) Cost or amortized cost for fixed maturity securities and mortgage loans held-for-investment represents original cost reduced by repayments, valuation allowances and impairments from other-than-temporary declines in estimated fair value that are charged to earnings and adjusted for amortization of premiums or accretion of discounts; for equity securities, cost represents original cost reduced by impairments from other-than-temporary declines in estimated fair value; for real estate, cost represents original cost reduced by impairments and adjusted for valuation allowances and depreciation; for real estate joint ventures and other limited partnership interests, cost represents original cost reduced for impairments or original cost adjusted for equity in earnings and distributions.

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Brighthouse Financial, Inc. and Related Companies

Schedule III

Combined Supplementary Insurance Information
December 31, 2015, 2014 and 2013

(In millions)

Segment	DAC and VOBA	Future Policy Benefits and Other Policy-Related Balances	Policyholder Account Balances	Unearned Premiums (1), (2)	Unearned Revenue (1)
2015					
Annuities	$3,790	$ 6,814	$ 22,095	$ —	$ 99
Life	2,484	10,263	9,554	14	417
Run-off	6	10,116	5,871	—	13
Corporate & Other	110	7,167	1	5	—
Total	$6,390	$ 34,360	$ 37,521	$ 19	$ 529
2014					
Annuities	$3,983	$ 5,565	$ 21,396	$ —	$ 104
Life	2,531	9,380	9,334	11	441
Run-off	5	10,850	6,695	—	1
Corporate & Other	63	6,771	1	5	—
Total	$6,582	$ 32,566	$ 37,426	$ 16	$ 546
2013					
Annuities	$4,621	$ 4,806	$ 20,802	$ —	$ 106
Life	2,725	8,953	9,083	11	521
Run-off	6	14,270	8,357	—	2
Corporate & Other	26	7,313	1,167	4	—
Total	$7,378	$ 35,342	$ 39,409	$ 15	$ 629

(1) Amounts are included within the future policy benefits and other policy-related balances column.
(2) Includes premiums received in advance.

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Brighthouse Financial, Inc. and Related Companies

Schedule III

Combined Supplementary Insurance Information — (continued)
December 31, 2015, 2014 and 2013

(In millions)

Segment	Premiums and Universal Life and Investment-Type Product Policy Fees	Net Investment Income (1)	Policyholder Benefits and Claims and Interest Credited to Policyholder Account Balances	Amortization of DAC and VOBA Charged to Other Expenses	Other Expenses
2015					
Annuities	$ 3,856	$ 1,156	$ 2,359	$ 523	$ 1,301
Life	1,474	1,009	1,429	233	516
Run-off	71	804	522	1	44
Corporate & Other	288	130	218	24	259
Total	$ 5,689	$ 3,099	$ 4,528	$ 781	$ 2,120
2014					
Annuities	$ 4,094	$ 1,065	$ 2,685	$ 786	$ 1,388
Life	1,498	970	1,241	300	513
Run-off	9	908	603	2	42
Corporate & Other	234	147	83	21	256
Total	$ 5,835	$ 3,090	$ 4,612	$ 1,109	$ 2,199
2013					
Annuities	$ 3,325	$ 1,058	$ 2,860	$ (140)	$ 1,282
Life	1,524	869	1,290	258	613
Run-off	219	1,118	859	4	38
Corporate & Other	205	321	14	1	345
Total	$ 5,273	$ 3,366	$ 5,023	$ 123	$ 2,278

(1) *See* Note 2 for the basis of allocation of net investment income.

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Brighthouse Financial, Inc. and Related Companies

Schedule IV

Combined Reinsurance
December 31, 2015, 2014 and 2013

(Dollars in millions)

	Gross Amount	Ceded	Assumed	Net Amount	% Amount Assumed to Net
2015					
Life insurance in-force	$ 637,410	$483,569	$94,863	$248,704	38.1%
Insurance premium					
Life insurance (1)	$ 2,229	$ 855	$ 288	$ 1,662	17.3%
Accident & health insurance	243	235	9	17	52.9%
Total insurance premium	$ 2,472	$ 1,090	$ 297	$ 1,679	17.7%
2014					
Life insurance in-force	$ 594,743	$469,238	$52,728	$178,233	29.6%
Insurance premium					
Life insurance (1)	$ 2,196	$ 796	$ 94	$ 1,494	6.3%
Accident & health insurance	239	233	—	6	— %
Total insurance premium	$ 2,435	$ 1,029	$ 94	$ 1,500	6.3%
2013					
Life insurance in-force	$ 579,416	$454,604	$10,931	$135,743	8.1%
Insurance premium					
Life insurance (1)	$ 1,548	$ 610	$ 73	$ 1,011	7.2%
Accident & health insurance	243	236	—	7	— %
Total insurance premium	$ 1,791	$ 846	$ 73	$ 1,018	7.2%

(1) Includes annuities with life contingencies.

For the year ended December 31, 2015, reinsurance ceded and assumed included affiliated transactions for life insurance in-force of $278.5 billion and $86.4 billion, respectively, and life insurance premiums of $687 million and $227 million, respectively. For the year ended December 31, 2014, reinsurance ceded and assumed included affiliated transactions for life insurance in-force of $279.8 billion and $50.2 billion, respectively, and life insurance premiums of $652 million and $55 million, respectively. For the year ended December 31, 2013, reinsurance ceded and assumed included affiliated transactions for life insurance in-force of $261.6 billion and $10.0 billion, respectively, and life insurance premiums of $463 million and $28 million, respectively.

Index to Interim Condensed Combined Financial Statements and Notes

Brighthouse Financial, Inc. and Related Companies

Interim Condensed Combined Balance Sheets
September 30, 2016 (Unaudited) and December 31, 2015

(In millions)

	September 30, 2016	December 31, 2015
Assets		
Investments:		
Fixed maturity securities available-for-sale, at estimated fair value (amortized cost: $69,268 and $61,347, respectively; includes $3,533 and $3,360, respectively, relating to variable interest entities)	$ 75,842	$ 63,656
Equity securities available-for-sale, at estimated fair value (cost: $333 and $432, respectively)	365	457
Mortgage loans (net of valuation allowances of $43 and $37, respectively; includes $143 and $172, respectively, at estimated fair value, relating to variable interest entities)	8,567	7,524
Policy loans	1,518	1,692
Real estate and real estate joint ventures (includes $0 and $5, respectively, of real estate held-for-sale)	210	632
Other limited partnership interests	1,704	1,850
Short-term investments, principally at estimated fair value	3,670	1,832
Other invested assets, principally at estimated fair value	7,686	5,986
Total investments	99,562	83,629
Cash and cash equivalents, principally at estimated fair value (includes $0 and $14, respectively, relating to variable interest entities)	2,825	1,570
Accrued investment income (includes $1 and $1, respectively, relating to variable interest entities)	692	612
Premiums, reinsurance and other receivables	15,068	18,878
Deferred policy acquisition costs and value of business acquired	6,589	6,390
Current income tax recoverable	329	261
Other assets	646	938
Separate account assets	115,218	114,447
Total assets	$ 240,929	$ 226,725
Liabilities and Shareholder's Net Investment		
Liabilities		
Future policy benefits	$ 35,863	$ 31,203
Policyholder account balances	40,304	37,521
Other policy-related balances	3,092	3,157
Payables for collateral under securities loaned and other transactions	13,696	10,637
Long-term debt (includes $27 and $48, respectively, at estimated fair value, relating to variable interest entities)	1,914	1,936
Collateral financing arrangement	2,797	2,797
Deferred income tax liability	3,394	3,802
Other liabilities (includes $1 and $1, respectively, relating to variable interest entities)	6,481	4,386
Separate account liabilities	115,218	114,447
Total liabilities	222,759	209,886
Contingencies, Commitments and Guarantees (Note 9)		
Shareholder's Net Investment		
Shareholder's net investment	15,731	15,316
Accumulated other comprehensive income (loss)	2,439	1,523
Total shareholder's net investment	18,170	16,839
Total liabilities and shareholder's net investment	$ 240,929	$ 226,725

See accompanying notes to the interim condensed combined financial statements.

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Brighthouse Financial, Inc. and Related Companies

Interim Condensed Combined Statements of Operations and Comprehensive Income (Loss)
For the Nine Months Ended September 30, 2016 and 2015 (Unaudited)

(In millions)

	Nine Months Ended September 30, 2016	Nine Months Ended September 30, 2015
Revenues		
Premiums	$ 1,021	$ 1,159
Universal life and investment-type product policy fees	2,843	3,008
Net investment income	2,422	2,369
Other revenues	481	310
Net investment gains (losses):		
Other-than-temporary impairments on fixed maturity securities	(19)	(15)
Other-than-temporary impairments on fixed maturity securities transferred to other comprehensive income (loss)	(3)	—
Other net investment gains (losses)	7	12
Total net investment gains (losses)	(15)	(3)
Net derivative gains (losses)	(3,181)	(69)
Total revenues	3,571	6,774
Expenses		
Policyholder benefits and claims	2,948	2,248
Interest credited to policyholder account balances	871	943
Goodwill impairment	161	—
Amortization of deferred policy acquisition costs and value of business acquired	(45)	649
Other expenses	1,564	1,548
Total expenses	5,499	5,388
Income (loss) before provision for income tax	(1,928)	1,386
Provision for income tax expense (benefit)	(754)	358
Net income (loss)	$(1,174)	$ 1,028
Comprehensive income (loss)	$ (258)	$ 332

See accompanying notes to the interim condensed combined financial statements.

Brighthouse Financial, Inc. and Related Companies

Interim Condensed Combined Statements of Shareholder's Net Investment
For the Nine Months Ended September 30, 2016, and 2015 (Unaudited)

(In millions)

	Shareholder's Net Investment	Accumulated Other Comprehensive Income (Loss)	Total Shareholder's Net Investment
Balance as of December 31, 2015	$ 15,316	$ 1,523	$ 16,839
Change in net investment	1,589		1,589
Net income (loss)	(1,174)		(1,174)
Other comprehensive income (loss), net of income tax		916	916
Balance as of September 30, 2016	$ 15,731	$ 2,439	$ 18,170

	Shareholder's Net Investment	Accumulated Other Comprehensive Income (Loss)	Total Shareholder's Net Investment
Balance as of December 31, 2014	$ 14,810	$ 2,715	$ 17,525
Change in net investment	(545)		(545)
Net income (loss)	1,028		1,028
Other comprehensive income (loss), net of income tax		(696)	(696)
Balance as of September 30, 2015	$ 15,293	$ 2,019	$ 17,312

See accompanying notes to the interim condensed combined financial statements.

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Brighthouse Financial, Inc. and Related Companies

Interim Condensed Combined Statements of Cash Flows
For the Nine Months Ended September 30, 2016 and 2015 (Unaudited)

(In millions)

	2016	2015
Net cash provided by (used in) operating activities	$ 2,605	$ 2,608
Cash flows from investing activities		
Sales, maturities and repayments of:		
Fixed maturity securities	27,696	28,330
Equity securities	166	80
Mortgage loans	1,429	760
Real estate and real estate joint ventures	430	232
Other limited partnership interests	289	175
Purchases of:		
Fixed maturity securities	(29,992)	(31,615)
Equity securities	(57)	(73)
Mortgage loans	(2,097)	(1,818)
Real estate and real estate joint ventures	(51)	(56)
Other limited partnership interests	(134)	(161)
Cash received in connection with freestanding derivatives	460	438
Cash paid in connection with freestanding derivatives	(1,659)	(498)
Cash received under repurchase agreements	—	199
Cash paid under reverse repurchase agreements	—	(199)
Sales of loans to affiliates	—	8
Receipts on loans to affiliates	50	—
Net change in policy loans	111	11
Net change in short-term investments	(1,740)	(2,608)
Net change in other invested assets	25	9
Net cash provided by (used in) investing activities	(5,074)	(6,786)
Cash flows from financing activities		
Policyholder account balances:		
Deposits	9,071	14,500
Withdrawals	(9,825)	(14,673)
Net change in payables for collateral under securities loaned and other transactions	3,059	4,053
Long-term debt repaid	(21)	(76)
Financing element on certain derivative instruments	(228)	(73)
Cash received from MetLife in connection with shareholder's net investment (Note 8)	1,726	385
Cash paid to MetLife in connection with shareholder's net investment (Note 8)	(58)	(554)
Net cash provided by (used in) financing activities	3,724	3,562
Effect of change in foreign currency exchange rates on cash and cash equivalents balances	—	(2)
Change in cash and cash equivalents	1,255	(618)
Cash and cash equivalents, beginning of period	1,570	1,603
Cash and cash equivalents, end of period	$ 2,825	$ 985
Supplemental disclosures of cash flow information		
Net cash paid (received) for:		
Interest	$ 153	$ 149
Income tax	$ 231	$ 250
Non-cash transactions:		
Transfer of fixed maturity securities from affiliates	$ 3,478	$ —
Transfer of mortgage loans from affiliates	$ 395	$ —
Transfer of short-term investments from affiliates	$ 94	$ —

See accompanying notes to the interim condensed combined financial statements.

Brighthouse Financial, Inc. and Related Companies

Notes to the Interim Condensed Combined Financial Statements (Unaudited)

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

Business

Brighthouse Financial, Inc. is a holding company formed to ultimately own the legal entities that have historically operated a substantial portion of MetLife, Inc.'s Retail segment. Brighthouse Financial, Inc. is a wholly owned subsidiary of MetLife, Inc. (MetLife, Inc., together with its subsidiaries and affiliates, "*MetLife*") and was incorporated in Delaware on August 1, 2016 in preparation for MetLife's planned separation of a substantial portion of its Retail segment, as well as certain portions of its Corporate Benefit Funding segment (the "*separation"*).

The accompanying interim condensed combined financial statements were prepared in connection with the proposed separation. The financial statements present the combined results of operations, financial condition, and cash flows of Brighthouse Financial, Inc. and certain direct and indirect subsidiaries and businesses of MetLife, Inc. In addition to Brighthouse Financial, Inc., the companies and businesses included in the combined financial statements are MetLife Insurance Company USA and subsidiaries ("*MetLife USA*"), New England Life Insurance Company, First MetLife Investors Insurance Company, MetLife Reinsurance Company of Delaware, MetLife Reinsurance Company of South Carolina ("*MRSC*"), MetLife Advisers, LLC and a designated protected cell of MetLife Reinsurance Company of Vermont ("*MRV Cell*"). "*Brighthouse*" and the "*Company*" refer to Brighthouse Financial, Inc. and the anticipated combined predecessor companies and businesses including variable interest entities ("*VIEs*") for which the Company is the primary beneficiary. These financial statements were prepared on a combined basis because the operations were under common control. All intercompany accounts and transactions have been eliminated between the combined entities.

The Company offers a range of individual annuities and individual life insurance products. The Company reports results through three segments: Annuities, Life and Run-off. In addition, the Company reports certain of its results in Corporate & Other.

Basis of Presentation

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("*GAAP*") requires management to adopt accounting policies and make estimates and assumptions that affect amounts reported on the interim condensed combined 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.

Combination

The combined balance sheets include the attribution of certain assets and liabilities that have historically been held at the MetLife corporate level but which are specifically identifiable or attributable to the Company. Similarly, certain assets attributable to shared services managed at the MetLife corporate level have been excluded from the combined balance sheets. The combined statements of operations reflect certain corporate expenses allocated to the Company by MetLife for certain corporate functions and for shared services provided by MetLife. These expenses have been allocated to the Company based on direct usage or benefit where specifically identifiable, with the remainder allocated based upon other reasonable allocation measures. The Company considers the expense methodology and results to be reasonable for all periods presented. See Note 10 for further information on expenses allocated by MetLife.

The Company has recorded affiliated transactions with certain MetLife subsidiaries which are not included in the combined financial statements of the Company.

Brighthouse Financial, Inc. and Related Companies

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

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

The income tax amounts in these combined financial statements have been calculated based on a separate return methodology and presented as if each company was a separate taxpayer in its respective jurisdiction.

The historical financial results in the combined financial statements presented may not be indicative of the results that would have been achieved by the Company had it operated as a separate, stand-alone entity during the periods presented. The combined financial statements presented do not reflect any changes that may occur in the Company's financing and operations in connection with or as a result of the separation.

The accompanying interim condensed combined financial statements are unaudited and reflect all adjustments (including normal recurring adjustments) necessary to present fairly the financial position, results of operations and cash flows for the interim periods presented in conformity with GAAP. Interim results are not necessarily indicative of full year performance. The December 31, 2015 combined balance sheet data was derived from audited combined financial statements included in Brighthouse Financial, Inc.'s Combined Financial Statements for the year ended December 31, 2015 (the *"2015 Combined Financial Statements"*), which include all disclosures required by GAAP. Therefore, these interim condensed combined financial statements should be read in conjunction with the combined financial statements of the Company included in the 2015 Combined Financial Statements.

Adoption of New Accounting Pronouncement

Effective January 1, 2016, the Company retrospectively adopted new guidance relating to the consolidation of certain entities. The objective of the new standard is to improve targeted areas of the consolidation guidance and to reduce the number of consolidation models. The new consolidation standard provides guidance on how a reporting entity (i) evaluates whether the entity should consolidate limited partnerships and similar entities, (ii) assesses whether the fees paid to a decisionmaker or service provider are variable interests in a VIE, and (iii) assesses the variable interests in a VIE held by related parties of the reporting entity. The new guidance also eliminates the VIE consolidation model based on majority exposure to variability that applied to certain investment companies and similar entities. The adoption of the new guidance did not impact which entities are consolidated by the Company. The consolidated VIE assets and liabilities and unconsolidated VIE carrying amounts and maximum exposure to loss as of September 30, 2016, disclosed in Note 4, reflect the application of the new guidance.

Future Adoption of New Accounting Pronouncements

In November 2016, the Financial Accounting Standards Board ("*FASB*") issued new guidance on restricted cash (Accounting Standards Update ("*ASU*") 2016-18, *Statement of Cash Flows (Topic 230): a consensus of the FASB Emerging Issues Task Force*). The new guidance is effective for fiscal years beginning after December 15, 2017 and interim periods within those fiscal years, and should be applied on a retrospective basis. Early adoption is permitted. The new guidance requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. As a result, the new guidance requires that amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows, The new guidance does not provide a definition of restricted cash or restricted cash equivalents. The Company is currently evaluating the impact of this guidance on its combined financial statements.

In October 2016, the FASB issued new guidance on consolidation evaluation for entities under common control (ASU 2016-17, *Consolidation (Topic 810): Interests Held through Related Parties That Are under Common Control*). The new guidance is effective for fiscal years beginning after December 15, 2016 and interim

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

periods within those fiscal years, and should be applied on a retrospective basis. Early adoption is permitted. The new guidance does not change the characteristics of a primary beneficiary under current GAAP. It changes how a reporting entity evaluates whether it is the primary beneficiary of a VIE by changing how a reporting entity that is a single decisionmaker of a VIE handles indirect interests in the entity held through related parties that are under common control with the reporting entity. The Company is currently evaluating the impact of this guidance on its combined financial statements.

In October 2016, the FASB issued new guidance on tax accounting for intra-entity transfers of assets (ASU 2016-16, *Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory*). The new guidance is effective for fiscal years beginning after December 15, 2017 and interim periods within those fiscal years, and should be applied on a modified retrospective basis. Early adoption is permitted in the first interim or annual reporting period. Current guidance prohibits the recognition of current and deferred income taxes for an intra-entity asset transfer until the asset has been sold to an outside party. The new guidance requires an entity to recognize the income tax consequences of an intra-entity transfer of an asset other than inventory when the transfer occurs. Also, the guidance eliminates the exception for an intra-entity transfer of an asset other than inventory. The Company is currently evaluating the impact of this guidance on its combined financial statements.

In August 2016, the FASB issued new guidance on cash flow statement presentation (ASU 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*). The new guidance is effective for fiscal years beginning after December 15, 2017 and interim periods within those fiscal years, and should be applied retrospectively to all periods presented. Early adoption is permitted in any interim or annual period. This ASU addresses diversity in how certain cash receipts and cash payments are presented and classified in the statement of cash flows. The Company is currently evaluating the impact of this guidance on its combined financial statements.

In June 2016, the FASB issued new guidance on measurement of credit losses on financial instruments (ASU 2016-13, *Financial Instruments — Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments)*. The new guidance is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. Early adoption is permitted for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. This ASU replaces the incurred loss impairment methodology with one that reflects expected credit losses. The measurement of expected credit losses should be based on historical loss information, current conditions, and reasonable and supportable forecasts. The guidance also requires enhanced disclosures. The Company is currently evaluating the impact of this guidance on its combined financial statements.

In March 2016, the FASB issued new guidance on stock compensation (ASU 2016-09, *Compensation —Stock Compensation (Topic 718): Improvements to Employee Share-based Payment Accounting)*. The new guidance is effective for the fiscal years beginning after December 15, 2016, including interim periods within those fiscal years, and requires either a modified retrospective, a retrospective or a prospective transition approach depending upon the type of change. Early adoption is permitted in any interim or annual period. The new guidance changes several aspects of the accounting for share-based payment award transactions, including: (i) income tax consequences when awards vest or are settled; (ii) classification of awards as either equity or liabilities due to statutory tax withholding requirements; and (iii) classification on the statement of cash flows. The Company is currently evaluating the impact of this guidance on its combined financial statements.

In February 2016, the FASB issued new guidance on leasing transactions (ASU 2016-02, *Leases — Topic 842*). The new guidance is effective for the fiscal years beginning after December 15, 2018, including interim periods within those fiscal years, and requires a modified retrospective transition approach which includes a

Brighthouse Financial, Inc. and Related Companies

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

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

number of optional practical expedients. Early adoption is permitted. The new guidance requires a lessee to recognize assets and liabilities for leases with lease terms of more than 12 months. Consistent with current guidance, leases would be classified as finance or operating leases. However, unlike current guidance, the new guidance will require both types of leases to be recognized on the balance sheet. Lessor accounting will remain largely unchanged from current guidance except for certain targeted changes. The new guidance will also require new qualitative and quantitative disclosures. The Company is currently evaluating the impact of this guidance on its combined financial statements.

In January 2016, the FASB issued new guidance (ASU 2016-01, *Financial Instruments-Overall: Recognition and Measurement of Financial Assets and Financial Liabilities*) on the recognition and measurement of financial instruments. The new guidance is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. Early adoption is permitted for the instrument-specific credit risk provision. The new guidance changes the current accounting guidance related to (i) the classification and measurement of certain equity investments, (ii) the presentation of changes in the fair value of financial liabilities measured under the fair value option ("*FVO*") that are due to instrument-specific credit risk, and (iii) certain disclosures associated with the fair value of financial instruments. The Company is currently evaluating the impact of this guidance on its combined financial statements.

In May 2015, the FASB issued new guidance on short-duration insurance contracts (ASU 2015-09, *Financial Services — Insurance (Topic 944): Disclosures about Short-Duration Contracts*). The amendments in this new guidance are effective for annual periods beginning after December 15, 2015, and interim periods within annual periods beginning after December 15, 2016. The new guidance should be applied retrospectively by providing comparative disclosures for each period presented, except for those requirements that apply only to the current period. The new guidance requires insurance entities to provide users of financial statements with more transparent information about initial claim estimates and subsequent adjustments to these estimates, including information on: (i) reconciling from the claim development table to the balance sheet liability, (ii) methodologies and judgments in estimating claims, and (iii) the timing, and frequency of claims. The adoption will not have an impact on the Company's combined financial statements other than expanded disclosures in Note 3.

In May 2014, the FASB issued a comprehensive new revenue recognition standard (ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*), effective for fiscal years beginning after December 15, 2016 and interim periods within those years and should be applied retrospectively. In August 2015, the FASB amended the guidance to defer the effective date by one year, effective for the fiscal years beginning after December 15, 2017, including interim periods within that reporting period. Earlier application is permitted only as of annual reporting periods beginning after December 15, 2016, including interim reporting periods within that reporting period. The new guidance will supersede nearly all existing revenue recognition guidance under GAAP; however, it will not impact the accounting for insurance contracts, leases, financial instruments and guarantees. For those contracts that are impacted by the new guidance, the guidance will require an entity to recognize revenue upon the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled, in exchange for those goods or services. The Company is currently evaluating the impact of this guidance on its combined financial statements.

2. Segment Information

The Company is organized into three segments: Annuities, Life and Run-off. In addition, the Company reports certain of its results of operations in Corporate & Other.

Brighthouse Financial, Inc. and Related Companies

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

2. Segment Information (continued)

Annuities

The Annuities segment offers a variety of variable, fixed, index-linked and income annuities designed to address contract holders' needs for protected wealth accumulation on a tax-deferred basis, wealth transfer and income security.

Life

The Life segment offers insurance products and services, including term, whole, universal and variable life products designed to address policyholders' needs for financial security and protected wealth transfer, which may be provided on a tax-advantaged basis.

Run-off

The Run-off segment consists of products no longer actively sold and which are separately managed, including structured settlements, certain company-owned life insurance policies, bank-owned life insurance policies and funding agreements.

Corporate & Other

Corporate & Other contains the excess capital not allocated to the segments and interest expense related to the majority of the Company's outstanding debt, as well as expenses associated with certain legal proceedings and income tax audit issues. Corporate & Other also includes the elimination of intersegment amounts and a portion of MetLife's U.S. insurance business sold direct to consumers.

Financial Measures and Segment Accounting Policies

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

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

The following are excluded from total revenues in calculating operating revenues:

- Net investment gains (losses);
- Net derivative gains (losses) except: (i) earned income on derivatives and amortization of premium on derivatives that are hedges of investments or that are used to replicate certain investments, but do not qualify for hedge accounting treatment and (ii) earned income on derivatives and amortization of premium on derivatives that are hedges of policyholder account balances but do not qualify for hedge accounting treatment;
- Amortization of unearned revenue related to net investment gains (losses) and net derivative gains (losses) and certain variable annuity GMIB fees ("*GMIB Fees*");

Brighthouse Financial, Inc. and Related Companies

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

2. Segment Information (continued)

- Certain amounts related to securitization entities that are VIEs consolidated under GAAP; and
- Results of discontinued operations and other businesses that have been or will be sold or exited by the Company (*"Divested Businesses"*).

The following are excluded from total expenses in calculating operating expenses:

- Amounts associated with periodic crediting rate adjustments based on the total return of a contractually referenced pool of assets, benefits and hedging costs related to GMIBs ("*GMIB Costs*") and market value adjustments associated with surrenders or terminations of contracts ("*Market Value Adjustments*");
- Amounts related to: (i) net investment gains (losses) and net derivative gains (losses) and (ii) GMIB Fees and GMIB Costs included in amortization of deferred policy acquisition costs and value of business acquired;
- 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;
- Results of discontinued operations and Divested Businesses;
- Amounts related to securitization entities that are VIEs consolidated under GAAP;
- Goodwill impairment; and
- Costs related to: (i) implementation of new insurance regulatory requirements and (ii) acquisition and integration costs.

The tax impact of the adjustments mentioned above are calculated net of the U.S. statutory tax rate, which could differ from the Company's effective tax rate.

Set forth in the tables below is certain financial information with respect to the Company's segments, as well as Corporate & Other, for the nine months ended September 30, 2016 and 2015. The segment accounting policies are the same as those used to prepare the Company's combined financial statements, except for operating earnings adjustments as defined above. In addition, segment accounting policies include the method of capital allocation described below.

The internal capital model is a MetLife developed risk capital model that reflects management's judgment and view of required capital to represent the measurement of the risk profile of the business, to meet the Company's long term promises to clients, to service long-term obligations and to support the credit ratings of the Company. It accounts for the unique and specific nature of the risks inherent in the Company's business. Management is responsible for the ongoing production and enhancement of the internal capital model and reviews its approach periodically to ensure that it remains consistent with emerging industry practice standards. As such, the internal capital allocation methodology in the future may differ from MetLife's historical model.

The Company allocates equity to the segments based on the internal capital model, coupled with considerations of local capital requirements, and aligns with emerging standards and consistent risk principles.

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

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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 time incurred by each segment; and (iii) cost estimates included in the Company's product pricing.

	Operating Results				
Nine Months Ended September 30, 2016	Annuities	Life	Run-off	Corporate & Other	Total Combined
			(In millions)		
Pre-tax operating earnings	$ 1,228	$(452)	$222	$ 26	$ 1,024
Provision for income tax expense (benefit)	368	(166)	75	(1)	276
Operating earnings	$ 860	$(286)	$147	$ 27	748
Adjustments for:					
Net investment gains (losses)					(15)
Net derivative gains (losses)					(3,181)
Other adjustments to net income					244
Provision for income tax (expense) benefit					1,030
Net income (loss)					$ (1,174)
Inter-segment revenues	$ 411	$(445)	$ (17)	$ (24)	
Interest revenue	$ 1,075	$ 794	$568	$ 187	
Interest expense	$ —	$ 45	$—	$ 83	

	Operating Results				
Nine Months Ended September 30, 2015	Annuities	Life	Run-off	Corporate & Other	Total Combined
			(In millions)		
Pre-tax operating earnings	$ 1,060	$ 280	$ 288	$ (53)	$ 1,575
Provision for income tax expense (benefit)	259	93	99	(26)	425
Operating earnings	$ 801	$ 187	$ 189	$ (27)	1,150
Adjustments for:					
Net investment gains (losses)					(3)
Net derivative gains (losses)					(69)
Other adjustments to net income					(117)
Provision for income tax (expense) benefit					67
Net income (loss)					$ 1,028
Inter-segment revenues	$ 228	$(370)	$ (15)	$ 87	
Interest revenue	$ 958	$ 816	$ 661	$ 100	
Interest expense	$ —	$ 45	$ —	$ 75	

Brighthouse Financial, Inc. and Related Companies

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

2. Segment Information (continued)

Reconciliation of Company operating revenues to total revenues:

	Nine Months Ended September 30,	
	2016	2015
	(In millions)	
Annuities	$ 3,809	$3,893
Life	1,896	1,928
Run-off	753	703
Total segment	6,458	6,524
Corporate & Other	291	269
Net investment gains (losses)	(15)	(3)
Net derivative gains (losses)	(3,181)	(69)
Other adjustments	18	53
Total	$ 3,571	$6,774

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

	September 30, 2016	December 31, 2015
	(In millions)	
Annuities	$ 157,276	$ 148,407
Life	40,454	36,982
Run-off	23,366	24,964
Corporate & Other	19,833	16,372
Total	$ 240,929	$ 226,725

3. Insurance

Guarantees

As discussed in Notes 1 and 4 of the Notes to the Combined Financial Statements for the year ended December 31, 2015, the Company issues variable annuity products with guaranteed minimum benefits. Guaranteed minimum accumulation benefits ("*GMABs*"), the non-life contingent portion of guaranteed minimum withdrawal benefits ("*GMWBs*") and the portion of certain GMIBs that do not require annuitization are accounted for as embedded derivatives in policyholder account balances and are further discussed in Note 5.

The Company also issues universal and variable life contracts where the Company contractually guarantees to the contract holder a secondary guarantee.

Brighthouse Financial, Inc. and Related Companies

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

3. Insurance (continued)

Information regarding the Company's guarantee exposure was as follows as of:

	September 30, 2016		December 31, 2015	
	In the Event of Death	At Annuitization	In the Event of Death	At Annuitization
	(Dollars in millions)			
Annuity Contracts (1), (2):				
Variable Annuity Guarantees:				
Total account value (3)	$ 114,618	$ 66,147	$ 113,989	$ 65,875
Separate account value	$ 109,199	$ 64,637	$ 108,693	$ 64,395
Net amount at risk	$ 6,070(4)	$ 3,946(5)	$ 8,407(4)	$ 2,377(5)
Average attained age of contract holders	67 years	67 years	66 years	66 years

	September 30, 2016	December 31, 2015
	Secondary Guarantees	
	(Dollars in millions)	
Universal and Variable Life Contracts:		
Total account value (3)	$ 9,308	$ 9,114
Net amount at risk (6)	$ 103,323	$ 103,648
Average attained age of policyholders	59 years	59 years

(1) The Company's annuity 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 direct business, but excludes offsets from hedging or reinsurance, if any. Therefore, the net amount at risk presented reflects the economic exposures of living and death benefit guarantees associated with variable annuities, but not necessarily their impact on the Company. See Note 6 of the notes to the combined financial statements for the year ended December 31, 2015 for a discussion of certain living and death benefit guarantees which have been reinsured.

(3) Includes the contract holder's investments in the general account and separate account, if applicable.

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

(5) Defined as the amount (if any) that would be required to be added to the total account value to purchase a lifetime income stream, based on current annuity rates, equal to the minimum amount provided under the guaranteed benefit. This amount represents the Company's potential economic exposure to such guarantees in the event all contract holders 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 contract holders have achieved.

(6) 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.

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4. Investments

Fixed Maturity and Equity Securities AFS

Fixed Maturity and Equity Securities AFS by Sector

The following table presents the fixed maturity and equity securities available-for-sale ("*AFS*") by sector. Redeemable preferred stock is reported within U.S. corporate and foreign corporate fixed maturity securities and non-redeemable preferred stock is reported within equity securities. Included within fixed maturity securities are structured securities including residential mortgage-backed securities ("*RMBS*"), asset-backed securities ("*ABS*") and commercial mortgage-backed securities ("*CMBS*") (collectively, "*Structured Securities*").

	September 30, 2016					December 31, 2015				
	Cost or Amortized Cost	Gross Unrealized			Estimated Fair Value	Cost or Amortized Cost	Gross Unrealized			Estimated Fair Value
		Gains	Temporary Losses	OTTI Losses			Gains	Temporary Losses	OTTI Losses	
	(In millions)									
Fixed Maturity Securities:										
U.S. corporate	$ 21,708	$2,207	$ 137	$ —	$ 23,778	$ 20,662	$1,112	$ 553	$ —	$ 21,221
U.S. government and agency	15,986	2,828	10	—	18,804	13,216	1,374	66	—	14,524
RMBS	12,893	376	69	12	13,188	9,871	222	127	22	9,944
Foreign corporate	6,343	389	116	—	6,616	5,847	174	233	1	5,787
ABS	3,453	22	17	—	3,458	4,384	20	60	—	4,344
State and political subdivision	3,643	738	2	—	4,379	3,253	402	23	1	3,631
CMBS (1)	4,294	203	5	(1)	4,493	3,428	31	36	(1)	3,424
Foreign government	948	179	1	—	1,126	686	106	11	—	781
Total fixed maturity securities	$ 69,268	$6,942	$ 357	$ 11	$ 75,842	$ 61,347	$3,441	$ 1,109	$ 23	$ 63,656
Equity securities:										
Non-redeemable preferred stock	$ 192	$ 19	$ 8	$ —	$ 203	$ 265	$ 16	$ 9	$ —	$ 272
Common stock	141	21	—	—	162	167	23	5	—	185
Total equity securities	$ 333	$ 40	$ 8	$ —	$ 365	$ 432	$ 39	$ 14	$ —	$ 457

(1) The noncredit loss component of other-than-temporary impairment ("*OTTI*") losses for CMBS was in an unrealized gain position of $1 million as of both September 30, 2016 and December 31, 2015, due to increases in estimated fair value subsequent to initial recognition of noncredit losses on such securities. See also "— Net Unrealized Investment Gains (Losses)."

The Company held non-income producing fixed maturity securities with an estimated fair value of $5 million and $11 million with unrealized gains (losses) of $1 million and $1 million as of September 30, 2016 and December 31, 2015, respectively.

Brighthouse Financial, Inc. and Related Companies

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

4. Investments (continued)

Maturities of Fixed Maturity Securities

The amortized cost and estimated fair value of fixed maturity securities, by contractual maturity date, were as follows as of September 30, 2016:

	Due in One Year or Less	Due After One Year Through Five Years	Due After Five Years Through Ten Years	Due After Ten Years	Structured Securities	Total Fixed Maturity Securities
	(In millions)					
Amortized cost	$ 2,527	$ 11,768	$ 11,811	$ 22,522	$ 20,640	$ 69,268
Estimated fair value	$ 2,542	$ 12,338	$ 12,386	$ 27,437	$ 21,139	$ 75,842

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

	September 30, 2016				December 31, 2015			
	Less than 12 Months		Equal to or Greater than 12 Months		Less than 12 Months		Equal to or Greater than 12 Months	
	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses
	(Dollars in millions)							
Fixed maturity securities:								
U.S. corporate	$ 1,161	$ 33	$ 1,056	$ 104	$ 6,598	$ 397	$ 872	$ 156
U.S. government and agency	1,969	10	—	—	4,267	66	—	—
RMBS	1,511	30	1,057	51	5,184	104	527	45
Foreign corporate	518	21	677	95	1,969	112	735	122
ABS	230	4	659	13	2,683	42	551	18
State and political subdivision	85	1	24	1	624	21	43	3
CMBS	168	1	236	3	1,917	32	105	3
Foreign government	13	1	7	—	142	10	6	1
Total fixed maturity securities	$ 5,655	$ 101	$ 3,716	$ 267	$ 23,384	$ 784	$ 2,839	$ 348
Equity securities:								
Non-redeemable preferred stock	$ 11	$ 1	$ 40	$ 7	$ 25	$ 1	$ 40	$ 8
Common stock	1	—	—	—	6	5	1	—
Total equity securities	$ 12	$ 1	$ 40	$ 7	$ 31	$ 6	$ 41	$ 8
Total number of securities in an unrealized loss position	558		579		2,273		466	

Brighthouse Financial, Inc. and Related Companies

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

4. Investments (continued)

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

As described more fully in Notes 1 and 7 of the Notes to the Combined Financial Statements for the year ended December 31, 2015, the Company performs a regular evaluation of all investment classes for impairment, including fixed maturity securities, equity securities and perpetual hybrid securities, in accordance with its impairment policy, in order to evaluate whether such investments are other-than-temporarily impaired.

Current Period Evaluation

Based on the Company's current evaluation of its AFS securities in an unrealized loss position in accordance with its impairment policy, and the Company's current intentions and assessments (as applicable to the type of security) about holding, selling and any requirements to sell these securities, the Company concluded that these securities were not other-than-temporarily impaired as of September 30, 2016. Future OTTI will depend primarily on economic fundamentals, issuer performance (including changes in the present value of future cash flows expected to be collected), changes in credit ratings, collateral valuation, interest rates and credit spreads. If economic fundamentals deteriorate or if there are adverse changes in the above factors, OTTI may be incurred in upcoming periods.

Gross unrealized losses on fixed maturity securities decreased $764 million during the nine months ended September 30, 2016 to $368 million. The decrease in gross unrealized losses for the nine months ended September 30, 2016, was primarily attributable to a decrease in interest rates and, to a lesser extent, narrowing credit spreads.

As of September 30, 2016, $66 million of the total $368 million of gross unrealized losses were from 25 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 $66 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, $55 million, or 83%, were related to gross unrealized losses on 10 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 $66 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, $11 million, or 17%, were related to gross unrealized losses on 15 below investment grade fixed maturity securities. Unrealized losses on below investment grade fixed maturity securities are principally related to U.S. and foreign corporate securities (primarily industrial securities) and are the result of significantly wider credit spreads resulting from higher risk premiums since purchase, largely due to economic and market uncertainties including concerns over lower oil prices in the energy sector. Management evaluates U.S. and foreign corporate securities based on factors such as expected cash flows and the financial condition and near-term and long-term prospects of the issuers.

Equity Securities

Gross unrealized losses on equity securities decreased $6 million during the nine months ended September 30, 2016 to $8 million. Of the $8 million, $6 million were from two securities with gross unrealized

Brighthouse Financial, Inc. and Related Companies

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

4. Investments (continued)

losses of 20% or more of cost for 12 months or greater. Of the $6 million, 33% were rated A or better, and all were from financial services industry investment grade non-redeemable preferred stock.

Mortgage Loans

Mortgage Loans by Portfolio Segment

Mortgage loans are summarized as follows as of:

	September 30, 2016		December 31, 2015	
	Carrying Value	% of Total	Carrying Value	% of Total
	(Dollars in millions)			
Mortgage loans:				
Commercial	$ 6,142	71.7%	$ 5,515	73.3%
Agricultural	1,697	19.8	1,539	20.5
Residential	628	7.3	335	4.4
Subtotal (1)	8,467	98.8	7,389	98.2
Valuation allowances	(43)	(0.5)	(37)	(0.5)
Subtotal mortgage loans, net	8,424	98.3	7,352	97.7
Commercial mortgage loans held by CSEs — FVO	143	1.7	172	2.3
Total mortgage loans, net	$ 8,567	100.0%	$ 7,524	100.0%

(1) Purchases of mortgage loans were $354 million and $224 million for the nine months ended September 30, 2016 and September 30, 2015, respectively.

See "— Variable Interest Entities" for discussion of consolidated securitization entities ("CSEs").

See "— Related Party Investment Transactions" for discussion of related party mortgage loans.

Information on commercial, agricultural and residential mortgage loans is presented in the tables below. Information on commercial mortgage loans held by CSEs — FVO is presented in Note 6. The Company elects the FVO for certain commercial mortgage loans and related long-term debt that are managed on a total return basis.

Brighthouse Financial, Inc. and Related Companies

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

4. Investments (continued)

Mortgage Loans, Valuation Allowance and Impaired Loans by Portfolio Segment

Mortgage loans by portfolio segment, by method of evaluation of credit loss, impaired mortgage loans including those modified in a troubled debt restructuring, and the related valuation allowances, were as follows as of:

	Evaluated Individually for Credit Losses					Evaluated Collectively for Credit Losses		Impaired Loans
	Impaired Loans with a Valuation Allowance			Impaired Loans without a Valuation Allowance				
	Unpaid Principal Balance	Recorded Investment	Valuation Allowances	Unpaid Principal Balance	Recorded Investment	Recorded Investment	Valuation Allowances	Carrying Value
	(In millions)							
September 30, 2016								
Commercial	$ —	$ —	$ —	$ —	$ —	$ 6,142	$ 33	$ —
Agricultural	4	3	—	—	—	1,694	5	3
Residential	—	—	—	1	1	627	5	1
Total	$ 4	$ 3	$ —	$ 1	$ 1	$ 8,463	$ 43	$ 4
December 31, 2015								
Commercial	$ —	$ —	$ —	$ —	$ —	$ 5,515	$ 29	$ —
Agricultural	4	3	—	—	—	1,536	5	3
Residential	—	—	—	—	—	335	3	—
Total	$ 4	$ 3	$ —	$ —	$ —	$ 7,386	$ 37	$ 3

The average recorded investment for impaired commercial, agricultural and residential mortgage loans was $0, $3 million and $0, respectively, for the nine months ended September 30, 2016 and 2015.

Valuation Allowance Rollforward by Portfolio Segment

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

	Nine Months Ended September 30,							
	2016				2015			
	Commercial	Agricultural	Residential	Total	Commercial	Agricultural	Residential	Total
	(In millions)							
Balance, beginning of period	$ 29	$ 5	$ 3	$ 37	$ 22	$ 4	$ —	$ 26
Provision (release)	4	—	2	6	4	1	1	6
Balance, end of period	$ 33	$ 5	$ 5	$ 43	$ 26	$ 5	$ 1	$ 32

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4. Investments (continued)

Credit Quality of Commercial Mortgage Loans

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

	Recorded Investment						
	Debt Service Coverage Ratios						
	> 1.20x	1.00x - 1.20x	< 1.00x	Total	% of Total	Estimated Fair Value	% of Total
	(Dollars in millions)						
September 30, 2016							
Loan-to-value ratios							
Less than 65%	$5,558	$ 136	$ 167	$5,861	95.4%	$ 6,231	95.6%
65% to 75%	215	8	19	242	4.0	251	3.8
76% to 80%	—	—	—	—	—	—	—
Greater than 80%	25	14	—	39	0.6	37	0.6
Total	$5,798	$ 158	$ 186	$6,142	100.0%	$ 6,519	100.0%
December 31, 2015							
Loan-to-value ratios							
Less than 65%	$4,833	$ 153	$ 106	$5,092	92.3%	$ 5,315	92.8%
65% to 75%	330	—	10	340	6.2	332	5.8
76% to 80%	—	—	—	—	—	—	—
Greater than 80%	44	25	14	83	1.5	80	1.4
Total	$5,207	$ 178	$ 130	$5,515	100.0%	$ 5,727	100.0%

Credit Quality of Agricultural Mortgage Loans

The credit quality of agricultural mortgage loans was as follows as of:

	September 30, 2016		December 31, 2015	
	Recorded Investment	% of Total	Recorded Investment	% of Total
	(Dollars in millions)			
Loan-to-value ratios				
Less than 65%	$ 1,588	93.6%	$ 1,444	93.8%
65% to 75%	109	6.4	95	6.2
Total	$ 1,697	100.0%	$ 1,539	100.0%

The estimated fair value of agricultural mortgage loans was $1.8 billion and $1.6 billion as of September 30, 2016 and December 31, 2015, respectively.

Brighthouse Financial, Inc. and Related Companies

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

4. Investments (continued)

Credit Quality of Residential Mortgage Loans

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

	September 30, 2016		December 31, 2015	
	Recorded Investment	% of Total	Recorded Investment	% of Total
	(Dollars in millions)			
Performance indicators				
Performing	$ 619	98.6%	$ 331	98.8%
Nonperforming	9	1.4	4	1.2
Total	$ 628	100.0%	$ 335	100.0%

The estimated fair value of residential mortgage loans was $646 million and $345 million as of September 30, 2016 and December 31, 2015, respectively.

Past Due and Interest Accrual Status of Mortgage Loans

The Company has a high quality, well performing mortgage loan portfolio with 99% of all mortgage loans classified as performing as of both September 30, 2016 and December 31, 2015. The Company defines delinquency consistent with industry practice, when mortgage loans are past due as follows: commercial and residential mortgage loans — 60 days and agricultural mortgage loans — 90 days. The past due and accrual status of mortgage loans at recorded investment, prior to valuation allowances by portfolio segment, were as follows as of:

	Past Due		Nonaccrual Status	
	September 30, 2016	December 31, 2015	September 30, 2016	December 31, 2015
	(In millions)			
Commercial	$ —	$ —	$ —	$ —
Agricultural	—	—	—	—
Residential	9	4	9	4
Total	$ 9	$ 4	$ 9	$ 4

Mortgage Loans Modified in a Troubled Debt Restructuring

During the nine months ended September 30, 2016, the Company did not have a significant amount of mortgage loans modified in a troubled debt restructuring. There were no mortgage loans modified in a troubled debt restructuring during the nine months ended September 30, 2015.

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 $2.1 billion and $1.2 billion as of September 30, 2016 and December 31, 2015, respectively.

Net Unrealized Investment Gains (Losses)

Unrealized investment gains (losses) on fixed maturity and equity securities AFS and the effect on deferred policy acquisition costs ("*DAC*"), value of business acquired ("*VOBA*"), DSI and future policy benefits, that

Brighthouse Financial, Inc. and Related Companies

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

4. Investments (continued)

would result from the realization of the unrealized gains (losses), are included in net unrealized investment gains (losses) in accumulated other comprehensive income (loss) ("*AOCI*").

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

	September 30, 2016	December 31, 2015
	(In millions)	
Fixed maturity securities	$ 6,575	$ 2,324
Fixed maturity securities with noncredit OTTI losses included in AOCI	(11)	(23)
Total fixed maturity securities	6,564	2,301
Equity securities	70	54
Derivatives	439	388
Other	(6)	5
Subtotal	7,067	2,748
Amounts allocated from:		
Future policy benefits	(2,894)	(126)
DAC and VOBA related to noncredit OTTI losses recognized in AOCI	(1)	(1)
DAC, VOBA and DSI	(324)	(202)
Subtotal	(3,219)	(329)
Deferred income tax benefit (expense) related to noncredit OTTI losses recognized in AOCI	4	9
Deferred income tax benefit (expense)	(1,361)	(855)
Net unrealized investment gains (losses)	$ 2,491	$ 1,573

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

	Nine Months Ended September 30, 2016	Year Ended December 31, 2015
	(In millions)	
Balance, beginning of period	$ (23)	$ (38)
Noncredit OTTI losses and subsequent changes recognized	3	8
Securities sold with previous noncredit OTTI loss	8	19
Subsequent changes in estimated fair value	1	(12)
Balance, end of period	$ (11)	$ (23)

Brighthouse Financial, Inc. and Related Companies

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

4. Investments (continued)

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

	Nine Months Ended September 30, 2016
	(In millions)
Balance, beginning of period	$ 1,573
Fixed maturity securities on which noncredit OTTI losses have been recognized	12
Unrealized investment gains (losses) during the period	4,307
Unrealized investment gains (losses) relating to:	
Future policy benefits	(2,768)
DAC, VOBA and DSI	(122)
Deferred income tax benefit (expense) related to noncredit OTTI losses recognized in AOCI	(5)
Deferred income tax benefit (expense)	(506)
Balance, end of period	$ 2,491
Change in net unrealized investment gains (losses)	$ 918

Concentrations of Credit Risk

There were no investments in any counterparty that were greater than 10% of the Company's shareholder's net investment, other than the U.S. government and its agencies, as of both September 30, 2016 and December 31, 2015.

Securities Lending

Elements of the securities lending program are presented below as of:

	September 30, 2016	December 31, 2015
	(In millions)	
Securities on loan: (1)		
Amortized cost	$ 8,772	$ 8,047
Estimated fair value	$ 10,483	$ 8,830
Cash collateral on deposit from counterparties (2)	$ 10,730	$ 8,981
Security collateral on deposit from counterparties (3)	$ 81	$ 23
Reinvestment portfolio — estimated fair value	$ 10,793	$ 8,938

(1) Included within fixed maturity securities, cash equivalents and short-term investments. As of September 30, 2016, both amortized cost and estimated fair value also included $114 million, at estimated fair value, of securities which are not reflected on the combined financial statements.
(2) Included within payables for collateral under securities loaned and other transactions.
(3) Security collateral on deposit from counterparties may not be sold or repledged, unless the counterparty is in default, and is not reflected on the combined financial statements.

Brighthouse Financial, Inc. and Related Companies

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

4. Investments (continued)

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

	September 30, 2016				
	Remaining Tenor of Securities Lending Agreements				
	Open (1)	1 Month or Less	1 to 6 Months	Total	% of Total
	(Dollars in millions)				
Cash collateral liability by loaned security type					
U.S. government and agency	$ 2,740	$ 2,971	$ 3,410	$ 9,121	85.0%
Agency RMBS	—	—	1,185	1,185	11.1
U.S. corporate	1	345	—	346	3.2
Foreign government	—	47	—	47	0.4
Foreign corporate	—	31	—	31	0.3
Total	$ 2,741	$ 3,394	$ 4,595	$10,730	100.0%

	December 31, 2015				
	Remaining Tenor of Securities Lending Agreements				
	Open (1)	1 Month or Less	1 to 6 Months	Total	% of Total
	(Dollars in millions)				
Cash collateral liability by loaned security type					
U.S. government and agency	$ 2,631	$ 3,140	$ 1,338	$7,109	79.1%
Agency RMBS	—	939	579	1,518	16.9
U.S. corporate	9	302	—	311	3.5
Foreign government	1	42	—	43	0.5
Foreign corporate	—	—	—	—	—
Total	$ 2,641	$ 4,423	$ 1,917	$8,981	100.0%

(1) The related loaned security could be returned to the Company on the next business day which would require the Company to immediately return the cash collateral.

If the Company is required to return significant amounts of cash collateral on short notice and is forced to sell securities to meet the return obligation, it may have difficulty selling such collateral that is invested in securities in a timely manner, be forced to sell securities in a volatile or illiquid market for less than what otherwise would have been realized under normal market conditions, or both. The estimated fair value of the securities on loan related to the cash collateral on open as of September 30, 2016 was $2.7 billion, over 99% of which were U.S. government and agency securities which, if put back to the Company, could be immediately sold to satisfy the cash requirement.

The reinvestment portfolio acquired with the cash collateral consisted principally of fixed maturity securities (including U.S. government and agency, agency RMBS, short-term investments, ABS and non-agency RMBS) with 68% invested in U.S. government and agency securities, agency RMBS, short-term investments, or held in cash and cash equivalents. If the securities on loan or the reinvestment portfolio become less liquid, the Company has the liquidity resources of most of its general account available to meet any potential cash demands when securities on loan are put back to the Company.

4. Investments (continued)

Repurchase Agreement Transactions

The Company participates in short-term repurchase agreements and reverse repurchase agreements with unaffiliated financial institutions. Under these agreements, the Company lends fixed maturity securities and contemporaneously borrows other fixed maturity securities (e.g., repurchase and reverse repurchase, respectively). The Company obtains cash collateral in an amount greater than or equal to 95% of the estimated fair value of the securities loaned, and pledges cash collateral in an amount generally equal to 98% of the estimated fair value of the borrowed securities at the inception of the transaction. The Company monitors the estimated fair value of the securities loaned and borrowed on a daily basis with additional collateral obtained as necessary throughout the duration of the transaction.

The Company accounted for these transactions as collateralized borrowing and lending. The amount of fixed maturity securities lent and borrowed, at estimated fair value, was $316 million and $306 million, respectively, as of September 30, 2016. There were no such transactions outstanding as of December 31, 2015. Securities loaned under such transactions may be sold or repledged by the transferee. Securities borrowed under such transactions may be repledged and are not reflected on the combined financial statements. The amount of borrowed securities which were repledged was $114 million, at estimated fair value, as of September 30, 2016.

The Company has elected to offset amounts recognized as receivables and payables resulting from these transactions. The gross amounts of the receivables and payables related to these transactions as of September 30, 2016 were both $300 million. After the effect of offsetting of $300 million, the net amount presented on the combined balance sheet as of September 30, 2016 was a liability of less than $1 million. Amounts owed to and due from counterparties may be settled in cash or offset, in accordance with the agreements. Cash inflows and outflows for cash settlements are reported on the combined statements of cash flows. As of September 30, 2016, all $300 million of payables from repurchase agreements had a remaining tenor of one to six months and were primarily loans of U.S. corporate securities.

See Note 5 for information regarding the estimated fair value of the Company's net derivative assets and net derivative liabilities after the application of master netting agreements and collateral.

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

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

	September 30, 2016	December 31, 2015
	(In millions)	
Invested assets on deposit (regulatory deposits)	$ 8,239	$ 7,251
Invested assets held in trust (reinsurance agreements) (1)	9,288	8,083
Invested assets pledged as collateral (2)	5,466	2,803
Total invested assets on deposit, held in trust and pledged as collateral	$ 22,993	$ 18,137

(1) The Company has held in trust certain investments, primarily fixed maturity securities, in connection with certain reinsurance transactions.
(2) The Company has pledged invested assets in connection with various agreements and transactions, including funding agreements (see Note 4 of the combined financial statements for the year ended December 31, 2015) and derivative transactions (see Note 5).

4. Investments (continued)

See "— Securities Lending" and "— Repurchase Agreement Transactions" for information regarding securities on loan.

Variable Interest Entities

The Company is involved with certain legal entities that are VIEs. In certain instances, the Company holds both the power to direct the most significant activities of the entity, as well as an economic interest in the entity and, as such, is deemed to be the primary beneficiary or consolidator of the entity. The determination of the VIE's primary beneficiary requires an evaluation of the contractual and implied rights and obligations associated with each party's relationship with or involvement in the entity.

Consolidated VIEs

Creditors or beneficial interest holders of VIEs where the Company is the primary beneficiary have no recourse to the general credit of the Company, as the Company's obligation to the VIEs is limited to the amount of its committed investment.

The following table presents the total assets and total liabilities relating to VIEs for which the Company has concluded that it is the primary beneficiary and which are consolidated as of:

	September 30, 2016		December 31, 2015	
	Total Assets	Total Liabilities	Total Assets	Total Liabilities
	(In millions)			
MRSC (collateral financing arrangement (primarily securities))	$3,533	$ —	$3,374	$ —
CSEs (assets (primarily loans) and liabilities (primarily debt)) (1)	144	28	173	49
Total	$3,677	$ 28	$3,547	$ 49

(1) The Company consolidates entities that are structured as CMBS. The assets of these entities can only be used to settle their respective liabilities, and under no circumstances is the Company liable for any principal or interest shortfalls should any arise. The Company's exposure was limited to that of its remaining investment in these entities of $98 million and $105 million at estimated fair value as of September 30, 2016 and December 31, 2015, respectively. The long-term debt bears interest primarily at fixed rates, ranging from 2.25% to 5.57%, payable primarily on a monthly basis. Interest expense related to these obligations, included in other expenses, was $4 million and $10 million for the nine months ended September 30, 2016 and 2015, respectively.

4. Investments (continued)

Unconsolidated VIEs

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

	September 30, 2016		December 31, 2015	
	Carrying Amount	Maximum Exposure to Loss (1)	Carrying Amount	Maximum Exposure to Loss (1)
	(In millions)			
Fixed maturity securities AFS:				
Structured Securities (2)	$19,677	$ 19,677	$17,712	$ 17,712
U.S. and foreign corporate	621	621	615	615
Other limited partnership interests	1,481	2,138	1,371	1,652
Real estate joint ventures (3)	36	43	35	38
Other investments (4)	73	79	57	62
Total	$21,888	$ 22,558	$19,790	$ 20,079

(1) The maximum exposure to loss relating to fixed maturity and equity securities AFS is equal to their carrying amounts or the carrying amounts of retained interests. The maximum exposure to loss relating to other limited partnership interests and real estate joint ventures is equal to the carrying amounts plus any unfunded commitments. For certain of its investments in other invested assets, the Company's return is in the form of income tax credits which are guaranteed by creditworthy third parties. For such investments, the maximum exposure to loss is equal to the carrying amounts plus any unfunded commitments, reduced by income tax credits guaranteed by third parties. There were no income tax credits and less than $1 million as of September 30, 2016 and December 31, 2015, respectively. Such a maximum loss would be expected to occur only upon bankruptcy of the issuer or investee.

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

(3) Included in real estate joint ventures are investments in affiliated real estate joint ventures with a carrying value and maximum exposure to loss of $15 million as of September 30, 2016.

(4) Other investments is comprised of other invested assets and non-redeemable preferred stock.

As described in Note 9, the Company makes commitments to fund partnership investments in the normal course of business. Excluding these commitments, the Company did not provide financial or other support to investees designated as VIEs during both the nine months ended September 30, 2016 and 2015.

Brighthouse Financial, Inc. and Related Companies

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

4. Investments (continued)

Net Investment Income

The components of net investment income were as follows:

	Nine Months Ended September 30, 2016	Nine Months Ended September 30, 2015
	(In millions)	
Investment income:		
Fixed maturity securities	$2,001	$1,849
Equity securities	16	14
Mortgage loans	300	279
Policy loans	59	58
Real estate and real estate joint ventures	25	76
Other limited partnership interests	120	159
Cash, cash equivalents and short-term investments	14	6
Other	9	10
Subtotal	2,544	2,451
Less: Investment expenses	130	95
Subtotal, net	2,414	2,356
FVO CSEs — interest income — commercial mortgage loans	8	13
Net investment income	$2,422	$2,369

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

See "— Related Party Investment Transactions" for discussion of affiliated net investment income and investment expenses.

Interest income and prepayment fees are recognized when earned. Interest income is recognized using an effective yield method based on the estimated economic life of fixed maturity securities, which for mortgage-backed and asset-backed securities considers the estimated timing and amount of the prepayments of the underlying loans. The amortization of premium and accretion of discount of fixed maturity securities also takes into consideration call and maturity dates. Dividends on equity securities are recognized when declared.

Brighthouse Financial, Inc. and Related Companies

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

4. Investments (continued)

Net Investment Gains (Losses)

Components of Net Investment Gains (Losses)

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

	Nine Months Ended September 30, 2016	Nine Months Ended September 30, 2015
	(In millions)	
Total gains (losses) on fixed maturity securities:		
Total OTTI losses recognized — by sector and industry:		
U.S. and foreign corporate securities — by industry:		
Consumer	$ —	$ (8)
Industrial	(16)	(4)
Total U.S. and foreign corporate securities	(16)	(12)
RMBS	(6)	(3)
OTTI losses on fixed maturity securities recognized in earnings	(22)	(15)
Fixed maturity securities — net gains (losses) on sales and disposals	30	(18)
Total gains (losses) on fixed maturity securities	8	(33)
Total gains (losses) on equity securities:		
Total OTTI losses recognized — by sector:		
Common stock	(1)	(2)
OTTI losses on equity securities recognized in earnings	(1)	(2)
Equity securities — net gains (losses) on sales and disposals	8	9
Total gains (losses) on equity securities	7	7
Mortgage loans	4	(7)
Real estate and real estate joint ventures	(35)	34
Other limited partnership interests	(7)	1
Other	9	(3)
Subtotal	(14)	(1)
FVO CSEs:		
Commercial mortgage loans	(3)	(6)
Long-term debt — related to commercial mortgage loans	1	3
Non-investment portfolio gains (losses)	1	1
Subtotal	(1)	(2)
Total net investment gains (losses)	$ (15)	$ (3)

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

See "— Related Party Investment Transactions" for discussion of affiliated net investment gains (losses) related to transfers of invested assets to affiliates.

Gains (losses) from foreign currency transactions included within net investment gains (losses) were $9 million and ($2) million for the nine months ended September 30, 2016 and 2015, respectively.

Brighthouse Financial, Inc. and Related Companies

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

4. Investments (continued)

Sales or Disposals and Impairments of Fixed Maturity and Equity Securities

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

	Nine Months Ended September 30,			
	2016	2015	2016	2015
	Fixed Maturity Securities		Equity Securities	
	(In millions)			
Proceeds	$ 23,346	$ 24,765	$ 42	$ 48
Gross investment gains	$ 166	$ 152	$ 8	$ 12
Gross investment losses	(136)	(170)	—	(3)
OTTI losses	(22)	(15)	(1)	(2)
Net investment gains (losses)	$ 8	$ (33)	$ 7	$ 7

Credit Loss Roll-forward

The table below presents a roll-forward of the cumulative credit loss component of OTTI loss recognized in earnings on fixed maturity securities still held for which a portion of the OTTI loss was recognized in other comprehensive income (loss) ("*OCI*"):

	Nine Months Ended September 30,	
	2016	2015
	(In millions)	
Balance, beginning of period	$ 66	$ 67
Additions:		
Initial impairments — credit loss OTTI on securities not previously impaired	—	1
Additional impairments — credit loss OTTI on securities previously impaired	5	2
Reductions:		
Sales (maturities, pay downs or prepayments) of securities previously impaired as credit loss OTTI	(15)	(14)
Increase in cash flows — accretion of previous credit loss OTTI	—	(3)
Balance, end of period	$ 56	$ 53

Brighthouse Financial, Inc. and Related Companies

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

4. Investments (continued)

Related Party Investment Transactions

The Company transfers invested assets, primarily consisting of fixed maturity securities and mortgage loans, to and from affiliates. Invested assets transferred to and from affiliates were as follows:

	Nine Months Ended September 30,	
	2016	2015
	(In millions)	
Estimated fair value of invested assets transferred to affiliates	$ 69	$ 101
Amortized cost of invested assets transferred to affiliates	$ 67	$ 95
Net investment gains (losses) recognized on transfers	$ 2	$ 6
Estimated fair value of invested assets transferred from affiliates	$ 4,458	$ 525

In April 2016, the Company received a transfer of investments and cash and cash equivalents of $4.3 billion for the recapture of risks related to certain single premium deferred annuity contracts previously reinsured to Metropolitan Life Insurance Company ("*MLIC*"), an affiliate, which are included in the table above. See Note 10 for additional information related to the transfer.

Below is a summary of certain affiliated loans, which are more fully described in Note 8 of the Combined Financial Statements for the year ended December 31, 2015.

The Company had loans outstanding to affiliates, which were included in other invested assets, totaling $1.1 billion and $1.2 billion as of September 30, 2016 and December 31, 2015, respectively. Net investment income from these affiliated loans was $38 million and $39 million for the nine months ended September 30, 2016 and 2015, respectively.

The Company had an investment in an affiliated money market pool of less than $1 million and $43 million as of September 30, 2016 and December 31, 2015, respectively, which is included in short-term investments. Net investment income from this affiliated money market pool investment was less than $1 million for both the nine months ended September 30, 2016 and 2015.

The Company receives investment administrative services from an affiliate. The related investment administrative service charges were $74 million and $60 million for the nine months ended September 30, 2016 and 2015, respectively.

See "— Variable Interest Entities" for information on investments in affiliated real estate joint ventures.

5. Derivatives

Accounting for Derivatives

<u>Freestanding Derivatives</u>

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

Brighthouse Financial, Inc. and Related Companies

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

5. Derivatives (continued)

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

Hedge Accounting

To qualify for hedge accounting, at the inception of the hedging relationship, the Company formally documents its risk management objective and strategy for undertaking the hedging transaction, as well as its designation of the hedge. Hedge designation and financial statement presentation of changes in estimated fair value of the hedging derivatives are as follows:

- Fair value hedge (a hedge of the estimated fair value of a recognized asset or liability) — in net derivative gains (losses), consistent with the change in estimated fair value of the hedged item attributable to the designated risk being hedged.
- Cash flow hedge (a hedge of a forecasted transaction or of the variability of cash flows to be received or paid related to a recognized asset or liability) — effectiveness in OCI (deferred gains or losses on the derivative are reclassified into the statement of operations when the Company's earnings are affected by the variability in cash flows of the hedged item); ineffectiveness in net derivative gains (losses).

The changes in estimated fair values of the hedging derivatives are exclusive of any accruals that are separately reported on the statement of operations within interest income or interest expense to match the location of the hedged item.

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.

5. Derivatives (continued)

When hedge accounting is discontinued because it is determined that the derivative is not highly effective in offsetting changes in the estimated fair value or cash flows of a hedged item, the derivative continues to be carried on the balance sheet at its estimated fair value, with changes in estimated fair value recognized in net derivative gains (losses). The carrying value of the hedged recognized asset or liability under a fair value hedge is no longer adjusted for changes in its estimated fair value due to the hedged risk, and the cumulative adjustment to its carrying value is amortized into income over the remaining life of the hedged item. Provided the hedged forecasted transaction is still probable of occurrence, the changes in estimated fair value of derivatives recorded in OCI related to discontinued cash flow hedges are released into the statement of operations when the Company's earnings are affected by the variability in cash flows of the hedged item.

When hedge accounting is discontinued because it is no longer probable that the forecasted transactions will occur on the anticipated date or within two months of that date, the derivative continues to be carried on the balance sheet at its estimated fair value, with changes in estimated fair value recognized currently in net derivative gains (losses). Deferred gains and losses of a derivative recorded in OCI pursuant to the discontinued cash flow hedge of a forecasted transaction that is no longer probable are recognized immediately in net derivative gains (losses).

In all other situations in which hedge accounting is discontinued, the derivative is carried at its estimated fair value on the balance sheet, with changes in its estimated fair value recognized in the current period as net derivative gains (losses).

Embedded Derivatives

The Company sells variable annuities and issues certain insurance products and investment contracts and is a party to certain reinsurance agreements that have embedded derivatives. The Company assesses each identified embedded derivative to determine whether it is required to be bifurcated. The embedded derivative is bifurcated from the host contract and accounted for as a freestanding derivative if:

- the combined instrument is not accounted for in its entirety at estimated fair value with changes in estimated fair value recorded in earnings;
- the terms of the embedded derivative are not clearly and closely related to the economic characteristics of the host contract; and
- a separate instrument with the same terms as the embedded derivative would qualify as a derivative instrument.

Such embedded derivatives are carried on the balance sheet at estimated fair value with the host contract and changes in their estimated fair value are generally reported in net derivative gains (losses), except for those in policyholder benefits and claims related to ceded reinsurance of GMIB. If the Company is unable to properly identify and measure an embedded derivative for separation from its host contract, the entire contract is carried on the balance sheet at estimated fair value, with changes in estimated fair value recognized in the current period in net investment gains (losses) or net investment income. Additionally, the Company may elect to carry an entire contract on the balance sheet at estimated fair value, with changes in estimated fair value recognized in the current period in net investment gains (losses) or net investment income if that contract contains an embedded derivative that requires bifurcation. At inception, the Company attributes to the embedded derivative a portion of the projected future guarantee fees to be collected from the policyholder equal to the present value of projected

5. Derivatives (continued)

future guaranteed benefits. Any additional fees represent "excess" fees and are reported in universal life and investment-type product policy fees.

See Note 6 for information about the fair value hierarchy for derivatives.

Derivative Strategies

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

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

Interest Rate Derivatives

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

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

Interest rate total return swaps are swaps whereby the Company agrees with another party to exchange, at specified intervals, the difference between the economic risk and reward of an asset or a market index and the London Interbank Offered Rate ("*LIBOR*"), calculated by reference to an agreed notional amount. No cash is exchanged at the outset of the contract. Cash is paid and received over the life of the contract based on the terms of the swap. These transactions are entered into pursuant to master agreements that provide for a single net payment to be made by the counterparty at each due date. Interest rate total return swaps are used by the Company to reduce market risks from changes in interest rates and to alter interest rate exposure arising from mismatches between assets and liabilities (duration mismatches). The Company utilizes interest rate total return swaps in nonqualifying hedging relationships.

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

Brighthouse Financial, Inc. and Related Companies

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

5. Derivatives (continued)

In exchange-traded interest rate (Treasury and swap) futures transactions, the Company agrees to purchase or sell a specified number of contracts, the value of which is determined by the different classes of interest rate securities, and to post variation margin on a daily basis in an amount equal to the difference in the daily market values of those contracts. The Company enters into exchange-traded futures with regulated futures commission merchants that are members of the exchange. Exchange-traded interest rate (Treasury and swap) futures are used primarily to hedge mismatches between the duration of assets in a portfolio and the duration of liabilities supported by those assets, to hedge against changes in value of securities the Company owns or anticipates acquiring, to hedge against changes in interest rates on anticipated liability issuances by replicating Treasury or swap curve performance, and to hedge minimum guarantees embedded in certain variable annuity products offered by the Company. The Company utilizes exchange-traded interest rate futures in nonqualifying hedging relationships.

Swaptions are used by the Company to hedge interest rate risk associated with the Company's long-term liabilities and invested assets. A swaption is an option to enter into a swap with a forward starting effective date. In certain instances, the Company locks in the economic impact of existing purchased swaptions by entering into offsetting written swaptions. The Company pays a premium for purchased swaptions and receives a premium for written swaptions. The Company utilizes swaptions in nonqualifying hedging relationships. Swaptions are included in interest rate options.

The Company enters into interest rate forwards to buy and sell securities. The price is agreed upon at the time of the contract and payment for such a contract is made at a specified future date. The Company utilizes interest rate forwards in cash flow hedging relationships.

Foreign Currency Exchange Rate Derivatives

The Company uses foreign currency swaps to reduce the risk from fluctuations in foreign currency exchange rates associated with its assets and liabilities denominated in foreign currencies. In a foreign currency swap transaction, the Company agrees with another party to exchange, at specified intervals, the difference between one currency and another at a fixed exchange rate, generally set at inception, calculated by reference to an agreed upon notional amount. The notional amount of each currency is exchanged at the inception and termination of the currency swap by each party. The Company utilizes foreign currency swaps in cash flow and nonqualifying hedging relationships.

To a lesser extent, the Company uses foreign currency forwards and exchange-traded currency futures in nonqualifying hedging relationships.

Credit Derivatives

The Company enters into purchased credit default swaps to hedge against credit-related changes in the value of its investments. In a credit default swap transaction, the Company agrees with another party to pay, at specified intervals, a premium to hedge credit risk. If a credit event occurs, as defined by the contract, the contract may be cash settled or it may be settled gross by the delivery of par quantities of the referenced investment equal to the specified swap notional amount in exchange for the payment of cash amounts by the counterparty equal to the par value of the investment surrendered. Credit events vary by type of issuer but typically include bankruptcy, failure to pay debt obligations, repudiation, moratorium, involuntary restructuring or governmental intervention. In each case, payout on a credit default swap is triggered only after the Credit Derivatives Determinations Committee of the International Swaps and Derivatives Association, Inc. ("*ISDA*")

5. Derivatives (continued)

deems that a credit event has occurred. The Company utilizes credit default swaps in nonqualifying hedging relationships.

The Company enters into written credit default swaps to synthetically create credit investments that are either more expensive to acquire or otherwise unavailable in the cash markets. These transactions are a combination of a derivative and one or more cash instruments, such as U.S. government and agency securities or other fixed maturity securities. These credit default swaps are not designated as hedging instruments.

To a lesser extent, the Company uses credit forwards to lock in the price to be paid for forward purchases of certain securities. When the primary purpose of entering into these transactions is to hedge against the risk of changes in purchase price of such securities due to changes in credit spreads, the Company designates these transactions as credit forwards. The Company utilizes credit forwards in cash flow hedging relationships.

Equity Derivatives

The Company uses a variety of equity derivatives to reduce its exposure to equity market risk, including equity index options, equity variance swaps, exchange-traded equity futures and equity total return swaps.

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

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

In exchange-traded equity futures transactions, the Company agrees to purchase or sell a specified number of contracts, the value of which is determined by the different classes of equity securities, and to post variation margin on a daily basis in an amount equal to the difference in the daily market values of those contracts. The Company enters into exchange-traded futures with regulated futures commission merchants that are members of the exchange. Exchange-traded equity futures are used primarily to hedge minimum guarantees embedded in certain variable annuity products offered by the Company. The Company utilizes exchange-traded equity futures in nonqualifying hedging relationships.

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

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5. Derivatives (continued)

Primary Risks Managed by Derivatives

The following table presents the gross notional amount, estimated fair value and primary underlying risk exposure of the Company's derivatives, excluding embedded derivatives, held as of:

		September 30, 2016			December 31, 2015		
		Gross	Estimated Fair Value		Gross	Estimated Fair Value	
	Primary Underlying Risk Exposure	Notional Amount	Assets	Liabilities	Notional Amount	Assets	Liabilities
		(In millions)					
Derivatives Designated as Hedging Instruments:							
Fair value hedges:							
Interest rate swaps	Interest rate	$ 341	$ 64	$ 2	$ 420	$ 38	$ 1
Cash flow hedges:							
Interest rate swaps	Interest rate	101	46	—	230	60	—
Interest rate forwards	Interest rate	35	17	—	35	8	—
Foreign currency swaps	Foreign currency exchange rate	1,351	186	11	1,054	146	3
Subtotal		1,487	249	11	1,319	214	3
Total qualifying hedges		1,828	313	13	1,739	252	4
Derivatives Not Designated or Not Qualifying as Hedging Instruments:							
Interest rate swaps	Interest rate	28,112	3,206	618	23,134	1,804	638
Interest rate floors	Interest rate	2,100	15	10	7,036	33	24
Interest rate caps	Interest rate	14,192	8	—	13,792	38	—
Interest rate futures	Interest rate	3,012	—	25	630	2	—
Interest rate options	Interest rate	15,520	783	—	18,620	472	5
Interest rate total return swaps	Interest rate	4,376	31	37	—	—	—
Foreign currency swaps	Foreign currency exchange rate	1,166	121	10	682	79	—
Foreign currency forwards	Foreign currency exchange rate	138	1	—	185	4	1
Credit default swaps —purchased	Credit	56	—	1	24	—	—
Credit default swaps — written	Credit	1,848	23	—	2,126	13	1
Equity futures	Equity market	8,546	—	50	3,669	37	—
Equity index options	Equity market	40,375	1,004	860	44,035	1,032	626
Equity variance swaps	Equity market	14,935	139	504	14,866	120	434
Equity total return swaps	Equity market	3,767	4	78	2,814	31	49
Total non-designated or nonqualifying derivatives		138,143	5,335	2,193	131,613	3,665	1,778
Total		$139,971	$ 5,648	$ 2,206	$133,352	$ 3,917	$ 1,782

Based on gross notional amounts, a substantial portion of the Company's derivatives was not designated or did not qualify as part of a hedging relationship as of both September 30, 2016 and December 31, 2015. The Company's use of derivatives includes (i) derivatives that serve as portfolio hedges of the Company's exposure

5. Derivatives (continued)

to various risks and that generally do not qualify for hedge accounting due to the criteria required under the portfolio hedging rules; (ii) derivatives that economically hedge insurance liabilities that contain mortality or morbidity risk and that generally do not qualify for hedge accounting because the lack of these risks in the derivatives cannot support an expectation of a highly effective hedging relationship; (iii) derivatives that economically hedge embedded derivatives that do not qualify for hedge accounting because the changes in estimated fair value of the embedded derivatives are already recorded in net income; and (iv) written credit default swaps that are used to synthetically create credit investments and that do not qualify for hedge accounting because they do not involve a hedging relationship. For these nonqualified derivatives, changes in market factors can lead to the recognition of fair value changes on the statement of operations without an offsetting gain or loss recognized in earnings for the item being hedged.

Net Derivative Gains (Losses)

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

	Nine Months Ended September 30,	
	2016	2015
	(In millions)	
Freestanding derivatives and hedging gains (losses) (1)	$ 258	$ 640
Embedded derivatives gains (losses)	(3,439)	(709)
Total net derivative gains (losses)	$ (3,181)	$ (69)

(1) Includes foreign currency transaction gains (losses) on hedged items in cash flow and nonqualifying hedging relationships, which are not presented elsewhere in this note.

The following table presents earned income on derivatives:

	Nine Months Ended September 30,	
	2016	2015
	(In millions)	
Qualifying hedges:		
Net investment income	$ 14	$ 9
Interest credited to policyholder account balances	—	(1)
Nonqualifying hedges:		
Net derivative gains (losses)	321	269
Policyholder benefits and claims	11	10
Total	$ 346	$ 287

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5. Derivatives (continued)

Nonqualifying Derivatives and Derivatives for Purposes Other Than Hedging

The following table presents the amount and location of gains (losses) recognized in income for derivatives that were not designated or not qualifying as hedging instruments:

	Net Derivative Gains (Losses)	Net Investment Income (1)	Policyholder Benefits and Claims (2)
		(In millions)	
Nine Months Ended September 30, 2016			
Interest rate derivatives	$ 1,044	$ —	$ 26
Foreign currency exchange rate derivatives	24	—	—
Credit derivatives — written	8	—	—
Equity derivatives	(1,145)	(6)	(205)
Total	$ (69)	$ (6)	$ (179)
Nine Months Ended September 30, 2015			
Interest rate derivatives	$ 269	$ —	$ 11
Foreign currency exchange rate derivatives	33	—	—
Credit derivatives — written	(20)	—	—
Equity derivatives	89	(2)	164
Total	$ 371	$ (2)	$ 175

(1) Changes in estimated fair value related to economic hedges of equity method investments in joint ventures.
(2) Changes in estimated fair value related to economic hedges of variable annuity guarantees included in future policy benefits.

Fair Value Hedges

The Company designates and accounts for interest rate swaps to convert fixed rate assets and liabilities to floating rate assets and liabilities as fair value hedges when they have met the requirements of fair value hedging.

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

Derivatives in Fair Value Hedging Relationships	Hedged Items in Fair Value Hedging Relationships	Net Derivative Gains (Losses) Recognized for Derivatives	Net Derivative Gains (Losses) Recognized for Hedged Items	Ineffectiveness Recognized in Net Derivative Gains (Losses)
			(In millions)	
Nine Months Ended September 30, 2016				
Interest rate swaps:	Fixed maturity securities	$ (1)	$ 1	$ —
	Policyholder liabilities (1)	25	(25)	—
Total		$ 24	$ (24)	$ —
Nine Months Ended September 30, 2015				
Interest rate swaps:	Fixed maturity securities	$ (2)	$ 3	$ 1
	Policyholder liabilities (1)	5	(5)	—
Total		$ 3	$ (2)	$ 1

(1) Fixed rate liabilities reported in policyholder account balances or future policy benefits.

Brighthouse Financial, Inc. and Related Companies

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

5. Derivatives (continued)

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

Cash Flow Hedges

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

In certain instances, the Company discontinued cash flow hedge accounting because the forecasted transactions were no longer probable of occurring. Because certain of the forecasted transactions also were not probable of occurring within two months of the anticipated date, the Company reclassified amounts from AOCI into net derivative gains (losses). These amounts were $1 million for the nine months ended September 30, 2016, and were not significant for the nine months ended September 30, 2015.

As of September 30, 2016 and December 31, 2015, the maximum length of time over which the Company was hedging its exposure to variability in future cash flows for forecasted transactions did not exceed three years and four years, respectively.

As of September 30, 2016 and December 31, 2015, the balance in AOCI associated with cash flow hedges was $439 million and $388 million, respectively.

The following table presents the effects of derivatives in cash flow hedging relationships on the combined statements of operations and comprehensive income (loss) and the combined statements of shareholder's net investment:

Derivatives in Cash Flow Hedging Relationships	Amount of Gains (Losses) Deferred in AOCI on Derivatives (Effective Portion)	Amount and Location of Gains (Losses) Reclassified from AOCI into Income (Loss) (Effective Portion)		Amount and Location of Gains (Losses) Recognized in Income (Loss) on Derivatives (Ineffective Portion)
		Net Derivative Gains (Losses)	Net Investment Income	Net Derivative Gains (Losses)
		(In millions)		
Nine Months Ended September 30, 2016				
Interest rate swaps	$ 37	$ 12	$ 2	$ —
Interest rate forwards	9	2	2	—
Foreign currency swaps	29	6	—	—
Total	$ 75	$ 20	$ 4	$ —
Nine Months Ended September 30, 2015				
Interest rate swaps	$ 20	$ 1	$ 1	$ —
Interest rate forwards	3	2	2	—
Foreign currency swaps	67	(2)	—	1
Total	$ 90	$ 1	$ 3	$ 1

5. Derivatives (continued)

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

As of September 30, 2016, the Company expects to reclassify $33 million of deferred net gains (losses) on derivatives in AOCI to earnings within the next 12 months.

Credit Derivatives

In connection with synthetically created credit investment transactions, the Company writes credit default swaps for which it receives a premium to insure credit risk. Such credit derivatives are included within the nonqualifying derivatives and derivatives for purposes other than hedging table. If a credit event occurs, as defined by the contract, the contract may be cash settled or it may be settled gross by the Company paying the counterparty the specified swap notional amount in exchange for the delivery of par quantities of the referenced credit obligation. The Company's maximum amount at risk, assuming the value of all referenced credit obligations is zero, was $1.8 billion and $2.1 billion as of September 30, 2016 and December 31, 2015, respectively. The Company can terminate these contracts at any time through cash settlement with the counterparty at an amount equal to the then current estimated fair value of the credit default swaps. As of September 30, 2016 and December 31, 2015, the Company would have received $23 million and $12 million, respectively, to terminate all of these contracts.

Brighthouse Financial, Inc. and Related Companies

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

5. Derivatives (continued)

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

Rating Agency Designation of Referenced Credit Obligations (1)	September 30, 2016 Estimated Fair Value of Credit Default Swaps	September 30, 2016 Maximum Amount of Future Payments under Credit Default Swaps	September 30, 2016 Weighted Average Years to Maturity (2)	December 31, 2015 Estimated Fair Value of Credit Default Swaps	December 31, 2015 Maximum Amount of Future Payments under Credit Default Swaps	December 31, 2015 Weighted Average Years to Maturity (2)
	(Dollars in millions)					
Aaa/Aa/A						
Single name credit default swaps (corporate)	$ 1	$ 42	2.4	$ 1	$ 207	1.5
Credit default swaps referencing indices	5	318	3.6	1	219	4.0
Subtotal	6	360	3.4	2	426	2.8
Baa						
Single name credit default swaps (corporate)	1	183	1.9	2	409	1.6
Credit default swaps referencing indices	16	1,285	5.1	8	1,244	4.8
Subtotal	17	1,468	4.7	10	1,653	4.0
Ba						
Single name credit default swaps (corporate)	—	20	3.0	—	—	—
Credit default swaps referencing indices	—	—	—	—	—	—
Subtotal	—	20	3.0	—	—	—
B						
Single name credit default swaps (corporate)	—	—	—	—	—	—
Credit default swaps referencing indices	—	—	—	—	47	5.0
Subtotal	—	—	—	—	47	5.0
Total	$ 23	$ 1,848	4.5	$ 12	$ 2,126	3.8

(1) The rating agency designations are based on availability and the midpoint of the applicable ratings among Moody’s Investors Service (“*Moody’s*”), Standard & Poor’s Ratings Services (“*S&P*”) and Fitch Ratings. If no rating is available from a rating agency, then an internally developed rating is used.

(2) The weighted average years to maturity of the credit default swaps is calculated based on weighted average gross notional amounts.

5. Derivatives (continued)

Credit Risk on Freestanding Derivatives

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

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

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

See Note 6 for a description of the impact of credit risk on the valuation of derivatives.

Brighthouse Financial, Inc. and Related Companies

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

5. Derivatives (continued)

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

Derivatives Subject to a Master Netting Arrangement or a Similar Arrangement (1)	September 30, 2016 Assets	September 30, 2016 Liabilities	December 31, 2015 Assets	December 31, 2015 Liabilities
	(In millions)			
Gross estimated fair value of derivatives:				
OTC-bilateral (2)	$ 5,203	$ 2,102	$ 3,894	$ 1,725
OTC-cleared (2)	572	33	78	78
Exchange-traded	—	75	39	—
Total gross estimated fair value of derivatives (2)	5,775	2,210	4,011	1,803
Amounts offset on the combined balance sheets	—	—	—	—
Estimated fair value of derivatives presented on the combined balance sheets (2)	5,775	2,210	4,011	1,803
Gross amounts not offset on the combined balance sheets:				
Gross estimated fair value of derivatives: (3)				
OTC-bilateral	(1,894)	(1,894)	(1,577)	(1,577)
OTC-cleared	(33)	(33)	(70)	(70)
Exchange-traded	—	—	—	—
Cash collateral: (4), (5)				
OTC-bilateral	(2,294)	—	(1,624)	—
OTC-cleared	(539)	—	(8)	(8)
Exchange-traded	—	—	—	—
Securities collateral: (6)				
OTC-bilateral	(897)	(208)	(554)	(148)
OTC-cleared	—	—	—	—
Exchange-traded	—	(75)	—	—
Net amount after application of master netting agreements and collateral	$ 118	$ —	$ 178	$ —

(1) See Note 4 for information regarding the Company's gross and net payables and receivables under repurchase agreement transactions.

(2) As of September 30, 2016 and December 31, 2015, derivative assets included income or expense accruals reported in accrued investment income or in other liabilities of $127 million and $94 million, respectively, and derivative liabilities included income or expense accruals reported in accrued investment income or in other liabilities of $4 million and $21 million, respectively.

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

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

(5) The receivable for the return of cash collateral provided by the Company is inclusive of initial margin on exchange-traded and OTC-cleared derivatives and is included in premiums, reinsurance and other receivables on the balance sheet. The amount of cash collateral offset in the table above is limited to the net estimated fair value of derivatives after application of netting agreements. As of September 30, 2016 and December 31, 2015, the Company received excess cash collateral of $133 million and $1 million, respectively, and provided excess cash collateral of $0 and $62 million, respectively, which is not included in the table above due to the foregoing limitation.

5. Derivatives (continued)

(6) Securities collateral received by the Company is held in separate custodial accounts and is not recorded on the balance sheet. Subject to certain constraints, the Company is permitted by contract to sell or re-pledge this collateral, but as of September 30, 2016, none of the collateral had been sold or re-pledged. Securities collateral pledged by the Company is reported in fixed maturity securities on the balance sheet. Subject to certain constraints, the counterparties are permitted by contract to sell or re-pledge this collateral. The amount of securities collateral offset in the table above is limited to the net estimated fair value of derivatives after application of netting agreements and cash collateral. As of September 30, 2016 and December 31, 2015, the Company received excess securities collateral with an estimated fair value of $54 million and $0, respectively, for its OTC-bilateral derivatives, which are not included in the table above due to the foregoing limitation. As of September 30, 2016 and December 31, 2015, the Company provided excess securities collateral with an estimated fair value of $17 million and $36 million, respectively, for its OTC-bilateral derivatives, $555 million and $35 million, respectively, for its OTC-cleared derivatives, and $378 million and $156 million, respectively, for its exchange-traded derivatives, which are not included in the table above due to the foregoing limitation.

The Company's collateral arrangements for its OTC-bilateral derivatives generally require the party in a net liability position, after considering the effect of netting agreements, to pledge collateral when the estimated fair value of that party's derivatives reaches a minimum transfer amount. In addition, the Company's netting agreements for derivatives contain provisions that require MetLife Insurance Company USA, or its subsidiaries, as applicable and the counterparty to maintain a specific investment grade financial strength or credit rating from each of Moody's and S&P. If a party's financial strength or credit ratings were to fall below that specific investment grade financial strength or credit rating, that party would be in violation of these provisions, and the other party to the derivatives could terminate the transactions and demand immediate settlement and payment based on such party's reasonable valuation of the derivatives.

The following table presents the estimated fair value of the Company's OTC-bilateral derivatives that are in a net liability position after considering the effect of netting agreements, together with the estimated fair value and balance sheet location of the collateral pledged. The Company's collateral agreements require both parties to be fully collateralized, as such, the Company would not be required to post additional collateral as a result of a downgrade in its financial strength rating. OTC-bilateral derivatives that are not subject to collateral agreements are excluded from this table.

	September 30, 2016	December 31, 2015
	(In millions)	
Estimated Fair Value of Derivatives in a Net Liability Position (1)	$ 208	$ 148
Estimated Fair Value of Collateral Provided:		
Fixed maturity securities	$ 222	$ 179

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

Embedded Derivatives

The Company issues certain products or purchases certain investments that contain embedded derivatives that are required to be separated from their host contracts and accounted for as freestanding derivatives. These host contracts principally include: variable annuities with guaranteed minimum benefits, including GMWBs, GMABs and certain GMIBs; affiliated ceded reinsurance of guaranteed minimum benefits related to GMWBs, GMABs and certain GMIBs; affiliated assumed reinsurance of guaranteed minimum benefits related to GMWBs and certain GMIBs; fixed annuities with equity indexed returns; and certain debt and equity securities.

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Brighthouse Financial, Inc. and Related Companies

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

5. Derivatives (continued)

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

	Balance Sheet Location	September 30, 2016	December 31, 2015
		(In millions)	
Embedded derivatives within asset host contracts:			
Ceded guaranteed minimum benefits	Premiums, reinsurance and other receivables	$ 916	$ 566
Funds withheld on assumed reinsurance	Other invested assets	64	35
Options embedded in debt or equity securities	Investments	(73)	(63)
Embedded derivatives within asset host contracts		$ 907	$ 538
Embedded derivatives within liability host contracts:			
Direct guaranteed minimum benefits	Policyholder account balances	$ 4,007	$ 135
Assumed guaranteed minimum benefits	Policyholder account balances	615	428
Other	Policyholder account balances	91	6
Embedded derivatives within liability host contracts		$ 4,713	$ 569

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

	Nine Months Ended September 30, 2016	Nine Months Ended September 30, 2015
	(In millions)	
Net derivative gains (losses) (1), (2)	$ (3,439)	$ (709)
Policyholder benefits and claims	$ 91	$ 40

(1) The valuation of direct and assumed guaranteed minimum benefits includes a nonperformance risk adjustment. The amounts included in net derivative gains (losses) in connection with this adjustment were $563 million and $90 million for the nine months ended September 30, 2016 and 2015, respectively. In addition, the valuation of ceded guaranteed minimum benefits includes a nonperformance risk adjustment. The amounts included in net derivative gains (losses) in connection with this adjustment were ($64) million and ($9) million for the nine months ended September 30, 2016 and 2015, respectively.

(2) See Note 10 for discussion of affiliated net derivative gains (losses).

6. Fair Value

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

Brighthouse Financial, Inc. and Related Companies

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

6. Fair Value (continued)

Recurring Fair Value Measurements

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

	September 30, 2016			
	Fair Value Hierarchy			Total Estimated Fair Value
	Level 1	Level 2	Level 3	
	(In millions)			
Assets				
Fixed maturity securities:				
U.S. corporate	$ —	$ 22,246	$1,532	$ 23,778
U.S. government and agency	10,844	7,938	22	18,804
RMBS	1,739	10,000	1,449	13,188
Foreign corporate	—	5,677	939	6,616
ABS	—	3,260	198	3,458
State and political subdivision	—	4,371	8	4,379
CMBS	—	4,310	183	4,493
Foreign government	—	1,126	—	1,126
Total fixed maturity securities	12,583	58,928	4,331	75,842
Equity securities	20	179	166	365
Short-term investments (1)	1,911	1,157	442	3,510
Commercial mortgage loans held by CSEs — FVO	—	143	—	143
Loans to affiliates	—	1,109	—	1,109
Derivative assets: (2)				
Interest rate	—	4,123	47	4,170
Foreign currency exchange rate	—	308	—	308
Credit	—	17	6	23
Equity market	—	949	198	1,147
Total derivative assets	—	5,397	251	5,648
Embedded derivatives within asset host contracts (3)	—	—	980	980
Separate account assets (4)	568	114,640	10	115,218
Total assets	$15,082	$181,553	$6,180	$ 202,815
Liabilities				
Derivative liabilities: (2)				
Interest rate	$ 25	$ 630	$ 37	$ 692
Foreign currency exchange rate	—	21	—	21
Credit	—	1	—	1
Equity market	50	922	520	1,492
Total derivative liabilities	75	1,574	557	2,206
Embedded derivatives within liability host contracts (3)	—	—	4,713	4,713
Long-term debt of CSEs — FVO	—	27	—	27
Total liabilities	$ 75	$ 1,601	$5,270	$ 6,946

Brighthouse Financial, Inc. and Related Companies

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

6. Fair Value (continued)

	December 31, 2015			
	Fair Value Hierarchy			Total Estimated Fair Value
	Level 1	Level 2	Level 3	
	(In millions)			
Assets				
Fixed maturity securities:				
U.S. corporate	$ —	$ 19,513	$1,708	$ 21,221
U.S. government and agency	8,173	6,351	—	14,524
RMBS	—	8,579	1,365	9,944
Foreign corporate	—	5,010	777	5,787
ABS	—	3,892	452	4,344
State and political subdivision	—	3,618	13	3,631
CMBS	—	3,209	215	3,424
Foreign government	—	755	26	781
Total fixed maturity securities	8,173	50,927	4,556	63,656
Equity securities	44	316	97	457
Short-term investments (1)	74	1,703	47	1,824
Commercial mortgage loans held by CSEs — FVO	—	172	—	172
Loans to affiliates	—	1,178	—	1,178
Derivative assets: (2)				
Interest rate	2	2,445	8	2,455
Foreign currency exchange rate	—	229	—	229
Credit	—	12	1	13
Equity market	37	968	215	1,220
Total derivative assets	39	3,654	224	3,917
Embedded derivatives within asset host contracts (3)	—	—	601	601
Separate account assets (4)	624	113,677	146	114,447
Total assets	$8,954	$171,627	$5,671	$ 186,252
Liabilities				
Derivative liabilities: (2)				
Interest rate	$ —	$ 668	$ —	$ 668
Foreign currency exchange rate	—	4	—	4
Credit	—	1	—	1
Equity market	—	653	456	1,109
Total derivative liabilities	—	1,326	456	1,782
Embedded derivatives within liability host contracts (3)	—	—	569	569
Long-term debt of CSEs — FVO	—	48	—	48
Total liabilities	$ —	$ 1,374	$1,025	$ 2,399

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

(2) Derivative assets are presented within other invested assets on the combined balance sheets and derivative liabilities are presented within other liabilities on the combined balance sheets. The amounts are presented gross

6. Fair Value (continued)

in the tables above to reflect the presentation on the combined balance sheets, but are presented net for purposes of the roll-forward in the Fair Value Measurements Using Significant Unobservable Inputs (Level 3) tables.

(3) Embedded derivatives within asset host contracts are presented within premiums, reinsurance and other receivables and other invested assets on the combined balance sheets. Embedded derivatives within liability host contracts are presented within policyholder account balances on the combined balance sheets. As of September 30, 2016 and December 31, 2015, debt and equity securities also included embedded derivatives of ($73) million and ($63) million, respectively.

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

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

Investments

Valuation Controls and Procedures

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

The Company reviews its valuation methodologies on an ongoing basis and revises those methodologies when necessary based on changing market conditions. Assurance is gained on the overall reasonableness and consistent application of input assumptions, valuation methodologies and compliance with fair value accounting standards through controls designed to ensure valuations represent an exit price. Several controls are utilized, 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 independent pricing services and ongoing due diligence to confirm that independent pricing services use market-based parameters. The process includes a determination of 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. The Company ensures that prices received from independent brokers, also referred to herein as "*consensus pricing*," represent a reasonable estimate of fair value by considering such pricing relative to the Company's knowledge of the current market dynamics and current pricing for similar financial instruments. While independent non-binding broker quotations are utilized, they are not used for a significant portion of the portfolio. For example, fixed maturity securities priced using independent non-binding broker quotations represent less than 1% of the total estimated fair value of fixed maturity securities and 3% of the total estimated fair value of Level 3 fixed maturity securities as of September 30, 2016.

6. Fair Value (continued)

The Company also applies a formal process to challenge any prices received from independent pricing services that are not considered representative of estimated fair value. If prices received from independent pricing services are not considered reflective of market activity or representative of estimated fair value, independent non-binding broker quotations are obtained, or an internally developed valuation is prepared. Internally developed valuations of current estimated fair value, which reflect internal estimates of liquidity and nonperformance risks, compared with pricing received from the independent pricing services, did not produce material differences in the estimated fair values for the majority of the portfolio; accordingly, overrides were not material. This is, in part, because 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.

Securities, Short-term Investments, Loans to Affiliates and Long-term Debt of CSEs — FVO

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

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

The estimated fair value of loans to affiliates and long-term debt of CSEs — FVO is determined on a basis consistent with the methodologies described herein for securities.

Brighthouse Financial, Inc. and Related Companies

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

6. Fair Value (continued)

The valuation of most instruments listed below is determined using independent pricing sources, matrix pricing, discounted cash flow methodologies or other similar techniques that use either observable market inputs or unobservable inputs.

Instrument	Level 2 Observable Inputs	Level 3 Unobservable Inputs
Fixed Maturity Securities		
U.S. corporate and Foreign corporate securities		

	Valuation Techniques: Principally the market and income approaches.
	Key Inputs:
	• quoted prices in markets that are not active
	• benchmark yields; spreads off benchmark yields; new issuances; issuer rating
	• trades of identical or comparable securities; duration
	• Privately-placed securities are valued using the additional key inputs:
	  • market yield curve; call provisions
	  • observable prices and spreads for similar public or private securities that incorporate the credit quality and industry sector of the issuer
	  • delta spread adjustments to reflect specific credit-related issues
		Valuation Techniques: Principally the market approach.
		Key Inputs:
		• illiquidity premium
		• delta spread adjustments to reflect specific credit-related issues
		• credit spreads
		• quoted prices in markets that are not active for identical or similar securities that are less liquid and based on lower levels of trading activity than securities classified in Level 2
		• independent non-binding broker quotations

U.S. government and agency, State and political subdivision and Foreign government securities		
	Valuation Techniques: Principally the market approach. Key Inputs: • quoted prices in markets that are not active • benchmark U.S. Treasury yield or other yields • the spread off the U.S. Treasury yield curve for the identical security • issuer ratings and issuer spreads; broker-dealer quotes • comparable securities that are actively traded	Valuation Techniques: Principally the market approach. Key Inputs: • independent non-binding broker quotations • quoted prices in markets that are not active for identical or similar securities that are less liquid and based on lower levels of trading activity than securities classified in Level 2 • credit spreads

6. Fair Value (continued)

<table>
<tr><th>Instrument</th><th>Level 2
Observable Inputs</th><th>Level 3
Unobservable Inputs</th></tr>
<tr><td colspan="3">Structured Securities</td></tr>
<tr><td></td><td>Valuation Techniques: Principally the market and income approaches.
Key Inputs:
• quoted prices in markets that are not active
• spreads for actively traded securities; spreads off benchmark yields
• expected prepayment speeds and volumes
• current and forecasted loss severity; ratings; geographic region
• weighted average coupon and weighted average maturity
• average delinquency rates; debt-service coverage ratios
• issuance-specific information, including, but not limited to:
  • collateral type; structure of the security; vintage of the loans
  • payment terms of the underlying assets
  • payment priority within the tranche; deal performance</td><td>Valuation Techniques: Principally the market and income approaches.
Key Inputs:
• credit spreads
• quoted prices in markets that are not active for identical or similar securities that are less liquid and based on lower levels of trading activity than securities classified in Level 2
• independent non-binding broker quotations</td></tr>
<tr><td colspan="3">Equity Securities</td></tr>
<tr><td></td><td>Valuation Techniques: Principally the market approach.
Key Input:
• quoted prices in markets that are not considered active</td><td>Valuation Techniques: Principally the market and income approaches.
Key Inputs:
• credit ratings; issuance structures
• quoted prices in markets that are not active for identical or similar securities that are less liquid and based on lower levels of trading activity than securities classified in Level 2
• independent non-binding broker quotations</td></tr>
<tr><td colspan="3">Short-term investments and Loans to affiliates</td></tr>
<tr><td></td><td>• Short-term investments and loans to affiliates are of a similar nature and class to the fixed maturity and equity securities described above; accordingly, the valuation techniques and observable inputs used in their valuation are also similar to those described above.</td><td>• Short-term investments are of a similar nature and class to the fixed maturity and equity securities described above; accordingly, the valuation techniques and unobservable inputs used in their valuation are also similar to those described above.</td></tr>
</table>

6. Fair Value (continued)

Instrument	Level 2 Observable Inputs	Level 3 Unobservable Inputs
Commercial mortgage loans held by CSEs — FVO		
	Valuation Techniques: Principally the market approach. Key Input: • quoted securitization market price of the obligations of the CSEs determined principally by independent pricing services using observable inputs	• N/A
Separate Account Assets (1)		
Mutual funds without readily determinable fair values as prices are not published publicly		
	Key Input: • quoted prices or reported net asset value ("NAV") provided by the fund managers	• N/A
Other limited partnership interests		
	• N/A	Valuation Techniques: Valued giving consideration to the underlying holdings of the partnerships and by applying a premium or discount, if appropriate. Key Inputs: • liquidity; bid/ask spreads; performance record of the fund manager • other relevant variables that may impact the exit value of the particular partnership interest

(1) Estimated fair value equals carrying value, based on the value of the underlying assets, including: mutual fund interests, fixed maturity securities, equity securities, derivatives, other limited partnership interests, short-term investments and cash and cash equivalents. Fixed maturity securities, equity securities, derivatives, short-term investments and cash and cash equivalents are similar in nature to the instruments described under "— Securities, Short-term Investments, Loans to Affiliates and Long-term Debt of CSEs —FVO" and "— Derivatives — Freestanding Derivatives."

Derivatives

The estimated fair value of derivatives is determined through the use of quoted market prices for exchange-traded derivatives, or through the use of pricing models for OTC-bilateral and OTC-cleared derivatives. The determination of estimated fair value, 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 such instruments. Derivative valuations can be affected by changes in interest rates, foreign currency exchange rates, financial indices, credit spreads, default risk, nonperformance risk, volatility,

6. Fair Value (continued)

liquidity and changes in estimates and assumptions used in the pricing models. The valuation controls and procedures for derivatives are described in "— Investments —Valuation Controls and Procedures."

The significant inputs to the pricing models for most OTC-bilateral and OTC-cleared derivatives are inputs that are observable in the market or can be derived principally from, or corroborated by, observable market data. Certain OTC-bilateral and OTC-cleared derivatives may rely on inputs that are significant to the estimated fair value that are not observable in the market or cannot be derived principally from, or corroborated by, observable market data. These unobservable inputs may involve significant management judgment or estimation. Even though unobservable, these inputs are based on assumptions deemed appropriate given the circumstances and management believes they are consistent with what other market participants would use when pricing such instruments.

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

The credit risk of both the counterparty and the Company are considered in determining the estimated fair value for all OTC-bilateral and OTC-cleared derivatives, and any potential credit adjustment is based on the net exposure by counterparty after taking into account the effects of netting agreements and collateral arrangements. The Company values its OTC-bilateral and OTC-cleared derivatives using standard swap curves which may include a spread to the risk-free rate, depending upon specific collateral arrangements. This credit spread is appropriate for those parties that execute trades at pricing levels consistent with similar collateral arrangements. As the Company and its significant derivative counterparties generally execute trades at such pricing levels and hold sufficient collateral, additional credit risk adjustments are not currently required in the valuation process. The Company's ability to consistently execute at such pricing levels is in part due to the netting agreements and collateral arrangements that are in place with all of its significant derivative counterparties. An evaluation of the requirement to make additional credit risk adjustments is performed by the Company each reporting period.

Freestanding Derivatives

Level 2 Valuation Techniques and Key Inputs:

This level includes all types of derivatives utilized by the Company with the exception of exchange-traded derivatives included within Level 1 and those derivatives with unobservable inputs as described in Level 3.

Level 3 Valuation Techniques and Key Inputs:

These valuation methodologies generally use the same inputs as described in the corresponding sections for Level 2 measurements of derivatives. However, these derivatives result in Level 3 classification because one or more of the significant inputs are not observable in the market or cannot be derived principally from, or corroborated by, observable market data.

Brighthouse Financial, Inc. and Related Companies

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

6. Fair Value (continued)

Freestanding derivatives are principally valued using the income approach. Valuations of non-option-based derivatives utilize present value techniques, whereas valuations of option-based derivatives utilize option pricing models. Key inputs are as follows:

Instrument	Interest Rate	Foreign Currency Exchange Rate	Credit	Equity Market
Inputs common to Level 2 and Level 3 by instrument type	• swap yield curves • basis curves • interest rate volatility (1)	• swap yield curves • basis curves • currency spot rates • cross currency basis curves	• swap yield curves • credit curves • recovery rates	• swap yield curves • spot equity index levels • dividend yield curves • equity volatility (1)
Level 3	• swap yield curves (2) • basis curves (2) • repurchase rates	• N/A	• swap yield curves (2) • credit curves (2) • credit spreads • repurchase rates • independent non-binding broker quotations	• dividend yield curves (2) • equity volatility (1), (2) • correlation between model inputs (1)

(1) Option-based only.
(2) Extrapolation beyond the observable limits of the curve(s).

Embedded Derivatives

Embedded derivatives principally include certain direct, assumed and ceded variable annuity guarantees, equity or bond indexed crediting rates within certain annuity contracts, and those related to funds withheld on ceded reinsurance agreements. Embedded derivatives are recorded at estimated fair value with changes in estimated fair value reported in net income.

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

The Company's actuarial department calculates the fair value of these embedded derivatives, which are estimated as the present value of projected future benefits minus the present value of projected future fees using actuarial and capital market assumptions including expectations concerning policyholder behavior. The calculation is based on in-force business, and is performed using standard actuarial valuation software which projects future cash flows from the embedded derivative over multiple risk neutral stochastic scenarios using observable risk-free rates.

Brighthouse Financial, Inc. and Related Companies

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

6. Fair Value (continued)

Capital market assumptions, such as risk-free rates and implied volatilities, are based on market prices for publicly traded instruments to the extent that prices for such instruments are observable. Implied volatilities beyond the observable period are extrapolated based on observable implied volatilities and historical volatilities. Actuarial assumptions, including mortality, lapse, withdrawal and utilization, are unobservable and are reviewed at least annually based on actuarial studies of historical experience.

The valuation of these guarantee liabilities includes nonperformance risk adjustments and adjustments for a risk margin related to non-capital market inputs. The nonperformance adjustment 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 of such actuarial assumptions as annuitization, premium persistency, partial withdrawal and surrenders. 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. These guarantees 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 nonperformance risk; and 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.

The Company assumed from an affiliated insurance company the risk associated with certain GMIBs. These embedded derivatives are included in policyholder account balances on the combined balance sheets with changes in estimated fair value reported in net derivative gains (losses). The value of the embedded derivatives on these assumed risks is determined using a methodology consistent with that described previously for the guarantees directly written by the Company.

The Company ceded to an affiliate the risk associated with certain of the GMIBs, GMABs and GMWBs described above that are also accounted for as embedded derivatives. In addition to ceding risks associated with guarantees that are accounted for as embedded derivatives, the Company also cedes, to an affiliated company, certain directly written GMIBs that are accounted for as insurance (i.e., not as embedded derivatives), but where the reinsurance agreement contains an embedded derivative. These embedded derivatives are included within premiums, reinsurance and other receivables on the combined balance sheets with changes in estimated fair value reported in net derivative gains (losses). 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 the Company with the exception of the input for nonperformance risk that reflects the credit of the reinsurer.

The estimated fair value of the embedded derivatives within funds withheld related to certain ceded reinsurance is determined based on the change in estimated fair value of the underlying assets held by the Company in a reference portfolio backing the funds withheld liability. The estimated fair value of the underlying assets is determined as previously described in "— Investments — Securities, Short-term Investments and Long-term Debt of CSEs — FVO." The estimated fair value of these embedded derivatives is included, along with their funds withheld hosts, in other liabilities on the combined balance sheets with changes in estimated fair value recorded in net derivative gains (losses). Changes in the credit spreads on the underlying assets, interest rates and

Brighthouse Financial, Inc. and Related Companies

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

6. Fair Value (continued)

market volatility may result in significant fluctuations in the estimated fair value of these embedded derivatives that could materially affect net income.

The Company issues certain annuity contracts which allow the policyholder to participate in returns from equity indices. These equity indexed features are embedded derivatives which are measured at estimated fair value separately from the host fixed annuity contract, with changes in estimated fair value reported in net derivative gains (losses). These embedded derivatives are classified within policyholder account balances on the combined balance sheets.

The estimated fair value of the embedded equity indexed derivatives, based on the present value of future equity returns to the policyholder using actuarial and present value assumptions including expectations concerning policyholder behavior, is calculated by the Company's actuarial department. The calculation is based on in-force business and uses standard capital market techniques, such as Black-Scholes, to calculate the value of the portion of the embedded derivative for which the terms are set. The portion of the embedded derivative covering the period beyond where terms are set is calculated as the present value of amounts expected to be spent to provide equity indexed returns in those periods. The valuation of these embedded derivatives also includes the establishment of a risk margin, as well as changes in nonperformance risk.

Embedded Derivatives Within Asset and Liability Host Contracts

Level 3 Valuation Techniques and Key Inputs:

Direct and assumed guaranteed minimum benefits

These embedded derivatives are principally valued using the income approach. Valuations are based on option pricing techniques, which utilize significant inputs that may include swap yield curves, currency exchange rates and implied volatilities. These embedded derivatives result in Level 3 classification because one or more of the significant inputs are not observable in the market or cannot be derived principally from, or corroborated by, observable market data. Significant unobservable inputs generally include: the extrapolation beyond observable limits of the swap yield curves and implied volatilities, actuarial assumptions for policyholder behavior and mortality and the potential variability in policyholder behavior and mortality, nonperformance risk and cost of capital for purposes of calculating the risk margin.

Reinsurance ceded on certain guaranteed minimum benefits

These embedded derivatives are principally valued using the income approach. The valuation techniques and significant market standard unobservable inputs used in their valuation are similar to those described above in "— Direct and assumed guaranteed minimum benefits" and also include counterparty credit spreads.

Transfers between Levels

Overall, transfers between levels occur when there are changes in the observability of inputs and market activity. Transfers into or out of any level are assumed to occur at the beginning of the period.

Transfers between Levels 1 and 2:

For assets and liabilities measured at estimated fair value and still held as of September 30, 2016, there were no transfers between Levels 1 and 2. For assets and liabilities measured at estimated fair value and still held as of December 31, 2015, transfers between Levels 1 and 2 were not significant.

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6. Fair Value (continued)

Transfers into or out of Level 3:

Assets and liabilities are transferred into Level 3 when a significant input cannot be corroborated with market observable data. This occurs when market activity decreases significantly and underlying inputs cannot be observed, current prices are not available, and/or when there are significant variances in quoted prices, thereby affecting transparency. Assets and liabilities are transferred out of Level 3 when circumstances change such that a significant input can be corroborated with market observable data. This may be due to a significant increase in market activity, a specific event, or one or more significant input(s) becoming observable.

Assets and Liabilities Measured at Fair Value Using Significant Unobservable Inputs (Level 3)

The following table presents certain quantitative information about the significant unobservable inputs used in the fair value measurement, and the sensitivity of the estimated fair value to changes in those inputs, for the more significant asset and liability classes measured at fair value on a recurring basis using significant unobservable inputs (Level 3) as of:

			September 30, 2016		December 31, 2015		Impact of Increase in Input on Estimated Fair Value (2)
	Valuation Techniques	Significant Unobservable Inputs	Range	Weighted Average (1)	Range	Weighted Average (1)	
Fixed maturity securities (3)							
U.S. corporate and foreign corporate	• Matrix pricing	• Delta spread adjustments (4)	(97) - 603	4	(65) - 240	48	Decrease
	• Market pricing	• Quoted prices (5)	13 - 788	102	13 - 780	278	Increase
	• Consensus pricing	• Offered quotes (5)	23 - 95	79	68 - 100	86	Increase
RMBS	• Market pricing	• Quoted prices (5)	44 - 111	91	29 - 292	93	Increase (6)
ABS	• Market pricing	• Quoted prices (5)	91 - 102	101	97 - 103	100	Increase (6)
	• Consensus pricing	• Offered quotes (5)	98 - 100	99	66 - 105	99	Increase (6)
CMBS	• Market pricing	• Quoted prices (5)	65 - 104	104	60 - 104	103	Increase (6)
Derivatives							
Interest rate	• Present value techniques	• Swap yield (7)	200 - 300		317 - 317		Increase (8)
		• Repurchase rates (9)	(5) - 11				Decrease (8)
Credit	• Present value techniques	• Credit spreads (10)	97 - 98		— - —		Decrease (8)
	• Consensus pricing	• Offered quotes (11)					
Equity market	• Present value techniques or option pricing models	• Volatility (12)	13% - 36%		17% - 36%		Increase (8)
		• Correlation (13)	40% - 40%		70% - 70%		
Embedded derivatives							
Direct, assumed and ceded guaranteed minimum benefits	• Option pricing techniques	• Mortality rates:					
		Ages 0 — 40	0% - 0.09%		0% - 0.09%		Decrease (14)
		Ages 41 — 60	0.04% - 0.65%		0.04% - 0.65%		Decrease (14)
		Ages 61 — 115	0.26% - 100%		0.26% - 100%		Decrease (14)
		• Lapse rates:					
		Durations 1 — 10	0.25% - 100%		0.25% - 100%		Decrease (15)
		Durations 11 — 20	3% - 100%		3% - 100%		Decrease (15)
		Durations 21 — 116	3% - 100%		3% - 100%		Decrease (15)
		• Utilization rates	0% - 25%		0% - 25%		Increase (16)
		• Withdrawal rates	0.25% - 10%		0.25% - 10%		(17)
		• Long-term equity volatilities	17.40% - 25%		17.40% - 25%		Increase (18)
		• Nonperformance risk spread	0.06% - 0.68%		0.04% - 0.52%		Decrease (19)

6. Fair Value (continued)

(1) The weighted average for fixed maturity securities is determined based on the estimated fair value of the securities.
(2) The impact of a decrease in input would have the opposite impact on estimated fair value. For embedded derivatives, changes to direct and assumed guaranteed minimum benefits are based on liability positions; changes to ceded guaranteed minimum benefits are based on asset positions.
(3) Significant increases (decreases) in expected default rates in isolation would result in substantially lower (higher) valuations.
(4) Range and weighted average are presented in basis points.
(5) Range and weighted average are presented in accordance with the market convention for fixed maturity securities of dollars per hundred dollars of par.
(6) Changes in the assumptions used for the probability of default is accompanied by a directionally similar change in the assumption used for the loss severity and a directionally opposite change in the assumptions used for prepayment rates.
(7) Ranges represent the rates across different yield curves and are presented in basis points. The swap yield curves are utilized among different types of derivatives to project cash flows, as well as to discount future cash flows to present value. Since this valuation methodology uses a range of inputs across a yield curve to value the derivative, presenting a range is more representative of the unobservable input used in the valuation.
(8) Changes in estimated fair value are based on long U.S. dollar net asset positions and will be inversely impacted for short U.S. dollar net asset positions.
(9) Ranges represent different repurchase rates utilized as components within the valuation methodology and are presented in basis points.
(10) Represents the risk quoted in basis points of a credit default event on the underlying instrument. Credit derivatives with significant unobservable inputs are primarily comprised of written credit default swaps.
(11) As of both September 30, 2016 and December 31, 2015, independent non-binding broker quotations were used in the determination of less than 1% of the total net derivative estimated fair value.
(12) Ranges represent the underlying equity volatility quoted in percentage points. Since this valuation methodology uses a range of inputs across multiple volatility surfaces to value the derivative, presenting a range is more representative of the unobservable input used in the valuation.
(13) Ranges represent the different correlation factors utilized as components within the valuation methodology. Presenting a range of correlation factors is more representative of the unobservable input used in the valuation. Increases (decreases) in correlation in isolation will increase (decrease) the significance of the change in valuations.
(14) Mortality rates vary by age and by demographic characteristics such as gender. Mortality rate assumptions are based on company experience. A mortality improvement assumption is also applied. For any given contract, mortality rates vary throughout the period over which cash flows are projected for purposes of valuing the embedded derivative.
(15) Base lapse rates are adjusted at the contract level based on a comparison of the actuarially calculated guaranteed values and the current policyholder account value, as well as other factors, such as the applicability of any surrender charges. A dynamic lapse function reduces the base lapse rate when the guaranteed amount is greater than the account value as in the money contracts are less likely to lapse. Lapse rates are also generally assumed to be lower in periods when a surrender charge applies. For any given contract, lapse rates vary throughout the period over which cash flows are projected for purposes of valuing the embedded derivative.
(16) The utilization rate assumption estimates the percentage of contract holders with a GMIB or lifetime withdrawal benefit who will elect to utilize the benefit upon becoming eligible. The rates may vary by the type of guarantee, the amount by which the guaranteed amount is greater than the account value, the contract's withdrawal history and by the age of the policyholder. For any given contract, utilization rates vary throughout the period over which cash flows are projected for purposes of valuing the embedded derivative.
(17) The withdrawal rate represents the percentage of account balance that any given policyholder will elect to withdraw from the contract each year. The withdrawal rate assumption varies by age and duration of the contract, and also by other factors such as benefit type. For any given contract, withdrawal rates vary throughout the period over which cash flows are projected for purposes of valuing the embedded derivative. For GMWBs, any increase (decrease) in withdrawal rates results in an increase (decrease) in the estimated fair value of the guarantees. For GMABs and GMIBs, any increase (decrease) in withdrawal rates results in a decrease (increase) in the estimated fair value.
(18) Long-term equity volatilities represent equity volatility beyond the period for which observable equity volatilities are available. For any given contract, long-term equity volatility rates vary throughout the period over which cash flows are projected for purposes of valuing the embedded derivative.
(19) Nonperformance risk spread varies by duration and by currency. For any given contract, multiple nonperformance risk spreads will apply, depending on the duration of the cash flow being discounted for purposes of valuing the embedded derivative.

The following is a summary of the valuation techniques and significant unobservable inputs used in the fair value measurement of assets and liabilities classified within Level 3 that are not included in the preceding table. Generally, all other classes of securities classified within Level 3, including those within separate account assets

6. Fair Value (continued)

and embedded derivatives within funds withheld related to certain assumed reinsurance, use the same valuation techniques and significant unobservable inputs as previously described for Level 3 securities. This includes matrix pricing and discounted cash flow methodologies, inputs such as quoted prices for identical or similar securities that are less liquid and based on lower levels of trading activity than securities classified in Level 2, as well as independent non-binding broker quotations. The sensitivity of the estimated fair value to changes in the significant unobservable inputs for these other assets and liabilities is similar in nature to that described in the preceding table. The valuation techniques and significant unobservable inputs used in the fair value measurement for the more significant assets measured at estimated fair value on a nonrecurring basis and determined using significant unobservable inputs (Level 3) are summarized in "— Nonrecurring Fair Value Measurements."

Brighthouse Financial, Inc. and Related Companies

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

6. Fair Value (continued)

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

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)				
	Fixed Maturity Securities				
	Corporate (1)	U.S. Government and Agency	Structured Securities	State and Political Subdivision	Foreign Government
			(In millions)		
Nine Months Ended September 30, 2016					
Balance, beginning of period	$ 2,485	$ —	$ 2,032	$ 13	$ 26
Total realized/unrealized gains (losses) included in net income (loss) (5) (6)	—	—	22	—	—
Total realized/unrealized gains (losses) included in AOCI	181	3	(5)	—	—
Purchases (7)	293	—	508	—	—
Sales (7)	(273)	—	(386)	—	—
Issuances (7)	—	—	—	—	—
Settlements (7)	—	—	—	—	—
Transfers into Level 3 (8)	167	19	17	—	—
Transfers out of Level 3 (8)	(382)	—	(358)	(5)	(26)
Balance, end of period	$ 2,471	$ 22	$ 1,830	$ 8	$ —
Nine Months Ended September 30, 2015					
Balance, beginning of period	$ 2,480	$ —	$ 1,240	$ —	$ —
Total realized/unrealized gains (losses) included in net income (loss) (5) (6)	17	—	13	—	—
Total realized/unrealized gains (losses) included in AOCI	(127)	—	(14)	—	—
Purchases (7)	342	—	1,853	13	—
Sales (7)	(156)	—	(269)	—	—
Issuances (7)	—	—	—	—	—
Settlements (7)	—	—	—	—	—
Transfers into Level 3 (8)	161	—	44	—	—
Transfers out of Level 3 (8)	(169)	—	(277)	—	—
Balance, end of period	$ 2,548	$ —	$ 2,590	$ 13	$ —
Changes in unrealized gains (losses) included in net income (loss) for the instruments still held as of September 30, 2016 (9)	$ 2	$ —	$ 21	$ —	$ —
Changes in unrealized gains (losses) included in net income (loss) for the instruments still held as of September 30, 2015 (9)	$ 12	$ —	$ 14	$ —	$ —

Brighthouse Financial, Inc. and Related Companies

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

6. Fair Value (continued)

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)				
	Equity Securities	Short-term Investments	Net Derivatives (2)	Embedded Derivatives (3)	Separate Account Assets (4)
	(In millions)				
Nine Months Ended September 30, 2016					
Balance, beginning of period	$ 97	$ 47	$ (232)	$ 32	$ 146
Total realized/unrealized gains (losses) included in net income (loss) (5) (6)	—	—	(76)	(3,336)	—
Total realized/unrealized gains (losses) included in AOCI	3	—	9	—	—
Purchases (7)	—	442	7	—	1
Sales (7)	(9)	(47)	—	—	(130)
Issuances (7)	—	—	—	—	—
Settlements (7)	—	—	(14)	(429)	(1)
Transfers into Level 3 (8)	129	—	—	—	—
Transfers out of Level 3 (8)	(54)	—	—	—	(6)
Balance, end of period	$ 166	$ 442	$ (306)	$ (3,733)	$ 10
Nine Months Ended September 30, 2015					
Balance, beginning of period	$ 100	$ 71	$ (196)	$ 729	$ 158
Total realized/unrealized gains (losses) included in net income (loss) (5) (6)	—	—	(30)	(664)	—
Total realized/unrealized gains (losses) included in AOCI	—	—	3	—	—
Purchases (7)	—	656	4	—	1
Sales (7)	—	—	—	—	(6)
Issuances (7)	—	—	—	—	—
Settlements (7)	—	—	(30)	(422)	—
Transfers into Level 3 (8)	19	—	—	—	—
Transfers out of Level 3 (8)	(7)	(71)	—	—	(3)
Balance, end of period	$ 112	$ 656	$ (249)	$ (357)	$ 150
Changes in unrealized gains (losses) included in net income (loss) for the instruments still held as of September 30, 2016 (9)	$ —	$ —	$ (67)	$ (3,381)	$ —
Changes in unrealized gains (losses) included in net income (loss) for the instruments still held as of September 30, 2015 (9)	$ —	$ —	$ (22)	$ (766)	$ —

(1) Comprised of U.S. and foreign corporate securities.
(2) Freestanding derivative assets and liabilities are presented net for purposes of the roll-forward.
(3) Embedded derivative assets and liabilities are presented net for purposes of the roll-forward.
(4) Investment performance related to separate account assets is fully offset by corresponding amounts credited to contract holders within separate account liabilities. Therefore, such changes in estimated fair value are not recorded in net income (loss). For the purpose of this disclosure, these changes are presented within net investment gains (losses).

Brighthouse Financial, Inc. and Related Companies

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

6. Fair Value (continued)

(5) Amortization of premium/accretion of discount is included within net investment income. Impairments charged to net income (loss) on securities are included in net investment gains (losses). Lapses associated with net embedded derivatives are included in net derivative gains (losses). Substantially all realized/unrealized gains (losses) included in net income (loss) for net derivatives and net embedded derivatives are reported in net derivatives gains (losses).

(6) Interest and dividend accruals, as well as cash interest coupons and dividends received, are excluded from the roll-forward.

(7) Items purchased/issued and then sold/settled in the same period are excluded from the roll-forward. Fees attributed to embedded derivatives are included in settlements.

(8) Gains and losses, in net income (loss) and OCI, are calculated assuming transfers into and/or out of Level 3 occurred at the beginning of the period. Items transferred into and then out of Level 3 in the same period are excluded from the roll-forward.

(9) Changes in unrealized gains (losses) included in net income (loss) relate to assets and liabilities still held at the end of the respective periods. Substantially all changes in unrealized gains (losses) included in net income (loss) for net derivatives and net embedded derivatives are reported in net derivative gains (losses).

Fair Value Option

The following table presents information for certain assets and liabilities of CSEs, which are accounted for under the FVO. These assets and liabilities were initially measured at fair value.

	September 30, 2016	December 31, 2015
	(In millions)	
Assets (1)		
Unpaid principal balance	$ 95	$ 121
Difference between estimated fair value and unpaid principal balance	48	51
Carrying value at estimated fair value	$ 143	$ 172
Liabilities (1)		
Contractual principal balance	$ 26	$ 46
Difference between estimated fair value and contractual principal balance	1	2
Carrying value at estimated fair value	$ 27	$ 48

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

6. Fair Value (continued)

Nonrecurring Fair Value Measurements

The following table presents information for assets measured at estimated fair value on a nonrecurring basis during the periods and still held as of the reporting dates (for example, when there is evidence of impairment). The estimated fair values for these assets were determined using significant unobservable inputs (Level 3).

	As of September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
	Carrying Value After Measurement		Gains (Losses)	
	(In millions)			
Mortgage loans (1)	$ 3	$ 3	$ —	$ —
Other limited partnership interests (2)	$ 3	$ —	$ (2)	$ (1)
Goodwill (3)	$ —	$ —	$ (161)	$ —

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

(2) For these cost method investments, estimated fair value is determined from information provided on the financial statements of the underlying entities including net asset value ("*NAV*") data. These investments include private equity and debt funds that typically invest primarily in various strategies including domestic and international leveraged buyout funds; power, energy, timber and infrastructure development funds; venture capital funds; and below investment grade debt and mezzanine debt funds. Distributions will be generated from investment gains, from operating income from the underlying investments of the funds and from liquidation of the underlying assets of the funds. It is estimated that the underlying assets of the funds will be liquidated over the next two to 10 years. Unfunded commitments for these investments as of both September 30, 2016 and 2015 were not significant.

(3) As discussed in Note 7, for the nine months ended September 30, 2016, the Company recorded an impairment of goodwill associated with the Run-off reporting unit.

Fair Value of Financial Instruments Carried at Other Than Fair Value

The following tables provide fair value information for financial instruments that are carried on the balance sheet at amounts other than fair value. These tables exclude the following financial instruments: cash and cash equivalents, accrued investment income, payables for collateral under securities loaned and other transactions and those short-term investments that are not securities, such as time deposits, and therefore are not included in the three level hierarchy table disclosed in the "— Recurring Fair Value Measurements" section. The estimated fair value of the excluded financial instruments, which are primarily classified in Level 2, approximates carrying value as they are short-term in nature such that the Company believes there is minimal risk of material changes in interest rates or credit quality. All remaining balance sheet amounts excluded from the tables below are not considered financial instruments subject to this disclosure.

Brighthouse Financial, Inc. and Related Companies

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

6. Fair Value (continued)

The carrying values and estimated fair values for such financial instruments, and their corresponding placement in the fair value hierarchy, are summarized as follows as of:

	September 30, 2016				
		Fair Value Hierarchy			
	Carrying Value	Level 1	Level 2	Level 3	Total Estimated Fair Value
	(In millions)				
Assets					
Mortgage loans	$ 8,424	$ —	$ —	$ 8,920	$ 8,920
Policy loans	$ 1,518	$ —	$ 785	$ 1,036	$ 1,821
Real estate joint ventures	$ 17	$ —	$ —	$ 53	$ 53
Other limited partnership interests	$ 45	$ —	$ —	$ 45	$ 45
Premiums, reinsurance and other receivables	$ 3,060	$ —	$ 189	$ 3,648	$ 3,837
Liabilities					
Policyholder account balances	$17,711	$ —	$ —	$19,889	$ 19,889
Long-term debt	$ 1,887	$ —	$2,205	$ —	$ 2,205
Collateral financing arrangement	$ 2,797	$ —	$ —	$ 2,797	$ 2,797
Other liabilities	$ 2,399	$ —	$2,185	$ 214	$ 2,399
Separate account liabilities	$ 1,120	$ —	$1,120	$ —	$ 1,120

	December 31, 2015				
		Fair Value Hierarchy			
	Carrying Value	Level 1	Level 2	Level 3	Total Estimated Fair Value
	(In millions)				
Assets					
Mortgage loans	$ 7,352	$ —	$ —	$ 7,661	$ 7,661
Policy loans	$ 1,692	$ —	$ 950	$ 985	$ 1,935
Real estate joint ventures	$ 23	$ —	$ —	$ 65	$ 65
Other limited partnership interests	$ 52	$ —	$ —	$ 57	$ 57
Premiums, reinsurance and other receivables	$ 7,037	$ —	$ 84	$ 7,937	$ 8,021
Liabilities					
Policyholder account balances	$20,418	$ —	$ —	$21,893	$ 21,893
Long-term debt	$ 1,888	$ —	$2,320	$ —	$ 2,320
Collateral financing arrangement	$ 2,797	$ —	$ —	$ 2,797	$ 2,797
Other liabilities	$ 301	$ —	$ 81	$ 220	$ 301
Separate account liabilities	$ 1,283	$ —	$1,283	$ —	$ 1,283

The methods, assumptions and significant valuation techniques and inputs used to estimate the fair value of financial instruments are summarized as follows:

Mortgage Loans

The estimated fair value of mortgage loans is primarily determined by estimating expected future cash flows and discounting them using current interest rates for similar mortgage loans with similar credit risk, or is determined from pricing for similar loans.

6. Fair Value (continued)

Policy Loans

Policy loans with fixed interest rates are classified within Level 3. The estimated fair values for these loans are determined using a discounted cash flow model applied to groups of similar policy loans determined by the nature of the underlying insurance liabilities. Cash flow estimates are developed by applying a weighted-average interest rate to the outstanding principal balance of the respective group of policy loans and an estimated average maturity determined through experience studies of the past performance of policyholder repayment behavior for similar loans. These cash flows are discounted using current risk-free interest rates with no adjustment for borrower credit risk, as these loans are fully collateralized by the cash surrender value of the underlying insurance policy. Policy loans with variable interest rates are classified within Level 2 and the estimated fair value approximates carrying value due to the absence of borrower credit risk and the short time period between interest rate resets, which presents minimal risk of a material change in estimated fair value due to changes in market interest rates.

Real Estate Joint Ventures and Other Limited Partnership Interests

The estimated fair values of these cost method investments are generally based on the Company's share of the NAV as provided on the financial statements of the investees. In certain circumstances, management may adjust the NAV by a premium or discount when it has sufficient evidence to support applying such adjustments.

Premiums, Reinsurance and Other Receivables

Premiums, reinsurance and other receivables are principally comprised of certain amounts recoverable under reinsurance agreements, amounts on deposit with financial institutions to facilitate daily settlements related to certain derivatives and amounts receivable for securities sold but not yet settled.

Amounts recoverable under ceded reinsurance agreements, which the Company has determined do not transfer significant risk such that they are accounted for using the deposit method of accounting, have been classified as Level 3. The valuation is based on discounted cash flow methodologies using significant unobservable inputs. The estimated fair value is determined using interest rates determined to reflect the appropriate credit standing of the assuming counterparty.

The amounts on deposit for derivative settlements, classified within Level 2, essentially represent the equivalent of demand deposit balances and amounts due for securities sold are generally received over short periods such that the estimated fair value approximates carrying value.

Policyholder Account Balances

These policyholder account balances include investment contracts which primarily include certain funding agreements, fixed deferred annuities, modified guaranteed annuities, fixed term payout annuities and total control accounts. The valuation of these investment contracts is based on discounted cash flow methodologies using significant unobservable inputs. The estimated fair value is determined using current market risk-free interest rates adding a spread to reflect the nonperformance risk in the liability.

Long-term Debt and Collateral Financing Arrangement

The estimated fair values of long-term debt and collateral financing arrangement are principally determined using market standard valuation methodologies. Valuations of instruments classified as Level 2 are based

6. Fair Value (continued)

primarily on quoted prices in markets that are not active or using matrix pricing that use standard market observable inputs such as quoted prices in markets that are not active and observable yields and spreads in the market. Instruments valued using discounted cash flow methodologies use standard market observable inputs including market yield curve, duration, observable prices and spreads for similar publicly traded or privately traded issues.

Valuations of instruments classified as Level 3 are based primarily on discounted cash flow methodologies that utilize unobservable discount rates that can vary significantly based upon the specific terms of each individual arrangement. The determination of estimated fair value of collateral financing arrangement incorporates valuations obtained from the counterparties to the arrangement, as part of the collateral management process.

Other Liabilities

Other liabilities consist primarily of interest payable, amounts due for securities purchased but not yet settled and funds withheld amounts payable, which are contractually withheld by the Company in accordance with the terms of the reinsurance agreements. The Company evaluates the specific terms, facts and circumstances of each instrument to determine the appropriate estimated fair values, which are not materially different from the carrying values.

Separate Account Liabilities

Separate account liabilities represent those balances due to policyholders under contracts that are classified as investment contracts.

Separate account liabilities classified as investment contracts primarily represent variable annuities with no significant mortality risk to the Company such that the death benefit is equal to the account balance and certain contracts that provide for benefit funding.

Since separate account liabilities are fully funded by cash flows from the separate account assets which are recognized at estimated fair value as described in the section "— Recurring Fair Value Measurements," the value of those assets approximates the estimated fair value of the related separate account liabilities. The valuation techniques and inputs for separate account liabilities are similar to those described for separate account assets.

7. Goodwill

The Company tests goodwill for impairment during the third quarter of each year at the reporting unit level based upon best available data as of June 30 of that year. A reporting unit 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.

In connection with the 2016 annual goodwill impairment test, the Company performed Step 1 of the goodwill impairment process, which requires a comparison of the estimated fair value of a reporting unit to its carrying value. To determine the estimated fair value for the Run-off reporting unit, an actuarial based approach, embedded value, was utilized to estimate the net worth of the reporting unit and the value of existing business. This actuarial based approach requires judgments and assumptions about the level of internal capital required to support the mix of business, the account value of in-force business, the level of interest rates, credit spreads, equity market levels, and the discount rate that the Company believes is appropriate for this reporting unit.

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

7. Goodwill (continued)

Based on a quantitative analysis performed for the Run-off reporting unit, the Company concluded that the carrying value exceeded the estimated fair value, indicating a potential for goodwill impairment. Accordingly, the Company performed Step 2 of the goodwill impairment process for the reporting unit, which compares the implied estimated fair value of the reporting unit's goodwill with its carrying value. This analysis indicated that the goodwill associated with this reporting unit was not recoverable. As a result, the Company recorded a non-cash charge of $161 million ($109 million, net of income tax) for the impairment of the entire goodwill balance, which is reported in the interim condensed combined statements of operations and comprehensive income for the nine months ended September 30, 2016.

Information regarding goodwill by segment was as follows:

	Annuities	Life	Run-off	Total
Balance as of January 1, 2016				
Goodwill	$ 1,187	$ 376	$ 161	$ 1,724
Accumulated impairment	(1,187)	(376)	—	(1,563)
Total goodwill, net	$ —	$ —	$ 161	$ 161
Goodwill transfers, net of accumulated impairment				
Impairment	—	—	(161)	(161)
Balance as of September 30, 2016				
Goodwill	$ 1,187	$ 376	$ 161	$ 1,724
Accumulated impairment	(1,187)	(376)	(161)	(1,724)
Total goodwill, net	$ —	$ —	$ —	$ —

Brighthouse Financial, Inc. and Related Companies

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

8. Shareholder's Net Investment

Capital Contribution

In February 2016, MetLife USA received, in cash, a capital contribution of $1.5 billion from MetLife, Inc.

Accumulated Other Comprehensive Income (Loss)

Information regarding changes in the balances of each component of AOCI was as follows:

	Nine Months Ended September 30, 2016				
	Unrealized Investment Gains (Losses), Net of Related Offsets (1)	Unrealized Gains (Losses) on Derivatives	Foreign Currency Translation Adjustments	Defined Benefit Plans Adjustment	Total
	(In millions)				
Balance, beginning of period	$ 1,322	$ 251	$ (33)	$ (17)	$ 1,523
OCI before reclassifications	1,400	75	(1)	(3)	1,471
Deferred income tax benefit (expense)	(501)	(26)	—	1	(526)
AOCI before reclassifications, net of income tax	2,221	300	(34)	(19)	2,468
Amounts reclassified from AOCI	(22)	(24)	—	1	(45)
Deferred income tax benefit (expense)	8	8	—	—	16
Amounts reclassified from AOCI, net of income tax	(14)	(16)	—	1	(29)
Balance, end of period	$ 2,207	$ 284	$ (34)	$ (18)	$ 2,439

	Nine Months Ended September 30, 2015				
	Unrealized Investment Gains (Losses), Net of Related Offsets (1)	Unrealized Gains (Losses) on Derivatives	Foreign Currency Translation Adjustments	Defined Benefit Plans Adjustment	Total
	(In millions)				
Balance, beginning of period	$ 2,555	$ 190	$ (16)	$ (14)	$ 2,715
OCI before reclassifications	(1,154)	90	(25)	—	(1,089)
Deferred income tax benefit (expense)	403	(31)	9	—	381
AOCI before reclassifications, net of income tax	1,804	249	(32)	(14)	2,007
Amounts reclassified from AOCI	20	(4)	—	3	19
Deferred income tax benefit (expense)	(7)	1	—	(1)	(7)
Amounts reclassified from AOCI, net of income tax	13	(3)	—	2	12
Balance, end of period	$ 1,817	$ 246	$ (32)	$ (12)	$ 2,019

(1) See Note 4 for information on offsets to investments related to future policy benefits, DAC, VOBA and DSI.

Brighthouse Financial, Inc. and Related Companies

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

8. Shareholder's Net Investment (continued)

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

AOCI Components	Amounts Reclassified from AOCI — Nine Months Ended September 30, 2016	2015	Combined Statements of Operations and Comprehensive Income (Loss) Locations
	(In millions)		
Net unrealized investment gains (losses):			
Net unrealized investment gains(losses)	$ 15	$ (28)	Net investment gains (losses)
Net unrealized investment gains (losses)	—	16	Net investment income
Net unrealized investment gains (losses)	7	(8)	Net derivative gains (losses)
Net unrealized investment gains (losses), before income tax	22	(20)	
Income tax (expense) benefit	(8)	7	
Net unrealized investment gains (losses), net of income tax	14	(13)	
Unrealized gains (losses) on derivatives —cash flow hedges:			
Interest rate swaps	12	1	Net derivative gains (losses)
Interest rate swaps	2	1	Net investment income
Interest rate forwards	2	2	Net derivative gains (losses)
Interest rate forwards	2	2	Net investment income
Foreign currency swaps	6	(2)	Net derivative gains (losses)
Gains (losses) on cash flow hedges, before income tax	24	4	
Income tax (expense) benefit	(8)	(1)	
Gains (losses) on cash flow hedges, net of income tax	16	3	
Defined benefit plans adjustment:			
Amortization of net actuarial gains (losses)	(1)	(2)	
Amortization of prior service (costs) credit	—	(1)	
Amortization of defined benefit plan items, before income tax	(1)	(3)	
Income tax (expense) benefit	—	1	
Amortization of defined benefit plan items, net of income tax	(1)	(2)	
Total reclassifications, net of income tax	$ 29	$ (12)	

Brighthouse Financial, Inc. and Related Companies

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

9. Contingencies, Commitments and Guarantees

Contingencies

Litigation

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

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

The Company establishes liabilities for litigation and regulatory loss contingencies when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated. It is possible that some matters could require the Company to pay damages or make other expenditures or establish accruals in amounts that could not be estimated as of September 30, 2016.

Matters as to Which an Estimate Can Be Made

For some loss contingency matters, the Company is able to estimate a reasonably possible range of loss. For such matters where a loss is believed to be reasonably possible, but not probable, no accrual has been made. As of September 30, 2016, the Company estimates the aggregate range of reasonably possible losses in excess of amounts accrued for these matters to be $0 to $25 million.

Matters as to Which an Estimate Cannot Be Made

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

Unclaimed Property Litigation

On November 14, 2012, the West Virginia Treasurer filed an action against MetLife Investors USA Insurance Company in West Virginia state court (*West Virginia ex rel. John D. Perdue v. MetLife Investors USA*

9. Contingencies, Commitments and Guarantees (continued)

Insurance Company, Circuit Court of Putnam County, Civil Action No. 12-C-363) alleging that MetLife Investors USA Insurance Company violated the West Virginia Uniform Unclaimed Property Act (the "Act"), seeking to compel compliance with the Act, and seeking payment of unclaimed property, interest, and penalties. On December 28, 2012, the Treasurer filed a substantially identical suit against MetLife Insurance Company of Connecticut (*West Virginia ex rel. John D. Perdue v. MetLife Insurance Company of Connecticut, Circuit Court of Putnam County, Civil Action No. 12-C-430)*. On August 17, 2016, MetLife Insurance Company USA, successor by merger to these defendants, and the West Virginia Treasurer reached an agreement in principle to resolve these actions.

Diversified Lending Group Litigations

Hartshorne v. NELICO, et al. (Los Angeles County Superior Court, filed March 25, 2015)

Plaintiffs have named MetLife, Inc., MetLife Securities, and NELICO in 12 related lawsuits in California state court alleging various causes of action including multiple negligence and statutory claims relating to a Ponzi scheme involving the Diversified Lending Group. In August 2016, a trial of claims by one of the plaintiffs, Christine Ramirez, resulted in a verdict against MetLife, Inc., MetLife Securities, and NELICO for approximately $200 thousand in compensatory damages and $15 million in punitive damages. On November 30, 2016, Ramirez consented to the court's reduction of punitive damage to approximately $7.2 million. These companies intend to appeal from this judgment.

Thrivent Financial for Lutherans v. MetLife Insurance Company USA, (E.D. Wis., filed September 12, 2016)

Plaintiff filed a complaint against MetLife Insurance Company USA, contending that MetLife's use of the Brighthouse Financial trademark and logo will infringe on its trademarks. Alleging violations of federal and state law, Plaintiff seeks preliminary and permanent injunctions, compensatory damages, and other relief. MetLife Insurance Company USA intends to defend this action vigorously.

Sales Practices Claims

Over the past several years, the Company has faced claims and regulatory inquiries and investigations, alleging improper marketing or sales of individual life insurance policies, annuities, mutual funds or other products. The Company continues to defend vigorously against the claims in these matters. The Company believes adequate provision has been made in its combined financial statements for all probable and reasonably estimable losses for sales practices matters.

Summary

Various litigation, claims and assessments against the Company, in addition to those discussed previously and those otherwise provided for in the Company's combined financial statements, have arisen in the course of the Company's business, including, but not limited to, in connection with its activities as an insurer, investor and taxpayer. Further, state insurance regulatory authorities and other federal and state authorities regularly make inquiries and conduct investigations concerning the Company's compliance with applicable insurance and other laws and regulations.

It is not possible to predict the ultimate outcome of all pending investigations and legal proceedings. In some of the matters referred to previously, 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

Brighthouse Financial, Inc. and Related Companies

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

9. Contingencies, Commitments and Guarantees (continued)

cases could have a material effect upon the Company's financial position, based on information currently known by the Company's management, in its opinion, the outcomes 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 effect on the Company's combined net income or cash flows in particular quarterly or annual periods.

Commitments

Mortgage Loan Commitments

The Company commits to lend funds under mortgage loan commitments. The amounts of these mortgage loan commitments were $203 million and $128 million as of September 30, 2016 and December 31, 2015, respectively.

Commitments to Fund Partnership Investments and Private Corporate Bond Investments

The Company commits to fund partnership investments and to lend funds under private corporate bond investments. The amounts of these unfunded commitments were $1.1 billion and $1.0 billion as of September 30, 2016 and December 31, 2015, respectively.

Other Commitments

The Company has entered into collateral arrangements with affiliates, which require the transfer of collateral in connection with secured demand notes. As of both September 30, 2016 and December 31, 2015, the Company had agreed to fund up to $20 million of cash upon the request by these affiliates and had transferred collateral consisting of various securities with a fair market value of $32 million and $25 million as of September 30, 2016 and December 31, 2015, respectively, to custody accounts to secure the demand notes. Each of these affiliates is permitted by contract to sell or re-pledge this collateral.

Guarantees

In the normal course of its business, the Company has provided certain indemnities, guarantees and commitments to third parties such that it may be required to make payments now or in the future. In the context of acquisition, disposition, investment and other transactions, the Company has provided indemnities and guarantees, including those related to tax, environmental and other specific liabilities and other indemnities and guarantees that are triggered by, among other things, breaches of representations, warranties or covenants provided by the Company. In addition, in the normal course of business, the Company provides indemnifications to counterparties in contracts with triggers similar to the foregoing, as well as for certain other liabilities, such as third-party lawsuits. These obligations are often subject to time limitations that vary in duration, including contractual limitations and those that arise by operation of law, such as applicable statutes of limitation. In some cases, the maximum potential obligation under the indemnities and guarantees is subject to a contractual limitation ranging from less than $1 million to $223 million, with a cumulative maximum of $228 million, while in other cases such limitations are not specified or applicable. Since certain of these obligations are not subject to limitations, the Company does not believe that it is possible to determine the maximum potential amount that could become due under these guarantees in the future. Management believes that it is unlikely the Company will have to make any material payments under these indemnities, guarantees or commitments.

9. Contingencies, Commitments and Guarantees (continued)

In addition, the Company indemnifies its directors and officers as provided in its charters and by-laws. Also, the Company indemnifies its agents for liabilities incurred as a result of their representation of the Company's interests. Since these indemnities are generally not subject to limitation with respect to duration or amount, the Company does not believe that it is possible to determine the maximum potential amount that could become due under these indemnities in the future.

The Company's recorded liabilities were $2 million as of both September 30, 2016 and December 31, 2015 for indemnities, guarantees and commitments.

10. Related Party Transactions

The Company has not historically operated as a standalone business and has various existing relationships with MetLife for services necessary to conduct its activities.

Non-Broker-Dealer Transactions

The following table summarizes income and expense from transactions with MetLife (excluding broker-dealer transactions) for the periods indicated:

	Nine Months Ended September 30,			
	2016	2015	2016	2015
	Income		Expense	
	(In millions)			
MetLife	$(152)	$(151)	$ 253	$ 558

The following table summarizes assets and liabilities from transactions with MetLife (excluding broker-dealer transactions) for the periods indicated:

	As of September 30, 2016		As of December 31, 2015	
	Assets	Liabilities	Assets	Liabilities
	(In millions)			
MetLife	$ 6,178	$ 8,590	$10,288	$ 8,566

The material arrangements between the Company and MetLife are as follows:

Reinsurance Agreements

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 affiliated companies. The Company participates in reinsurance activities in order to limit losses, minimize exposure to significant risks and provide additional capacity for future growth.

The Company has reinsurance agreements with certain of MetLife, Inc.'s subsidiaries, including MLIC, General American Life Insurance Company, MetLife Europe d.a.c., MetLife Reinsurance Company of Vermont, Delaware American Life Insurance Company and American Life Insurance Company, all of which are related parties.

Brighthouse Financial, Inc. and Related Companies

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

10. Related Party Transactions (continued)

Information regarding the significant effects of affiliated reinsurance included on the combined statements of operations and comprehensive income (loss) was as follows:

	Nine Months Ended September 30,	
	2016	2015
	(In millions)	
Premiums		
Reinsurance assumed	$ 32	$ 132
Reinsurance ceded	(560)	(502)
Net premiums	$ (528)	$ (370)
Universal life and investment-type product policy fees		
Reinsurance assumed	$ 88	$ 96
Reinsurance ceded	(45)	(46)
Net universal life and investment-type product policy fees	$ 43	$ 50
Other revenues		
Reinsurance assumed	$ —	$ —
Reinsurance ceded	289	93
Net other revenues	$ 289	$ 93
Policyholder benefits and claims		
Reinsurance assumed	$ 63	$ 163
Reinsurance ceded	(554)	(509)
Net policyholder benefits and claims	$ (491)	$ (346)
Interest credited to policyholder account balances		
Reinsurance assumed	$ 57	$ 58
Reinsurance ceded	(12)	(11)
Net interest credited to policyholder account balances	$ 45	$ 47
Amortization of deferred policy acquisition costs and value of business acquired		
Reinsurance assumed	$ 8	$ 18
Reinsurance ceded	(133)	(34)
Net amortization of deferred policy acquisition costs and value of business acquired	$ (125)	$ (16)
Other expenses		
Reinsurance assumed	$ 16	$ 24
Reinsurance ceded	(24)	(31)
Net other expenses	$ (8)	$ (7)

Brighthouse Financial, Inc. and Related Companies

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

10. Related Party Transactions (continued)

Information regarding the significant effects of affiliated reinsurance included on the combined balance sheets was as follows as of:

	September 30, 2016		December 31, 2015	
	Assumed	Ceded	Assumed	Ceded
	(In millions)			
Assets				
Premiums, reinsurance and other receivables	$ 38	$5,258	$ 128	$9,046
Deferred policy acquisition costs and value of business acquired	154	(363)	120	(440)
Total assets	$ 192	$4,895	$ 248	$8,606
Liabilities				
Future policy benefits	$ 584	$ —	$ 591	$ —
Policyholder account balances	615	—	428	—
Other policy-related balances	1,701	(2)	1,785	(1)
Other liabilities	16	949	27	1,016
Total liabilities	$ 2,916	$ 947	$ 2,831	$1,015

The Company assumes risks from an affiliate related to guaranteed minimum benefit guarantees written directly by the affiliate. These assumed reinsurance agreements contain embedded derivatives and changes in their estimated fair value are also included within net derivative gains (losses). The embedded derivatives associated with these agreements are included within policyholder account balances and were $615 million and $428 million as of September 30, 2016 and December 31, 2015, respectively. Net derivative gains (losses) associated with the embedded derivatives were ($184) million and ($64) million for the nine months ended September 30, 2016 and 2015, respectively.

The Company cedes risks to an affiliate related to guaranteed minimum benefit guarantees written directly by the Company. These ceded reinsurance agreements contain embedded derivatives and changes in their estimated fair value are also included within net derivative gains (losses). The embedded derivatives associated with these cessions are included within premiums, reinsurance and other receivables and were $585 million and $328 million as of September 30, 2016 and December 31, 2015, respectively. Net derivative gains (losses) associated with the embedded derivatives were $257 million and $142 million for the nine months ended September 30, 2016 and 2015, respectively.

In April 2016, the Company recaptured risks related to certain single premium deferred annuity contracts previously reinsured to MLIC, an affiliate. As a result of this recapture, the significant effects to the Company were an increase in investments and cash and cash equivalents of $4.3 billion and an increase in DAC of $87 million, offset by a decrease in premiums, reinsurance and other receivables of $4.0 billion. The Company recognized a gain of $246 million, net of income tax, as a result of this reinsurance termination.

Financing and Capital Support Arrangements

The Company has financing arrangements with MetLife that are used to support reinsurance obligations arising under affiliated reinsurance agreements. The Company recognized interest expense for affiliated debt of $94 million and $93 million for the nine months ended September 30, 2016 and 2015, respectively.

Brighthouse Financial, Inc. and Related Companies

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

10. Related Party Transactions (continued)

Additionally, MetLife provides various capital support commitments and guarantees to the Company. Under these arrangements, MetLife has agreed to cause each affected entity to meet specified capital and surplus levels or has guaranteed certain contractual obligations.

Investment Transactions

The Company has extended loans to certain subsidiaries of MetLife, Inc. Additionally, in the ordinary course of business, the Company transfers invested assets, primarily consisting of fixed maturity securities, to and from MetLife affiliates. See Note 4 for further discussion of the related party investment transactions.

Shared Services and Overhead Allocations

MetLife provides the Company certain services, which include, but are not limited to, executive oversight, treasury, finance, legal, human resources, tax planning, internal audit, financial reporting, information technology and investor relations. For certain of these arrangements, charges are based on various performance measures or activity-based costing. The bases for such charges are modified and adjusted by management when necessary or appropriate to reflect fairly and equitably the actual incidence of cost incurred by the Company and/or affiliate. Management believes that the methods used to allocate expenses under these arrangements are reasonable. Net expenses incurred with MetLife related to these arrangements, recorded in other operating expenses, were $686 million and $774 million for the nine months ended September 30, 2016 and 2015, respectively.

Stock-Based Compensation Plans

The Company's employees participate in MetLife stock-based compensation plans, the costs of which have been allocated to the Company and recorded in the combined statements of operations.

Broker-Dealer Transactions

The Company accrues related party revenues and expenses arising from transactions with MetLife's broker-dealers whereby the MetLife broker-dealers sell the Company's variable annuity and life products. The affiliated revenue for the Company is fee income from trusts and mutual funds whose shares serve as investment options of policyholders of the Company. The affiliated expense for the Company is commissions collected on the sale of variable products by the Company and passed through to the broker-dealer.

The following table summarizes income and expense from transactions with related broker-dealers for the periods indicated:

	Nine Months Ended September 30,			
	2016	2015	2016	2015
	Fee Income		Commission Expense	
	(In millions)			
MetLife broker-dealers	$161	$175	$ 480	$ 487

The following table summarizes assets and liabilities from transactions with related broker-dealers were as follows:

	As of September 30, 2016		As of December 31, 2015	
	Fee Income Receivables	Secured Demand Notes	Fee Income Receivables	Secured Demand Notes
	(In millions)			
MetLife broker-dealers	$ 20	$ 20	$ 20	$ 20

11. Subsequent Events

The Company has evaluated events subsequent to September 30, 2016 through December 5, 2016, which is the date these financial statements were available to be issued, and has determined there are no material subsequent events requiring adjustment to or disclosure in the financial statements except as follows:

Credit Facilities

On December 2, 2016, Brighthouse Financial, Inc. entered into a $2.0 billion five-year revolving credit facility and a $3.0 billion three-year term loan agreement, each with a syndicate of banks (the "*Brighthouse Credit Facilities*"). The revolving credit facility provides for borrowings or the issuance of letters of credit of up to $2.0 billion in the aggregate. The $3.0 billion term loan agreement provides for borrowings, which may be drawn prior to the separation, of up to $3.0 billion for general corporate purposes, including in connection with the separation. Under the terms of the term loan agreement, the Company will use the net proceeds in excess of $500 million from debt issuances to third party investors (with certain exclusions) to prepay amounts outstanding under the term loan agreement and reduce the term loan agreement commitments. As of December 5, 2016, no amount had been drawn on the Brighthouse Credit Facilities.