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

FORM 10-Q

☑ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2019

or

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ___ to ___

Commission File Number: 001-37905

Brighthouse Financial, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**81-3846992**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*
11225 North Community House Road, Charlotte, North Carolina	**28277**
(Address of principal executive offices)	*(Zip Code)*

(980) 365-7100
(Registrant's telephone number, including area code)

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

Title of each class	Trading symbol(s)	Name of each exchange on which registered
Common Stock, par value $0.01 per share	**BHF**	**The Nasdaq Stock Market LLC**
Depositary Shares, each representing a 1/1,000th interest in a share of 6.600% Non-Cumulative Preferred Stock, Series A	**BHFAP**	**The Nasdaq Stock Market LLC**
6.250% Junior Subordinated Debentures due 2058	**BHFAL**	**The Nasdaq Stock Market LLC**

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☑ No ☐

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

Large accelerated filer ☑	Accelerated filer ☐
Non-accelerated filer ☐	Smaller reporting company ☐
	Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

As of August 2, 2019, 111,410,202 shares of the registrant's common stock were outstanding.

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Part I — Financial Information

Item 1. Financial Statements

Brighthouse Financial, Inc.

Interim Condensed Consolidated Balance Sheets
June 30, 2019 (Unaudited) and December 31, 2018

(In millions, except share and per share data)

	June 30, 2019	December 31, 2018
Assets		
Investments:		
Fixed maturity securities available-for-sale, at estimated fair value (amortized cost: $61,362 and $60,920, respectively)	$ 67,211	$ 62,608
Equity securities, at estimated fair value	153	140
Mortgage loans (net of valuation allowances of $64 and $57, respectively)	15,078	13,694
Policy loans	1,342	1,421
Real estate limited partnerships and limited liability companies	462	451
Other limited partnership interests	1,834	1,840
Short-term investments, principally at estimated fair value	793	—
Other invested assets, principally at estimated fair value	3,064	3,027
Total investments	89,937	83,181
Cash and cash equivalents	3,981	4,145
Accrued investment income	747	724
Premiums, reinsurance and other receivables	14,231	13,697
Deferred policy acquisition costs and value of business acquired	5,492	5,717
Current income tax recoverable	—	1
Other assets	610	573
Separate account assets	106,214	98,256
Total assets	$ 221,212	$ 206,294
Liabilities and Equity		
Liabilities		
Future policy benefits	$ 38,280	$ 36,209
Policyholder account balances	42,941	40,054
Other policy-related balances	3,041	3,000
Payables for collateral under securities loaned and other transactions	4,094	5,057
Long-term debt	4,365	3,963
Current income tax payable	14	15
Deferred income tax liability	1,364	972
Other liabilities	4,558	4,285
Separate account liabilities	106,214	98,256
Total liabilities	204,871	191,811
Contingencies, Commitments and Guarantees (Note 11)		
Equity		
Brighthouse Financial, Inc.'s stockholders' equity:		
Preferred stock, par value $0.01 per share; $425 aggregate liquidation preference at June 30, 2019	—	—
Common stock, par value $0.01 per share; 1,000,000,000 shares authorized; 120,593,413 and 120,448,018 shares issued, respectively; 112,644,952 and 117,532,336 shares outstanding, respectively	1	1
Additional paid-in capital	12,893	12,473
Retained earnings (deficit)	986	1,346
Treasury stock, at cost; 7,948,461 and 2,915,682 shares, respectively	(306)	(118)
Accumulated other comprehensive income (loss)	2,702	716
Total Brighthouse Financial, Inc.'s stockholders' equity	16,276	14,418
Noncontrolling interests	65	65
Total equity	16,341	14,483
Total liabilities and equity	$ 221,212	$ 206,294

See accompanying notes to the interim condensed consolidated financial statements.

Brighthouse Financial, Inc.

Interim Condensed Consolidated Statements of Operations and Comprehensive Income (Loss)
For the Three Months and Six Months Ended June 30, 2019 and 2018 (Unaudited)

(In millions, except per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Revenues				
Premiums	$ 232	$ 223	$ 459	$ 452
Universal life and investment-type product policy fees	888	962	1,763	1,964
Net investment income	942	806	1,753	1,623
Other revenues	96	98	188	203
Net investment gains (losses)	63	(75)	52	(79)
Net derivative gains (losses)	149	(312)	(1,154)	(646)
Total revenues	2,370	1,702	3,061	3,517
Expenses				
Policyholder benefits and claims	845	813	1,617	1,551
Interest credited to policyholder account balances	265	269	523	536
Amortization of deferred policy acquisition costs and value of business acquired	170	246	192	551
Other expenses	621	691	1,213	1,309
Total expenses	1,901	2,019	3,545	3,947
Income (loss) before provision for income tax	469	(317)	(484)	(430)
Provision for income tax expense (benefit)	85	(79)	(133)	(127)
Net income (loss)	384	(238)	(351)	(303)
Less: Net income (loss) attributable to noncontrolling interests	—	1	2	3
Net income (loss) attributable to Brighthouse Financial, Inc.	384	(239)	(353)	(306)
Less: Preferred stock dividends	7	—	7	—
Net income (loss) available to Brighthouse Financial, Inc.’s common shareholders	$ 377	$ (239)	$ (360)	$ (306)
Comprehensive income (loss)	$ 1,416	$ (160)	$ 1,635	$ (1,085)
Less: Comprehensive income (loss) attributable to noncontrolling interests	—	1	2	3
Comprehensive income (loss) attributable to Brighthouse Financial, Inc.	$ 1,416	$ (161)	$ 1,633	$ (1,088)
Earnings per common share:				
Basic	$ 3.28	$ (2.01)	$ (3.10)	$ (2.56)
Diluted	$ 3.27	$ (2.01)	$ (3.10)	$ (2.56)

See accompanying notes to the interim condensed consolidated financial statements.

Brighthouse Financial, Inc.

Interim Condensed Consolidated Statements of Equity
For the Six Months Ended June 30, 2019 and 2018 (Unaudited)

(In millions)

	Preferred Stock	Common Stock	Additional Paid-in Capital	Retained Earnings (Deficit)	Treasury Stock at Cost	Accumulated Other Comprehensive Income (Loss)	Brighthouse Financial, Inc.'s Stockholders' Equity	Noncontrolling Interests	Total Equity
Balance at December 31, 2018	$ —	$ 1	$ 12,473	$ 1,346	$ (118)	$ 716	$ 14,418	$ 65	$ 14,483
Preferred stock issuance	—		412				412		412
Treasury stock acquired in connection with share repurchases					(52)		(52)		(52)
Share-based compensation			4				4		4
Change in noncontrolling interests							—	(2)	(2)
Net income (loss)				(737)			(737)	2	(735)
Other comprehensive income (loss), net of income tax						954	954		954
Balance at March 31, 2019	—	1	12,889	609	(170)	1,670	14,999	65	15,064
Treasury stock acquired in connection with share repurchases					(136)		(136)		(136)
Share-based compensation			4				4		4
Dividends on preferred stock				(7)			(7)		(7)
Net income (loss)				384			384	—	384
Other comprehensive income (loss), net of income tax						1,032	1,032		1,032
Balance at June 30, 2019	$ —	$ 1	$ 12,893	$ 986	$ (306)	$ 2,702	$ 16,276	$ 65	$ 16,341

	Preferred Stock	Common Stock	Additional Paid-in Capital	Retained Earnings (Deficit)	Treasury Stock at Cost	Accumulated Other Comprehensive Income (Loss)	Brighthouse Financial, Inc.'s Stockholders' Equity	Noncontrolling Interests	Total Equity
Balance at December 31, 2017	$ —	$ 1	$ 12,432	$ 406	$ —	$ 1,676	$ 14,515	$ 65	$ 14,580
Cumulative effect of change in accounting principle and other, net of income tax				75		(79)	(4)		(4)
Balance at January 1, 2018	—	1	12,432	481	—	1,597	14,511	65	14,576
Change in noncontrolling interests							—	(2)	(2)
Net income (loss)				(67)			(67)	2	(65)
Other comprehensive income (loss), net of income tax						(860)	(860)		(860)
Balance at March 31, 2018	—	1	12,432	414	—	737	13,584	65	13,649
Share-based compensation			12				12		12
Change in noncontrolling interests							—	(1)	(1)
Net income (loss)				(239)			(239)	1	(238)
Other comprehensive income (loss), net of income tax						78	78		78
Balance at June 30, 2018	$ —	$ 1	$ 12,444	$ 175	$ —	$ 815	$ 13,435	$ 65	$ 13,500

See accompanying notes to the interim condensed consolidated financial statements.

Brighthouse Financial, Inc.

Interim Condensed Consolidated Statements of Cash Flows
For the Six Months Ended June 30, 2019 and 2018 (Unaudited)

(In millions)

	Six Months Ended June 30, 2019	Six Months Ended June 30, 2018
Net cash provided by (used in) operating activities	$ 809	$ 1,017
Cash flows from investing activities		
Sales, maturities and repayments of:		
Fixed maturity securities	9,102	7,601
Equity securities	16	12
Mortgage loans	542	299
Real estate limited partnerships and limited liability companies	1	82
Other limited partnership interests	143	75
Purchases of:		
Fixed maturity securities	(9,263)	(7,394)
Equity securities	(3)	(1)
Mortgage loans	(1,973)	(1,916)
Real estate limited partnerships and limited liability companies	(9)	(27)
Other limited partnership interests	(200)	(99)
Cash received in connection with freestanding derivatives	725	722
Cash paid in connection with freestanding derivatives	(1,341)	(1,570)
Net change in policy loans	79	65
Net change in short-term investments	(789)	135
Net change in other invested assets	38	(7)
Net cash provided by (used in) investing activities	(2,932)	(2,023)
Cash flows from financing activities		
Policyholder account balances:		
Deposits	3,794	3,018
Withdrawals	(1,504)	(1,567)
Net change in payables for collateral under securities loaned and other transactions	(963)	96
Long-term debt issued	1,000	—
Long-term debt repaid	(601)	(6)
Preferred stock issued, net of issuance costs	412	—
Dividends on preferred stock	(7)	—
Treasury stock acquired in connection with share repurchases	(188)	—
Financing element on certain derivative instruments and other derivative related transactions, net	44	(226)
Other, net	(28)	(31)
Net cash provided by (used in) financing activities	1,959	1,284
Change in cash, cash equivalents and restricted cash	(164)	278
Cash, cash equivalents and restricted cash, beginning of period	4,145	1,857
Cash, cash equivalents and restricted cash, end of period	$ 3,981	$ 2,135
Supplemental disclosures of cash flow information		
Net cash paid (received) for:		
Interest	$ 92	$ 80
Income tax	$ 5	$ 3

See accompanying notes to the interim condensed consolidated financial statements.

Brighthouse Financial, Inc.

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)

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

Business

"Brighthouse Financial" and the "Company" refer to Brighthouse Financial, Inc. and its subsidiaries (formerly, MetLife U.S. Retail Separation Business). Brighthouse Financial, Inc. ("BHF") is a holding company formed to own the legal entities that historically operated a substantial portion of MetLife, Inc.'s (together with its subsidiaries and affiliates, "MetLife") former Retail segment. BHF was incorporated in Delaware on August 1, 2016 in preparation for MetLife, Inc.'s separation of a substantial portion of its former Retail segment, as well as certain portions of its former Corporate Benefit Funding segment (the "Separation"), which was completed on August 4, 2017.

In connection with the Separation, 80.8% of MetLife, Inc.'s interest in BHF was distributed to holders of MetLife, Inc.'s common stock and MetLife, Inc. retained the remaining 19.2%. On June 14, 2018, MetLife, Inc. divested its remaining shares of BHF common stock (the "MetLife Divestiture"). As a result, MetLife, Inc. and its subsidiaries and affiliates are no longer considered related parties subsequent to the MetLife Divestiture.

Brighthouse Financial is one of the largest providers of annuity and life insurance products in the United States through multiple independent distribution channels and marketing arrangements with a diverse network of distribution partners. 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.

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 consolidated financial statements. In applying these policies and estimates, management makes subjective and complex judgments that frequently require assumptions about matters that are inherently uncertain. Many of these policies, estimates and related judgments are common in the insurance and financial services industries; others are specific to the Company's business and operations. Actual results could differ from these estimates.

Consolidation

The accompanying interim condensed consolidated financial statements include the accounts of Brighthouse Financial, as well as partnerships and limited liability companies ("LLCs") in which the Company has control. Intercompany accounts and transactions have been eliminated.

The Company uses the equity method of accounting for investments in limited partnerships and LLCs when it has more than a minor ownership interest or more than a minor influence over the investee's operations. The Company generally recognizes its share of the investee's earnings on a three-month lag in instances where the investee's financial information is not sufficiently timely or when the investee's reporting period differs from the Company's reporting period. When the Company has virtually no influence over the investee's operations, the investment is carried at fair value.

Reclassifications

Certain amounts in the prior year periods' interim condensed consolidated financial statements and related footnotes thereto have been reclassified to conform with the 2019 presentation as may be discussed throughout the Notes to the Interim Condensed Consolidated Financial Statements.

The accompanying interim condensed consolidated financial statements are unaudited and reflect all adjustments (including normal recurring adjustments) necessary to present fairly the financial position, results of operations and cash flows for the interim periods presented in conformity with GAAP. Interim results are not necessarily indicative of full year performance. The December 31, 2018 consolidated balance sheet data was derived from audited consolidated financial statements included in Brighthouse Financial, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2018 (the "2018 Annual Report"), which include all disclosures required by GAAP. Therefore, these interim condensed consolidated financial statements should be read in conjunction with the consolidated and combined financial statements of the Company included in the 2018 Annual Report.

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

Adoption of New Accounting Pronouncements

Changes to GAAP are established by the Financial Accounting Standards Board ("FASB") in the form of accounting standards updates ("ASUs") to the FASB Accounting Standards Codification. The Company considers the applicability and impact of all ASUs. ASUs not listed below were assessed and determined to be either not applicable or are not expected to have a material impact on the Company's financial statements. There were no ASUs adopted during 2019 which had a material impact on the Company's financial statements.

ASUs issued but not yet adopted as of June 30, 2019 are summarized in the table below.

Standard	Description	Effective Date	Impact on Financial Statements
ASU 2018-15, Intangibles-Goodwill and Other-Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract	The amendments to Topic 350 require the capitalization of certain implementation costs incurred in a cloud computing arrangement that is a service contract. The requirements align with the existing requirements to capitalize implementation costs incurred to develop or obtain internal-use software.	January 1, 2020 using the prospective method or retrospective method (with early adoption permitted)	The Company is currently evaluating the impact of this guidance on its financial statements.
ASU 2018-12, Financial Services-Insurance (Topic 944): Targeted Improvements to the Accounting for Long-Duration Contracts	The amendments to Topic 944 will result in significant changes to the accounting for long-duration insurance contracts. These changes (1) require all guarantees that qualify as market risk benefits to be measured at fair value, (2) require more frequent updating of assumptions and modify existing discount rate requirements for certain insurance liabilities, (3) modify the methods of amortization for deferred acquisition costs ("DAC"), and (4) require new qualitative and quantitative disclosures around insurance contract asset and liability balances and the judgments, assumptions and methods used to measure those balances. The market risk benefit guidance is required to be applied on a retrospective basis, while the changes to guidance for insurance liabilities and DAC may be applied to existing carrying amounts on the effective date or on a retrospective basis.	The amendments are currently effective on January 1, 2021. On July 17, 2019 the FASB tentatively decided to extend the effective date of the ASU by one year. The FASB intends to release an exposure draft, which if adopted, will change the effective date for the Company to January 1, 2022.	The Company is in the early stages of evaluating the new guidance and therefore is unable to estimate the impact to its financial statements. The most significant impact will be the measurement of liabilities for variable annuity guarantees.
ASU 2016-13, Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments	The amendments to Topic 326 replace the incurred loss impairment methodology for certain financial instruments with one that reflects expected credit losses based on historical loss information, current conditions, and reasonable and supportable forecasts. The new guidance also requires that an other-than- temporary impairment ("OTTI") on a debt security will be recognized as an allowance going forward, such that improvements in expected future cash flows after an impairment will no longer be reflected as a prospective yield adjustment through net investment income, but rather a reversal of the previous impairment and recognized through realized investment gains and losses.	January 1, 2020 using the modified retrospective method (with early adoption permitted beginning January 1, 2019)	The Company is currently evaluating the impact of this guidance on its financial statements, with the most significant impact expected to be earlier recognition of credit losses on mortgage loan investments.

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 consists of 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 consists of insurance products and services, including term, universal, whole 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, pension risk transfer contracts, certain company-owned life insurance policies, funding agreements and universal life with secondary guarantees.

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, long-term care and workers compensation business reinsured through 100% quota share reinsurance agreements, and term life insurance sold direct to consumers, which is no longer being offered for new sales.

Financial Measures and Segment Accounting Policies

Adjusted earnings is a financial measure used by management to evaluate performance, allocate resources and facilitate comparisons to industry results. Consistent with GAAP guidance for segment reporting, adjusted earnings is also used to measure segment performance. The Company believes the presentation of adjusted earnings, as the Company measures it for management purposes, enhances the understanding of its performance by the investor community. Adjusted earnings should not be viewed as a substitute for net income (loss) available to BHF's common shareholders and excludes net income (loss) attributable to noncontrolling interests and preferred stock dividends.

Adjusted earnings, which may be positive or negative, focuses on the Company's primary businesses principally by excluding the impact of market volatility, which could distort trends.

The following are significant items excluded from total revenues, net of income tax, in calculating adjusted earnings:

- Net investment gains (losses);
- Net derivative gains (losses) except 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
- Certain variable annuity guaranteed minimum income benefits ("GMIBs") fees ("GMIB Fees") and amortization of unearned revenue related to net investment gains (losses) and net derivative gains (losses).

The following are significant items excluded from total expenses, net of income tax, in calculating adjusted earnings:

- Amounts associated with benefits and hedging costs related to GMIBs ("GMIB Costs");
- Amounts associated with periodic crediting rate adjustments based on the total return of a contractually referenced pool of assets and market value adjustments associated with surrenders or terminations of contracts ("Market Value Adjustments"); and
- Amortization of DAC and value of business acquired ("VOBA") related to: (i) net investment gains (losses), (ii) net derivative gains (losses), (iii) GMIB Fees and GMIB Costs and (iv) Market Value Adjustments.

The tax impact of the adjustments mentioned above is calculated net of the statutory tax rate, which could differ from the Company's effective tax rate.

2. Segment Information (continued)

Set forth in the tables below is certain financial information with respect to the Company's segments, as well as Corporate & Other, for the three months and six months ended June 30, 2019 and 2018 and at June 30, 2019 and December 31, 2018. The segment accounting policies are the same as those used to prepare the Company's condensed consolidated financial statements, except for the adjustments to calculate adjusted earnings described above. In addition, segment accounting policies include the methods of capital allocation described below.

Segment investment and capitalization targets are based on statutory oriented risk principles and metrics. Segment invested assets backing liabilities are based on net statutory liabilities plus excess capital. For the variable annuity business, the excess capital held is based on the target statutory total asset requirement consistent with the Company's variable annuity risk management strategy. For insurance businesses other than variable annuities, excess capital held is based on a percentage of required statutory risk-based capital. Assets in excess of those allocated to the segments, if any, are held in Corporate & Other. Segment net investment income reflects the performance of each segment's respective invested assets.

	Operating Results				
Three Months Ended June 30, 2019	**Annuities**	**Life**	**Run-off**	**Corporate & Other**	**Total**
			(In millions)		
Pre-tax adjusted earnings	$ 323	$ 72	$ 2	$ (85)	$ 312
Provision for income tax expense (benefit)	58	14	—	(21)	51
Post-tax adjusted earnings	265	58	2	(64)	261
Less: Net income (loss) attributable to noncontrolling interests and preferred stock dividends	—	—	—	7	7
Adjusted earnings	$ 265	$ 58	$ 2	$ (71)	254
Adjustments for:					
Net investment gains (losses)					63
Net derivative gains (losses)					149
Other adjustments to net income					(55)
Provision for income tax (expense) benefit					(34)
Net income (loss) available to Brighthouse Financial, Inc.'s common shareholders					$ 377
Interest revenue	$ 470	$ 116	$ 339	$ 17	
Interest expense	$ —	$ —	$ —	$ 48	

Brighthouse Financial, Inc.

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) (continued)

2. Segment Information (continued)

	Operating Results				
Three Months Ended June 30, 2018	**Annuities**	**Life**	**Run-off**	**Corporate & Other**	**Total**
			(In millions)		
Pre-tax adjusted earnings	$ 266	$ 46	$ (8)	$ (124)	$ 180
Provision for income tax expense (benefit)	45	9	(2)	(26)	26
Post-tax adjusted earnings	221	37	(6)	(98)	154
Less: Net income (loss) attributable to noncontrolling interests and preferred stock dividends	—	—	—	1	1
Adjusted earnings	$ 221	$ 37	$ (6)	$ (99)	153
Adjustments for:					
Net investment gains (losses)					(75)
Net derivative gains (losses)					(312)
Other adjustments to net income					(110)
Provision for income tax (expense) benefit					105
Net income (loss) available to Brighthouse Financial, Inc.'s common shareholders					$ (239)
Interest revenue	$ 376	$ 111	$ 314	$ 11	
Interest expense	$ —	$ —	$ —	$ 37	

	Operating Results				
Six Months Ended June 30, 2019	**Annuities**	**Life**	**Run-off**	**Corporate & Other**	**Total**
			(In millions)		
Pre-tax adjusted earnings	$ 684	$ 103	$ (44)	$ (157)	$ 586
Provision for income tax expense (benefit)	124	20	(10)	(43)	91
Post-tax adjusted earnings	560	83	(34)	(114)	495
Less: Net income (loss) attributable to noncontrolling interests and preferred stock dividends	—	—	—	9	9
Adjusted earnings	$ 560	$ 83	$ (34)	$ (123)	486
Adjustments for:					
Net investment gains (losses)					52
Net derivative gains (losses)					(1,154)
Other adjustments to net income					32
Provision for income tax (expense) benefit					224
Net income (loss) available to Brighthouse Financial, Inc.'s common shareholders					$ (360)
Interest revenue	$ 891	$ 213	$ 615	$ 34	
Interest expense	$ —	$ —	$ —	$ 95	

Brighthouse Financial, Inc.

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) (continued)

2. Segment Information (continued)

Six Months Ended June 30, 2018	Operating Results				
	Annuities	Life	Run-off	Corporate & Other	Total
	(In millions)				
Pre-tax adjusted earnings	$ 538	$ 127	$ 55	$ (210)	$ 510
Provision for income tax expense (benefit)	91	24	11	(55)	71
Post-tax adjusted earnings	447	103	44	(155)	439
Less: Net income (loss) attributable to noncontrolling interests and preferred stock dividends	—	—	—	3	3
Adjusted earnings	$ 447	$ 103	$ 44	$ (158)	436
Adjustments for:					
Net investment gains (losses)					(79)
Net derivative gains (losses)					(646)
Other adjustments to net income					(215)
Provision for income tax (expense) benefit					198
Net income (loss) available to Brighthouse Financial, Inc.'s common shareholders					$ (306)
Interest revenue	$ 739	$ 219	$ 657	$ 22	
Interest expense	$ —	$ —	$ —	$ 74	

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
	(In millions)			
Annuities	$ 1,194	$ 1,146	$ 2,311	$ 2,293
Life	330	339	633	708
Run-off	527	510	1,003	1,058
Corporate & Other	42	31	85	65
Adjustments	277	(324)	(971)	(607)
Total	$ 2,370	$ 1,702	$ 3,061	$ 3,517

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

	June 30, 2019	December 31, 2018
	(In millions)	
Annuities	$ 152,948	$ 141,489
Life	20,854	20,449
Run-off	34,245	32,393
Corporate & Other	13,165	11,963
Total	$ 221,212	$ 206,294

3. Insurance

Guarantees

As discussed in Notes 1 and 3 of the Notes to the Consolidated and Combined Financial Statements included in the 2018 Annual Report, the Company issues variable annuity contracts with guaranteed minimum benefits. Guaranteed minimum accumulation benefits ("GMABs"), the non-life contingent portion of guaranteed minimum withdrawal benefits ("GMWBs") and certain portions of GMIBs that do not require the policyholder to annuitize are accounted for as embedded derivatives in policyholder account balances and are further discussed in Note 5.

The Company also has universal and variable life insurance contracts with secondary guarantees.

Information regarding the Company's guarantee exposure was as follows at:

	June 30, 2019		December 31, 2018	
	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)	$ 103,866	$ 59,924	$ 96,865	$ 55,967
Separate account value	$ 98,907	$ 58,727	$ 91,837	$ 54,731
Net amount at risk	$ 7,044 (4)	$ 3,584 (5)	$ 11,073 (4)	$ 4,128 (5)
Average attained age of contract holders	68 years	68 years	68 years	68 years

	June 30, 2019	December 31, 2018
	Secondary Guarantees	
	(Dollars in millions)	
Universal Life Contracts		
Total account value (3)	$ 6,028	$ 6,099
Net amount at risk (6)	$ 72,121	$ 73,131
Average attained age of policyholders	66 years	65 years
Variable Life Contracts		
Total account value (3)	$ 3,325	$ 3,230
Net amount at risk (6)	$ 22,139	$ 23,004
Average attained age of policyholders	50 years	50 years

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(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 5 of the Notes to the Consolidated and Combined Financial Statements included in the 2018 Annual Report for a discussion of guaranteed minimum benefits 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.

3. Insurance (continued)

(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.

4. Investments

See Note 1 of the Notes to the Consolidated and Combined Financial Statements included in the 2018 Annual Report for a description of the Company's accounting policies for investments and Note 6 for information about the fair value hierarchy for investments and the related valuation methodologies.

Fixed Maturity Securities Available-for-sale ("AFS")

Fixed Maturity Securities AFS by Sector

The following table presents the fixed maturity securities AFS by sector at:

	June 30, 2019					December 31, 2018				
		Gross Unrealized					Gross Unrealized			
	Amortized Cost	Gains	Temporary Losses	OTTI Losses (1)	Estimated Fair Value	Amortized Cost	Gains	Temporary Losses	OTTI Losses (1)	Estimated Fair Value
	(In millions)									
Fixed maturity securities: (2)										
U.S. corporate	$ 26,149	$ 2,221	$ 88	$ —	$ 28,282	$ 24,312	$ 830	$ 669	$ —	$ 24,473
U.S. government and agency	5,506	1,763	—	—	7,269	7,944	1,263	112	—	9,095
RMBS	9,003	425	21	(4)	9,411	8,428	246	129	(2)	8,547
Foreign corporate	9,154	536	105	—	9,585	8,183	159	316	—	8,026
CMBS	5,062	254	4	—	5,312	5,292	43	88	(1)	5,248
State and political subdivision	3,198	648	—	—	3,846	3,200	412	15	—	3,597
ABS	1,832	24	9	—	1,847	2,135	13	22	—	2,126
Foreign government	1,458	204	3	—	1,659	1,426	102	32	—	1,496
Total fixed maturity securities	$ 61,362	$ 6,075	$ 230	$ (4)	$ 67,211	$ 60,920	$ 3,068	$ 1,383	$ (3)	$ 62,608

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(1) Noncredit OTTI losses included in accumulated other comprehensive income (loss) ("AOCI") in an unrealized gain position are due to increases in estimated fair value subsequent to initial recognition of noncredit losses on such securities.

(2) Redeemable preferred stock is reported within U.S. corporate and foreign corporate fixed maturity securities. Included within fixed maturity securities are structured securities including residential mortgage-backed securities ("RMBS"), commercial mortgage-backed securities ("CMBS") and asset-backed securities ("ABS") (collectively, "Structured Securities").

The Company held non-income producing fixed maturity securities with an estimated fair value of $32 million and less than $1 million with unrealized gains (losses) of ($2) million and less than $1 million at June 30, 2019 and December 31, 2018, respectively.

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 at June 30, 2019:

	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	$ 1,670	$ 7,069	$ 12,313	$ 24,413	$ 15,897	$ 61,362
Estimated fair value	$ 1,681	$ 7,264	$ 12,967	$ 28,729	$ 16,570	$ 67,211

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 Securities AFS by Sector

The following table presents the estimated fair value and gross unrealized losses of fixed maturity 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 at:

	June 30, 2019				December 31, 2018			
	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	$ 1,342	$ 41	$ 1,235	$ 47	$ 10,584	$ 470	$ 2,328	$ 199
U.S. government and agency	139	—	58	—	412	8	1,543	104
RMBS	145	3	1,421	14	1,627	26	2,611	101
Foreign corporate	740	27	805	78	3,982	203	774	113
CMBS	78	—	263	4	2,317	53	803	34
State and political subdivision	5	—	36	—	346	7	158	8
ABS	564	4	357	5	1,422	21	70	1
Foreign government	70	3	—	—	521	26	132	6
Total fixed maturity securities	$ 3,083	$ 78	$ 4,175	$ 148	$ 21,211	$ 814	$ 8,419	$ 566
Total number of securities in an unrealized loss position	660		521		3,027		1,028	

4. Investments (continued)

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 amortized cost; (ii) the potential for impairments when the issuer is experiencing significant financial difficulties; (iii) the potential for impairments in an entire industry sector or sub-sector; (iv) the potential for impairments in certain economically depressed geographic locations; (v) the potential for impairments where the issuer, series of issuers or industry has suffered a catastrophic loss or has exhausted natural resources; (vi) 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.

For securities in an unrealized loss position, an 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 other comprehensive income ("OCI").

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 at June 30, 2019.

Gross unrealized losses on fixed maturity securities decreased $1.2 billion during the six months ended June 30, 2019 to $226 million. The decrease in gross unrealized losses for the six months ended June 30, 2019 was primarily attributable to decreasing longer-term interest rates and narrowing credit spreads.

At June 30, 2019, $8 million of the total $226 million of gross unrealized losses were from seven fixed maturity securities with an unrealized loss position of 20% or more of amortized cost for six months or greater.

4. Investments (continued)

Mortgage Loans

Mortgage Loans by Portfolio Segment

Mortgage loans are summarized as follows at:

	June 30, 2019		December 31, 2018	
	Carrying Value	% of Total	Carrying Value	% of Total
	(Dollars in millions)			
Mortgage loans:				
Commercial	$ 9,267	61.5 %	$ 8,529	62.3 %
Agricultural	3,248	21.5	2,946	21.5
Residential	2,627	17.4	2,276	16.6
Subtotal (1)	15,142	100.4	13,751	100.4
Valuation allowances (2)	(64)	(0.4)	(57)	(0.4)
Total mortgage loans, net	$ 15,078	100.0 %	$ 13,694	100.0 %

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(1) Purchases of mortgage loans from third parties were $86 million and $563 million for the three months and six months ended June 30, 2019, respectively, and $518 million and $604 million for the three months and six months ended June 30, 2018, respectively, and were primarily comprised of residential mortgage loans.

(2) The valuation allowances were primarily from collective evaluation (non-specific loan related).

Information on commercial, agricultural and residential mortgage loans is presented in the tables below.

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.

4. Investments (continued)

Credit Quality of Commercial Mortgage Loans

The credit quality of commercial mortgage loans was as follows at:

	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)						
June 30, 2019							
Loan-to-value ratios:							
Less than 65%	$ 8,197	$ 121	$ 113	$ 8,431	91.0%	$ 8,818	91.1%
65% to 75%	688	—	—	688	7.4	712	7.4
76% to 80%	139	—	9	148	1.6	148	1.5
Total	$ 9,024	$ 121	$ 122	$ 9,267	100.0%	$ 9,678	100.0%
December 31, 2018							
Loan-to-value ratios:							
Less than 65%	$ 7,470	$ 89	$ 34	$ 7,593	89.0%	$ 7,668	89.0%
65% to 75%	762	—	24	786	9.2	798	9.3
76% to 80%	141	—	9	150	1.8	145	1.7
Total	$ 8,373	$ 89	$ 67	$ 8,529	100.0%	$ 8,611	100.0%

Credit Quality of Agricultural Mortgage Loans

The credit quality of agricultural mortgage loans was as follows at:

	June 30, 2019		December 31, 2018	
	Recorded Investment	% of Total	Recorded Investment	% of Total
	(Dollars in millions)			
Loan-to-value ratios:				
Less than 65%	$ 2,896	89.1%	$ 2,623	89.0%
65% to 75%	350	10.8	322	10.9
76% to 80%	2	0.1	1	0.1
Total	$ 3,248	100.0%	$ 2,946	100.0%

The estimated fair value of agricultural mortgage loans was $3.3 billion and $2.9 billion at June 30, 2019 and December 31, 2018, respectively.

Credit Quality of Residential Mortgage Loans

The credit quality of residential mortgage loans was as follows at:

	June 30, 2019		December 31, 2018	
	Recorded Investment	% of Total	Recorded Investment	% of Total
	(Dollars in millions)			
Performance indicators:				
Performing	$ 2,590	98.6%	$ 2,240	98.4%
Nonperforming	37	1.4	36	1.6
Total	$ 2,627	100.0%	$ 2,276	100.0%

4. Investments (continued)

The estimated fair value of residential mortgage loans was $2.7 billion and $2.3 billion at June 30, 2019 and December 31, 2018, respectively.

Past Due, Nonaccrual and Modified Mortgage Loans

The Company has a high quality, well performing mortgage loan portfolio, with over 99% of all mortgage loans classified as performing at both June 30, 2019 and December 31, 2018. 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 mortgage loans past due or in nonaccrual status at either June 30, 2019 or December 31, 2018. Agricultural mortgage loans past due totaled $6 million and less than $1 million at June 30, 2019 and December 31, 2018, respectively. The Company had no agricultural mortgage loans in nonaccrual status at either June 30, 2019 or December 31, 2018. Residential mortgage loans past due and in nonaccrual status totaled $37 million and $36 million at June 30, 2019 and December 31, 2018, respectively. During the three months and six months ended June 30, 2019 and 2018, the Company did not have a significant number of mortgage loans modified in a troubled debt restructuring.

Other Invested Assets

Freestanding derivatives with positive estimated fair values comprise over 90% of other invested assets. See Note 5 for information about freestanding derivatives with positive estimated fair values. Other invested assets also includes tax credit and renewable energy partnerships, leveraged leases and Federal Home Loan Bank stock.

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 $1.0 billion and $3.1 billion at June 30, 2019 and December 31, 2018, respectively.

Net Unrealized Investment Gains (Losses)

Unrealized investment gains (losses) on fixed maturity securities and the effect on DAC, VOBA, deferred sales inducements (“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:

	June 30, 2019	December 31, 2018
	(In millions)	
Fixed maturity securities	$ 5,849	$ 1,691
Derivatives	257	264
Other	(13)	(13)
Subtotal	6,093	1,942
Amounts allocated from:		
Future policy benefits	(2,318)	(886)
DAC, VOBA and DSI	(300)	(90)
Subtotal	(2,618)	(976)
Deferred income tax benefit (expense)	(730)	(203)
Net unrealized investment gains (losses)	$ 2,745	$ 763

4. Investments (continued)

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

	Six Months Ended June 30, 2019
	(In millions)
Balance, December 31, 2018	$ 763
Unrealized investment gains (losses) during the period	4,151
Unrealized investment gains (losses) relating to:	
Future policy benefits	(1,432)
DAC, VOBA and DSI	(210)
Deferred income tax benefit (expense)	(527)
Balance, June 30, 2019	$ 2,745
Change in net unrealized investment gains (losses)	$ 1,982

Concentrations of Credit Risk

There were no investments in any counterparty that were greater than 10% of the Company’s equity, other than the U.S. government and its agencies, at both June 30, 2019 and December 31, 2018.

Securities Lending

Elements of the securities lending program are presented below at:

	June 30, 2019	December 31, 2018
	(In millions)	
Securities on loan: (1)		
Amortized cost	$ 2,038	$ 3,056
Estimated fair value	$ 2,973	$ 3,628
Cash collateral received from counterparties (2)	$ 3,023	$ 3,646
Security collateral received from counterparties (3)	$ 18	$ 55
Reinvestment portfolio — estimated fair value	$ 3,072	$ 3,658

(1) Included within fixed maturity securities.

(2) Included within payables for collateral under securities loaned and other transactions.

(3) Security collateral received from counterparties may not be sold or re-pledged, unless the counterparty is in default, and is not reflected on the consolidated financial statements.

The cash collateral liability by loaned security type and remaining tenor of the agreements were as follows at:

	June 30, 2019				December 31, 2018			
	Remaining Tenor of Securities Lending Agreements				Remaining Tenor of Securities Lending Agreements			
	Open (1)	1 Month or Less	1 to 6 Months	Total	Open (1)	1 Month or Less	1 to 6 Months	Total
	(In millions)							
U.S. government and agency	$ 1,446	$ 686	$ 891	$ 3,023	$ 1,474	$ 1,823	$ 349	$ 3,646

(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.

4. Investments (continued)

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 at June 30, 2019 was $1.4 billion, all 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 agency RMBS, U.S. and foreign corporate securities, ABS, non-agency RMBS and U.S. government and agency securities) with 55% invested in agency RMBS, cash and cash equivalents and U.S. government and agency securities at June 30, 2019. 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 at:

	June 30, 2019	December 31, 2018
	(In millions)	
Invested assets on deposit (regulatory deposits) (1)	$ 8,991	$ 8,176
Invested assets held in trust (reinsurance agreements) (2)	4,087	3,455
Invested assets pledged as collateral (3)	3,336	3,341
Total invested assets on deposit, held in trust and pledged as collateral	$ 16,414	$ 14,972

(1) The Company has assets, primarily fixed maturity securities, on deposit with governmental authorities relating to certain policyholder liabilities, of which $171 million and $55 million of the assets on deposit balance represents restricted cash at June 30, 2019 and December 31, 2018, respectively.

(2) The Company has assets, primarily fixed maturity securities, held in trust relating to certain reinsurance transactions. $52 million and $87 million of the assets held in trust balance represents restricted cash at June 30, 2019 and December 31, 2018, respectively.

(3) The Company has pledged invested assets in connection with various agreements and transactions, including funding agreements (see Note 3 of the Notes to the Consolidated and Combined Financial Statements included in the 2018 Annual Report) and derivative transactions (see Note 5).

See "— Securities Lending" for information regarding securities on loan.

Variable Interest Entities

The Company has invested in legal entities that are variable interest entities ("VIEs"). VIEs are consolidated when the investor is the primary beneficiary. A primary beneficiary is the variable interest holder in a VIE with both the power to direct the activities of the VIE that most significantly impact the economic performance of the VIE and the obligation to absorb losses, or the right to receive benefits that could potentially be significant to the VIE.

There were no material VIEs for which the Company has concluded that it is the primary beneficiary at June 30, 2019 or December 31, 2018.

The Company's investments in unconsolidated VIEs are described below.

4. Investments (continued)

Fixed Maturity Securities

The Company invests in U.S. corporate bonds, foreign corporate bonds, and Structured Securities issued by VIEs. The Company is not obligated to provide any financial or other support to these VIEs, other than the original investment. The Company's involvement with these entities is limited to that of a passive investor. The Company has no unilateral right to appoint or remove the servicer, special servicer, or investment manager, which are generally viewed as having the power to direct the activities that most significantly impact the economic performance of the VIE, nor does the Company function in any of these roles. The Company does not have the obligation to absorb losses or the right to receive benefits from the entity that could potentially be significant to the entity; as a result, the Company has determined it is not the primary beneficiary, or consolidator, of the VIE. The Company's maximum exposure to loss on these fixed maturity securities is limited to the amortized cost of these investments. See "— Fixed Maturity Securities AFS" for information on these securities.

Limited Partnerships and LLCs

The Company holds investments in certain limited partnerships and LLCs which are VIEs. These ventures include real estate limited partnerships/LLCs, private equity funds, hedge funds, and to a lesser extent tax credit and renewable energy partnerships. The Company is not considered the primary beneficiary, or consolidator, when its involvement takes the form of a limited partner interest and is restricted to a role of a passive investor, as a limited partner's interest does not provide the Company with any substantive kick-out or participating rights, nor does it provide the Company with the power to direct the activities of the fund. The Company's maximum exposure to loss on these investments is limited to: (i) the amount invested in debt or equity of the VIE and (ii) commitments to the VIE, as described in Note 11.

The carrying amount and maximum exposure to loss related to the VIEs in which the Company concluded that it holds a variable interest, but is not the primary beneficiary, were as follows at:

	June 30, 2019		December 31, 2018	
	Carrying Amount	Maximum Exposure to Loss	Carrying Amount	Maximum Exposure to Loss
	(In millions)			
Fixed maturity securities	$ 13,477	$ 12,865	$ 13,099	$ 13,099
Limited partnerships and LLCs	1,774	3,003	1,756	3,145
Total	$ 15,251	$ 15,868	$ 14,855	$ 16,244

Net Investment Income

The components of net investment income were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
	(In millions)			
Investment income:				
Fixed maturity securities	$ 679	$ 638	$ 1,332	$ 1,266
Equity securities	1	2	4	4
Mortgage loans	176	128	335	246
Policy loans	17	34	33	50
Real estate limited partnerships and limited liability companies	12	10	20	24
Other limited partnership interests	76	25	76	90
Cash, cash equivalents and short-term investments	23	7	37	13
Other	6	11	19	22
Subtotal	990	855	1,856	1,715
Less: Investment expenses	48	49	103	92
Net investment income	$ 942	$ 806	$ 1,753	$ 1,623

4. Investments (continued)

Net Investment Gains (Losses)

Components of Net Investment Gains (Losses)

The components of net investment gains (losses) were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
	(In millions)			
Fixed maturity securities	$ 68	$ (65)	$ 53	$ (104)
Equity securities	1	(3)	11	(4)
Mortgage loans	(3)	(3)	(7)	(7)
Real estate limited partnerships and limited liability companies	1	—	—	42
Other limited partnership interests	(3)	—	(5)	—
Other	(1)	(4)	—	(6)
Total net investment gains (losses)	$ 63	$ (75)	$ 52	$ (79)

Sales or Disposals of Fixed Maturity Securities

Investment gains and losses on sales of securities are determined on a specific identification basis. Proceeds from sales or disposals of fixed maturity securities and the components of fixed maturity securities net investment gains (losses) were as shown in the table below.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
	(In millions)			
Proceeds	$ 3,679	$ 2,476	$ 6,958	$ 5,337
Gross investment gains	$ 106	$ 9	$ 173	$ 12
Gross investment losses	(38)	(74)	(120)	(116)
Net investment gains (losses)	$ 68	$ (65)	$ 53	$ (104)

5. Derivatives

Accounting for Derivatives

Freestanding Derivatives

Freestanding derivatives are carried on the Company's balance sheet either as assets within other invested assets or as 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.

If a derivative is not designated or did not qualify as an accounting hedge, changes in the estimated fair value of the derivative are reported in net derivative gains (losses) except for economic hedges of limited partnerships and LLCs which are presented in net investment income.

The Company generally reports cash received or paid for a derivative in the investing activity section of the statement of cash flows except for cash flows of certain derivative options with deferred premiums, which are reported in the financing activity section of the statement of cash flows.

Hedge Accounting

The Company primarily designates derivatives as a hedge of a forecasted transaction or a variability of cash flows to be received or paid related to a recognized asset or liability (cash flow hedge). When a derivative is designated as a cash flow hedge and is determined to be highly effective, changes in fair value are recorded in OCI and subsequently reclassified into the statement of operations when the Company's earnings are affected by the variability in cash flows of the hedged item.

5. Derivatives (continued)

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. 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. 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.

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 or hedged item 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 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). The changes in estimated fair value of derivatives previously 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 the hedged item matures or is sold, or the forecasted transaction is not probable of occurring, the Company immediately reclassifies any remaining balances in OCI to net derivative gains (losses).

Embedded Derivatives

The Company has certain insurance and reinsurance contracts that contain embedded derivatives which are required to be separated from their host contracts and reported as derivatives. These host contracts include: variable annuities with guaranteed minimum benefits, including GMWBs, GMABs and certain GMIBs; index-linked annuities that are directly written or assumed through reinsurance; and ceded reinsurance of variable annuity GMIBs. Embedded derivatives within asset host contracts are presented within premiums, reinsurance and other receivables on the consolidated balance sheets. Embedded derivatives within liability host contracts are presented within policyholder account balances on the consolidated balance sheets. Changes in the estimated fair value of the embedded derivative are reported in net derivative gains (losses).

Derivative Strategies

The Company maintains an overall risk management strategy that incorporates the use of derivative instruments to minimize its exposure to various market risks, including interest rate, foreign currency exchange rate, credit and equity market.

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").

Interest Rate Derivatives

Interest rate swaps: The Company primarily uses interest rate swaps to hedge interest rate exposure in variable annuity products and minimum guarantees embedded in universal life products. Interest rate swaps are used in nonqualifying hedging relationships.

Interest rate caps: The Company uses interest rate caps 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. Interest rate caps are used in nonqualifying hedging relationships.

Interest rate futures: The Company uses exchange-traded interest rate futures contracts to hedge minimum guarantees embedded in certain variable annuity products offered by the Company. Exchange-traded interest rate futures are used in nonqualifying hedging relationships.

Swaptions: The Company uses swaptions to hedge interest rate risk associated with the Company's variable annuity and universal life products. Swaptions are used in nonqualifying hedging relationships. Swaptions are included in interest rate options.

Interest rate forwards: The Company uses interest rate forwards to hedge minimum guarantees embedded in universal life products. Interest rate forwards are used in nonqualifying hedging relationships.

5. Derivatives (continued)

Foreign Currency Exchange Rate Derivatives

Foreign currency swaps: The Company uses foreign currency swaps to convert foreign currency denominated cash flows to U.S. dollars to reduce cash flow fluctuations due to changes in currency exchange rates. Foreign currency swaps are used in cash flow and nonqualifying hedging relationships.

Foreign currency forwards: The Company uses foreign currency forwards to hedge currency exposure on its invested assets. Foreign currency forwards are used in nonqualifying hedging relationships.

Credit Derivatives

Credit default swaps: The Company uses credit default swaps to create synthetic credit investments to replicate credit exposure that is more economically attractive than what is available in the market or otherwise unavailable (written credit protection), or to reduce credit loss exposure on certain assets that the Company owns (purchased credit protection). Credit default swaps are used in nonqualifying hedging relationships.

Equity Derivatives

Equity futures: The Company uses exchange-traded equity futures to hedge minimum guarantees embedded in certain variable annuity products against adverse changes in equity markets. Exchange-traded equity futures are used in nonqualifying hedging relationships.

Equity index options: The Company uses equity index options primarily to hedge minimum guarantees embedded in certain variable annuity products against adverse changes in equity markets. Additionally, the Company uses equity index options to hedge index-linked annuity products against adverse changes in equity markets. Equity index options are used in nonqualifying hedging relationships.

Equity total return swaps: The Company uses equity total return swaps to hedge minimum guarantees embedded in certain variable annuity products against adverse changes equity markets. Equity total return swaps are used in nonqualifying hedging relationships.

Equity variance swaps: The Company uses equity variance swaps to hedge minimum guarantees embedded in certain variable annuity products offered by the Company. Equity variance swaps are used in nonqualifying hedging relationships.

5. Derivatives (continued)

Primary Risks Managed by Derivatives

The following table presents the primary underlying risk exposure, gross notional amount, and estimated fair value of the Company's derivatives, held at:

		June 30, 2019			December 31, 2018		
		Gross Notional Amount	Estimated Fair Value		Gross Notional Amount	Estimated Fair Value	
	Primary Underlying Risk Exposure		Assets	Liabilities		Assets	Liabilities
		(In millions)					
Derivatives Designated as Hedging Instruments:							
Cash flow hedges:							
Foreign currency swaps	Foreign currency exchange rate	$ 2,698	$ 233	$ 38	$ 2,524	$ 211	$ 30
Total qualifying hedges		2,698	233	38	2,524	211	30
Derivatives Not Designated or Not Qualifying as Hedging Instruments:							
Interest rate swaps	Interest rate	7,960	873	37	10,747	528	558
Interest rate caps	Interest rate	3,350	4	—	3,350	21	—
Interest rate futures	Interest rate	—	—	—	54	—	—
Interest rate options	Interest rate	25,445	753	111	17,168	168	61
Interest rate forwards	Interest rate	2,237	16	—	—	—	—
Foreign currency swaps	Foreign currency exchange rate	1,108	114	16	1,409	101	18
Foreign currency forwards	Foreign currency exchange rate	138	—	—	125	—	—
Credit default swaps — purchased	Credit	12	—	—	98	3	—
Credit default swaps — written	Credit	1,905	33	—	1,820	14	3
Equity futures	Equity market	—	—	—	169	—	—
Equity index options	Equity market	43,450	731	1,627	45,815	1,372	1,207
Equity variance swaps	Equity market	5,574	95	247	5,574	80	232
Equity total return swaps	Equity market	5,061	4	92	3,920	280	3
Total non-designated or nonqualifying derivatives		96,240	2,623	2,130	90,249	2,567	2,082
Embedded derivatives:							
Ceded guaranteed minimum income benefits	Other	N/A	253	—	N/A	228	—
Direct guaranteed minimum benefits	Other	N/A	—	1,670	N/A	—	1,642
Direct index-linked annuities	Other	N/A	—	1,516	N/A	—	488
Assumed index-linked annuities	Other	N/A	—	188	N/A	—	96
Total embedded derivatives		N/A	253	3,374	N/A	228	2,226
Total		$ 98,938	$ 3,109	$ 5,542	$ 92,773	$ 3,006	$ 4,338

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 at both June 30, 2019 and December 31, 2018. The Company's use of derivatives includes (i) derivatives that serve as macro hedges of the Company's exposure to various risks and generally do not qualify for hedge accounting because they do not meet the criteria required under portfolio hedging rules; (ii) derivatives that economically hedge insurance liabilities and generally do not qualify for hedge accounting because they do not meet the criteria of being "highly effective" as outlined in ASC 815; (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 create synthetic credit investments and that do not qualify for hedge accounting because they do not involve a hedging relationship.

Brighthouse Financial, Inc.

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) (continued)

5. Derivatives (continued)

The following tables present the amount and location of gains (losses), including earned income, recognized for derivatives and gains (losses) pertaining to hedged items presented in net derivative gains (losses):

	Net Derivative Gains (Losses) Recognized for Derivatives	Net Derivative Gains (Losses) Recognized for Hedged Items	Net Investment Income	Policyholder Benefits and Claims	Amount of Gains (Losses) deferred in AOCI
			(In millions)		
Three Months Ended June 30, 2019					
Derivatives Designated as Hedging Instruments:					
Cash flow hedges:					
Interest rate derivatives	$ 6	$ —	$ —	$ —	$ —
Foreign currency exchange rate derivatives	16	(23)	9	—	75
Total cash flow hedges	22	(23)	9	—	75
Derivatives Not Designated or Not Qualifying as Hedging Instruments:					
Interest rate derivatives	917	—	—	—	—
Foreign currency exchange rate derivatives	30	(3)	—	—	—
Credit derivatives	12	—	—	—	—
Equity derivatives	(344)	—	—	—	—
Embedded derivatives	(462)	—	—	—	—
Total non-qualifying hedges	153	(3)	—	—	—
Total	$ 175	$ (26)	$ 9	$ —	$ 75
Three Months Ended June 30, 2018					
Derivatives Designated as Hedging Instruments:					
Fair value hedges:					
Interest rate derivatives	$ (2)	$ 3	$ —	$ —	$ —
Total fair value hedges	(2)	3	—	—	—
Cash flow hedges:					
Interest rate derivatives	9	—	2	—	—
Foreign currency exchange rate derivatives	(1)	—	7	—	111
Total cash flow hedges	8	—	9	—	111
Derivatives Not Designated or Not Qualifying as Hedging Instruments:					
Interest rate derivatives	(151)	—	—	—	—
Foreign currency exchange rate derivatives	60	(3)	—	—	—
Credit derivatives	—	—	—	—	—
Equity derivatives	(423)	—	—	—	—
Embedded derivatives	196	—	—	(1)	—
Total non-qualifying hedges	(318)	(3)	—	(1)	—
Total	$ (312)	$ —	$ 9	$ (1)	$ 111

Brighthouse Financial, Inc.

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) (continued)

5. Derivatives (continued)

	Net Derivative Gains (Losses) Recognized for Derivatives	Net Derivative Gains (Losses) Recognized for Hedged Items	Net Investment Income	Policyholder Benefits and Claims	Amount of Gains (Losses) deferred in AOCI
			(In millions)		
Six Months Ended June 30, 2019					
Derivatives Designated as Hedging Instruments:					
Cash flow hedges:					
Interest rate derivatives	$ 28	$ —	$ 1	$ —	$ —
Foreign currency exchange rate derivatives	19	(23)	17	—	41
Total cash flow hedges	47	(23)	18	—	41
Derivatives Not Designated or Not Qualifying as Hedging Instruments:					
Interest rate derivatives	1,249	—	—	—	—
Foreign currency exchange rate derivatives	22	(3)	—	—	—
Credit derivatives	30	—	—	—	—
Equity derivatives	(1,790)	—	—	—	—
Embedded derivatives	(686)	—	—	—	—
Total non-qualifying hedges	(1,175)	(3)	—	—	—
Total	$ (1,128)	$ (26)	$ 18	$ —	$ 41
Six Months Ended June 30, 2018					
Derivatives Designated as Hedging Instruments:					
Fair value hedges:					
Interest rate derivatives	$ (10)	$ 10	$ —	$ —	$ —
Total fair value hedges	(10)	10	—	—	—
Cash flow hedges:					
Interest rate derivatives	16	—	4	—	(2)
Foreign currency exchange rate derivatives	(1)	—	11	—	37
Total cash flow hedges	15	—	15	—	35
Derivatives Not Designated or Not Qualifying as Hedging Instruments:					
Interest rate derivatives	(924)	—	—	—	—
Foreign currency exchange rate derivatives	23	(1)	—	—	—
Credit derivatives	(4)	—	—	—	—
Equity derivatives	(457)	—	—	—	—
Embedded derivatives	702	—	—	(2)	—
Total non-qualifying hedges	(660)	(1)	—	(2)	—
Total	$ (655)	$ 9	$ 15	$ (2)	$ 35

At June 30, 2019 and December 31, 2018, the balance in AOCI associated with cash flow hedges was $257 million and $264 million, respectively.

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. 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.

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 at:

Rating Agency Designation of Referenced Credit Obligations (1)	June 30, 2019			December 31, 2018		
	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	$ 11	$ 828	2.0	$ 8	$ 689	2.0
Baa	22	1,077	4.9	3	1,131	5.0
Total	$ 33	$ 1,905	3.7	$ 11	$ 1,820	3.9

(1) The Company has written credit protection on both single name and index references. The rating agency designations are based on availability and the midpoint of the applicable ratings among Moody's Investors Service, Standard & Poor's Global Ratings 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.

Counterparty Credit Risk

The Company may be exposed to credit-related losses in the event of counterparty nonperformance on derivative instruments. Generally, the credit exposure is the fair value at the reporting date less any collateral received from the counterparty.

The Company manages its credit risk by: (i) entering into derivative transactions with creditworthy counterparties governed by master netting agreements; (ii) trading through regulated exchanges and central clearing counterparties; (iii) obtaining collateral, such as cash and securities, when appropriate; and (iv) setting limits on single party credit exposures which are subject to periodic management review.

See Note 6 for a description of the impact of credit risk on the valuation of derivatives.

The estimated fair values of the Company's net derivative assets and net derivative liabilities after the application of master netting agreements and collateral were as follows at:

	Gross Amount Recognized	Gross Amounts Not Offset on the Consolidated Balance Sheets		Net Amount	Off-balance Sheet Securities Collateral (3)	Net Amount After Securities Collateral
		Financial Instruments (1)	Collateral Received/Pledged (2)			
	(In millions)					
June 30, 2019						
Derivative assets	$ 2,894	$ (1,314)	$ (997)	$ 583	$ (574)	$ 9
Derivative liabilities	$ 2,155	$ (1,314)	$ —	$ 841	$ (841)	$ —
December 31, 2018						
Derivative assets	$ 2,833	$ (1,671)	$ (1,062)	$ 100	$ (86)	$ 14
Derivative liabilities	$ 2,104	$ (1,671)	$ —	$ 433	$ (433)	$ —

(1) Represents amounts subject to an enforceable master netting agreement or similar agreement.

(2) The amount of cash collateral offset in the table above is limited to the net estimated fair value of derivatives after application of netting agreement.

5. Derivatives (continued)

(3) Securities collateral received by the Company is not recorded on the balance sheet. Amounts do not include excess of collateral pledged or received.

The Company’s collateral arrangements generally require the counterparty in a net liability position, after considering the effect of netting agreements, to pledge collateral when the amount owed by that counterparty reaches a minimum transfer amount. Certain of these arrangements also include credit contingent provisions which permit the party with positive fair value to terminate the derivative at the current fair value or demand immediate full collateralization from the party in a net liability position, in the event that the financial strength or credit rating of the party in a net liability position falls below a certain level.

The following table presents the aggregate estimated fair value of derivatives in a net liability position containing such credit contingent provisions and the aggregate estimated fair value of assets posted as collateral for such instruments.

	June 30, 2019	December 31, 2018
	(In millions)	
Estimated fair value of derivatives in a net liability position (1)	$ 841	$ 433
Estimated Fair Value of Collateral Provided (2):		
Fixed maturity securities	$ 1,126	$ 797

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

(2) Substantially all of the Company’s collateral arrangements provide for daily posting of collateral for the full value of the derivative contract. As a result, if the credit contingent provisions of derivative contracts in a net liability position were triggered minimal additional assets would be required to be posted as collateral or needed to settle the instruments immediately.

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.

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, are presented below. Investments that do not have a readily determinable fair value and are measured at net asset value (or equivalent) as a practical expedient to estimated fair value are excluded from the fair value hierarchy.

	June 30, 2019			
	Fair Value Hierarchy			Total Estimated Fair Value
	Level 1	Level 2	Level 3	
	(In millions)			
Assets				
Fixed maturity securities:				
U.S. corporate	$ —	$ 27,907	$ 375	$ 28,282
U.S. government and agency	1,566	5,703	—	7,269
RMBS	—	9,357	54	9,411
Foreign corporate	—	9,195	390	9,585
CMBS	—	5,298	14	5,312
State and political subdivision	—	3,772	74	3,846
ABS	—	1,807	40	1,847
Foreign government	—	1,659	—	1,659
Total fixed maturity securities	1,566	64,698	947	67,211
Equity securities	16	133	4	153
Short-term investments	521	266	6	793
Derivative assets: (1)				
Interest rate	—	1,646	—	1,646
Foreign currency exchange rate	—	336	11	347
Credit	—	23	10	33
Equity market	—	731	99	830
Total derivative assets	—	2,736	120	2,856
Embedded derivatives within asset host contracts (2)	—	—	253	253
Separate account assets	322	105,892	—	106,214
Total assets	$ 2,425	$ 173,725	$ 1,330	$ 177,480
Liabilities				
Derivative liabilities: (1)				
Interest rate	$ —	$ 148	$ —	$ 148
Foreign currency exchange rate	—	50	4	54
Equity market	—	1,716	250	1,966
Total derivative liabilities	—	1,914	254	2,168
Embedded derivatives within liability host contracts (2)	—	—	3,374	3,374
Total liabilities	$ —	$ 1,914	$ 3,628	$ 5,542

6. Fair Value (continued)

	December 31, 2018			
	Fair Value Hierarchy			
	Level 1	Level 2	Level 3	Total Estimated Fair Value
	(In millions)			
Assets				
Fixed maturity securities:				
U.S. corporate	$ —	$ 24,150	$ 323	$ 24,473
U.S. government and agency	2,722	6,373	—	9,095
RMBS	—	8,541	6	8,547
Foreign corporate	—	7,617	409	8,026
CMBS	—	5,120	128	5,248
State and political subdivision	—	3,523	74	3,597
ABS	—	2,087	39	2,126
Foreign government	—	1,496	—	1,496
Total fixed maturity securities	2,722	58,907	979	62,608
Equity securities	13	124	3	140
Derivative assets: (1)				
Interest rate	—	717	—	717
Foreign currency exchange rate	—	301	11	312
Credit	—	10	7	17
Equity market	—	1,634	98	1,732
Total derivative assets	—	2,662	116	2,778
Embedded derivatives within asset host contracts (2)	—	—	228	228
Separate account assets	217	98,038	1	98,256
Total assets	$ 2,952	$ 159,731	$ 1,327	$ 164,010
Liabilities				
Derivative liabilities: (1)				
Interest rate	$ —	$ 619	$ —	$ 619
Foreign currency exchange rate	—	48	—	48
Credit	—	2	1	3
Equity market	—	1,205	237	1,442
Total derivative liabilities	—	1,874	238	2,112
Embedded derivatives within liability host contracts (2)	—	—	2,226	2,226
Total liabilities	$ —	$ 1,874	$ 2,464	$ 4,338

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

(2) Embedded derivatives within asset host contracts are presented within premiums, reinsurance and other receivables and other invested assets on the consolidated balance sheets. Embedded derivatives within liability host contracts are presented within policyholder account balances on the consolidated balance sheets.

Valuation Controls and Procedures

The Company monitors and provides oversight of valuation controls and policies for securities, mortgage loans and derivatives, which are primarily executed by its valuation service providers. The valuation methodologies used to determine fair values prioritize the use of observable market prices and market-based parameters and determines that judgmental valuation adjustments, when applied, are based upon established policies and are applied consistently over time. The valuation methodologies for securities, mortgage loans and derivatives are reviewed on an ongoing basis and revised when necessary. In addition, the Chief Accounting Officer periodically reports to the Audit Committee of Brighthouse Financial's Board of Directors regarding compliance with fair value accounting standards.

The fair value of financial assets and financial liabilities is based on quoted market prices, where available. The Company assesses whether prices received represent a reasonable estimate of fair value through controls designed to ensure valuations represent an exit price. Valuation service providers perform several controls, including certain monthly controls, which include, but are not limited to, analysis of portfolio returns to corresponding benchmark returns, comparing a sample of executed prices of securities sold to the fair value estimates, 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. Independent non-binding broker quotes, also referred to herein as "consensus pricing," are used for non-significant portion of the portfolio. Prices received from independent brokers are assessed to determine if they represent a reasonable estimate of fair value by considering such pricing relative to the current market dynamics and current pricing for similar financial instruments.

Valuation service providers also apply 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. If obtaining an independent non-binding broker quotation is unsuccessful, valuation service providers will use the last available price.

The Company reviews outputs of the valuation service providers' controls and performs additional controls, including certain monthly controls, which include but are not limited to, performing balance sheet analytics to assess reasonableness of period to period pricing changes, including any price adjustments. Price adjustments are applied if prices or quotes received from independent pricing services or brokers are not considered reflective of market activity or representative of estimated fair value. The Company did not have significant price adjustments during the six months ended June 30, 2019.

Determination of Fair Value

Fixed Maturity Securities

The fair values for actively traded marketable bonds, primarily U.S. government and agency securities, are determined using the quoted market prices and are classified as Level 1 assets. For fixed maturity securities classified as Level 2 assets, fair values are determined using either a market or income approach and are valued based on a variety of observable inputs as described below.

U.S. corporate and foreign corporate securities: Fair value is determined using third-party commercial pricing services, with the primary inputs being quoted prices in markets that are not active, benchmark yields, spreads off benchmark yields, new issuances, issuer rating, trades of identical or comparable securities, or 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, and delta spread adjustments to reflect specific credit-related issues.

U.S. government and agency, state and political subdivision and foreign government securities: Fair value is determined using third-party commercial pricing services, with the primary inputs being quoted prices in markets that are not active, benchmark U.S. Treasury yield or other yields, spread off the U.S. Treasury yield curve for the identical security, issuer ratings and issuer spreads, broker dealer quotes, and comparable securities that are actively traded.

6. Fair Value (continued)

Structured Securities: Fair value is determined using third-party commercial pricing services, with the primary inputs being 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 and debt service coverage ratios. Other issuance-specific information is also used, including, but not limited to; collateral type, structure of the security, vintage of the loans, payment terms of the underlying asset, payment priority within tranche, and deal performance.

Equity Securities and Short-term Investments

The fair value for actively traded equity securities and short-term investments are determined using quoted market prices and are classified as Level 1 assets. For financial instruments classified as Level 2 assets or liabilities, fair values are determined using a market approach and are valued based on a variety of observable inputs as described below.

Equity securities and short-term investments: Fair value is determined using third-party commercial pricing services, with the primary input being quoted prices in markets that are not active.

Derivatives

The fair values for exchange-traded derivatives are determined using the quoted market prices and are classified as Level 1 assets. For OTC-bilateral derivatives and OTC-cleared derivatives classified as Level 2 assets or liabilities, fair values are determined using the income approach. Valuations of non-option-based derivatives utilize present value techniques, whereas valuations of option-based derivatives utilize option pricing models which are based on market standard valuation methodologies and a variety of observable inputs.

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.

Embedded Derivatives

Embedded derivatives principally include certain direct and ceded variable annuity guarantees and equity crediting rates within index-linked annuity contracts. 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 consolidated balance sheets.

6. Fair Value (continued)

The Company determines the fair value of these embedded derivatives by estimating the present value of projected future benefits minus the present value of projected future fees using actuarial and capital market assumptions including expectations of 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. The percentage of fees included in the initial fair value measurement is not updated in subsequent periods.

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 BHF’s debt. These observable spreads are then adjusted to reflect the priority of these liabilities and claims paying ability of the issuing insurance subsidiaries as compared to BHF’s overall financial strength.

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.

The Company issues and assumes through reinsurance index-linked annuities which allow the policyholder to participate in returns from equity indices. The crediting rates associated with these 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 consolidated balance sheets.

The estimated fair value of crediting rates associated with index-linked annuities is determined using a combination of an option pricing model and an option-budget approach. The valuation of these embedded derivatives also includes the establishment of a risk margin, as well as changes in nonperformance risk.

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.

6. Fair Value (continued)

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) at:

	Valuation Techniques	Significant Unobservable Inputs	June 30, 2019 Range		December 31, 2018 Range		Impact of Increase in Input on Estimated Fair Value
Embedded derivatives							
Direct, assumed and ceded guaranteed minimum benefits	• Option pricing techniques	• Mortality rates	0.02%	11.31%	0.02%	11.31%	Decrease (1)
		• Lapse rates	0.25%	16.00%	0.25%	16.00%	Decrease (2)
		• Utilization rates	0.00%	25.00%	0.00%	25.00%	Increase (3)
		• Withdrawal rates	0.25%	10.00%	0.25%	10.00%	(4)
		• Long-term equity volatilities	16.50%	22.00%	16.50%	22.00%	Increase (5)
		• Nonperformance risk spread	0.94%	2.43%	1.91%	2.66%	Decrease (6)

(1) Mortality rates vary by age and by demographic characteristics such as gender. Range shown reflects the mortality rate for policyholders between 35 and 90 years old, which represents the majority of the business with living benefits. Mortality rate assumptions are set based on company experience and include an assumption for mortality improvement.

(2) Range reflects base lapse rates for major product categories for duration 1-20, which represents majority of business with living benefit riders. 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.

(3) 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 in a given year. The range shown represents the floor and cap of the GMIB dynamic election rates across varying levels of in-the-money. For lifetime withdrawal guarantee riders, the assumption is that everyone will begin withdrawals once account value reaches zero which is equivalent to a 100% utilization rate. Utilization 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.

(4) 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.

(5) 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.

(6) Nonperformance risk spread varies by duration. 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 Company does not develop unobservable inputs used in measuring fair value for all other assets and liabilities classified within Level 3; therefore, these are not included in the table above. The other Level 3 assets and liabilities primarily included fixed maturity securities and derivatives. For fixed maturity securities valued based on non-binding broker quotes, an increase (decrease) in credit spreads would result in a higher (lower) fair value. For derivatives valued based on third-party pricing models, an increase (decrease) in credit spreads would generally result in a higher (lower) fair value.

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)	Structured Securities	State and Political Subdivision	Foreign Government	Equity Securities	Short-term Investments	Net Derivatives (2)	Net Embedded Derivatives (3)	Separate Account Assets (4)
	(In millions)								
Three Months Ended June 30, 2019									
Balance, beginning of period	$ 697	$ 228	$ 74	$ —	$ 4	$ —	$ (136)	$ (2,436)	$ —
Total realized/unrealized gains (losses) included in net income (loss) (5) (6)	—	—	—	—	—	—	(1)	(462)	—
Total realized/unrealized gains (losses) included in AOCI	1	1	—	—	—	—	4	—	—
Purchases (7)	64	15	—	—	—	6	—	—	—
Sales (7)	(49)	(9)	—	—	—	—	—	—	—
Issuances (7)	—	—	—	—	—	—	—	—	—
Settlements (7)	—	—	—	—	—	—	—	(223)	—
Transfers into Level 3 (8)	124	61	—	—	—	—	—	—	—
Transfers out of Level 3 (8)	(72)	(188)	—	—	—	—	(1)	—	—
Balance, end of period	$ 765	$ 108	$ 74	$ —	$ 4	$ 6	$ (134)	$ (3,121)	$ —
Three Months Ended June 30, 2018									
Balance, beginning of period	$ 1,906	$ 1,206	$ —	$ —	$ 123	$ —	$ (273)	$ (1,293)	$ 7
Total realized/unrealized gains (losses) included in net income (loss) (5) (6)	6	5	—	—	—	—	(13)	195	—
Total realized/unrealized gains (losses) included in AOCI	(72)	—	2	—	—	—	—	—	—
Purchases (7)	81	203	2	—	—	—	2	—	—
Sales (7)	(25)	(54)	—	—	(3)	—	—	—	(3)
Issuances (7)	—	—	—	—	—	—	—	—	—
Settlements (7)	—	—	—	—	—	—	—	(143)	(1)
Transfers into Level 3 (8)	3	—	4	—	—	—	—	—	1
Transfers out of Level 3 (8)	(27)	(92)	—	—	—	—	—	—	—
Balance, end of period	$ 1,872	$ 1,268	$ 8	$ —	$ 120	$ —	$ (284)	$ (1,241)	$ 4
Changes in unrealized gains (losses) included in net income (loss) for the instruments still held at June 30, 2019 (9)	$ —	$ —	$ —	$ —	$ —	$ —	$ (1)	$ (538)	$ —
Changes in unrealized gains (losses) included in net income (loss) for the instruments still held at June 30, 2018 (9)	$ 6	$ 5	$ —	$ —	$ —	$ —	$ (13)	$ 198	$ —

6. Fair Value (continued)

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)								
	Fixed Maturity Securities								
	Corporate (1)	Structured Securities	State and Political Subdivision	Foreign Government	Equity Securities	Short-term Investments	Net Derivatives (2)	Net Embedded Derivatives (3)	Separate Account Assets (4)
	(In millions)								
Six Months Ended June 30, 2019									
Balance, beginning of period	$ 732	$ 173	$ 74	$ —	$ 3	$ —	$ (122)	$ (1,998)	$ 1
Total realized/unrealized gains (losses) included in net income (loss) (5) (6)	—	—	—	—	—	—	(10)	(686)	—
Total realized/unrealized gains (losses) included in AOCI	10	2	—	—	—	—	1	—	—
Purchases (7)	67	15	—	—	—	6	—	—	—
Sales (7)	(55)	(27)	—	—	—	—	—	—	(1)
Issuances (7)	—	—	—	—	—	—	—	—	—
Settlements (7)	—	—	—	—	—	—	—	(437)	—
Transfers into Level 3 (8)	141	87	—	—	1	—	—	—	—
Transfers out of Level 3 (8)	(130)	(142)	—	—	—	—	(3)	—	—
Balance, end of period	$ 765	$ 108	$ 74	$ —	$ 4	$ 6	$ (134)	$ (3,121)	$ —
Six Months Ended June 30, 2018									
Balance, beginning of period	$ 1,997	$ 1,230	$ —	$ 5	$ 124	$ 14	$ (279)	$ (1,660)	$ 5
Total realized/unrealized gains (losses) included in net income (loss) (5) (6)	9	11	—	—	(1)	—	(8)	700	—
Total realized/unrealized gains (losses) included in AOCI	(80)	(9)	3	—	—	—	—	—	—
Purchases (7)	136	213	2	—	—	—	3	—	1
Sales (7)	(165)	(120)	—	(2)	(3)	(14)	—	—	(1)
Issuances (7)	—	—	—	—	—	—	—	—	—
Settlements (7)	—	—	—	—	—	—	—	(281)	(1)
Transfers into Level 3 (8)	34	—	3	—	—	—	—	—	—
Transfers out of Level 3 (8)	(59)	(57)	—	(3)	—	—	—	—	—
Balance, end of period	$ 1,872	$ 1,268	$ 8	$ —	$ 120	$ —	$ (284)	$ (1,241)	$ 4
Changes in unrealized gains (losses) included in net income (loss) for the instruments still held at June 30, 2019 (9)	$ —	$ —	$ —	$ —	$ —	$ —	$ (9)	$ (826)	$ —
Changes in unrealized gains (losses) included in net income (loss) for the instruments still held at June 30, 2018 (9)	$ 7	$ 11	$ —	$ —	$ —	$ —	$ (8)	$ 904	$ —

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(1) Comprised of U.S. and foreign corporate securities.

(2) Freestanding derivative assets and liabilities are presented net for purposes of the rollforward.

(3) Embedded derivative assets and liabilities are presented net for purposes of the rollforward.

(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).

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 derivative gains (losses).

(6) Interest and dividend accruals, as well as cash interest coupons and dividends received, are excluded from the rollforward.

(7) Items purchased/issued and then sold/settled in the same period are excluded from the rollforward. 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 rollforward.

(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 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 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.

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

	June 30, 2019				
		Fair Value Hierarchy			
	Carrying Value	Level 1	Level 2	Level 3	Total Estimated Fair Value
	(In millions)				
Assets					
Mortgage loans	$ 15,078	$ —	$ —	$ 15,658	$ 15,658
Policy loans	$ 1,342	$ —	$ 580	$ 999	$ 1,579
Other invested assets	$ 63	$ —	$ 50	$ 13	$ 63
Premiums, reinsurance and other receivables	$ 1,826	$ —	$ 109	$ 1,996	$ 2,105
Liabilities					
Policyholder account balances	$ 15,456	$ —	$ —	$ 15,059	$ 15,059
Long-term debt	$ 4,365	$ —	$ 3,126	$ 1,000	$ 4,126
Other liabilities	$ 478	$ —	$ 257	$ 221	$ 478
Separate account liabilities	$ 1,155	$ —	$ 1,155	$ —	$ 1,155

6. Fair Value (continued)

	December 31, 2018				
		Fair Value Hierarchy			
	Carrying Value	Level 1	Level 2	Level 3	Total Estimated Fair Value
	(In millions)				
Assets					
Mortgage loans	$ 13,694	$ —	$ —	$ 13,860	$ 13,860
Policy loans	$ 1,421	$ —	$ 656	$ 959	$ 1,615
Other invested assets	$ 77	$ —	$ 64	$ 13	$ 77
Premiums, reinsurance and other receivables	$ 1,609	$ —	$ 32	$ 1,664	$ 1,696
Liabilities					
Policyholder account balances	$ 15,332	$ —	$ —	$ 13,861	$ 13,861
Long-term debt	$ 3,963	$ —	$ 2,758	$ 600	$ 3,358
Other liabilities	$ 330	$ —	$ 118	$ 212	$ 330
Separate account liabilities	$ 1,029	$ —	$ 1,029	$ —	$ 1,029

7. Long-term Debt

Revolving Credit Facility

On May 7, 2019, BHF entered into an amended and restated revolving credit agreement with respect to a $1.0 billion senior unsecured revolving credit facility (the “2019 Revolving Credit Facility”) scheduled to mature in May 2024, all of which may be used for revolving loans and/or letters of credit. The 2019 Revolving Credit Facility replaced BHF’s former $2.0 billion senior unsecured revolving credit facility, which was scheduled to mature in December 2021. Debt issuance costs incurred related to the 2019 Revolving Credit Facility were not significant.

Term Loan Facility

On February 1, 2019, BHF entered into a term loan agreement with respect to a $1.0 billion unsecured term loan facility (as amended, the “2019 Term Loan Facility”) scheduled to mature in February 2024. On February 1, 2019, BHF borrowed $1.0 billion under the 2019 Term Loan Facility, terminated its former term loan facility due December 2, 2019 (the “2017 Term Loan Facility”) without penalty and repaid $600 million of borrowings outstanding under the 2017 Term Loan Facility, with the remainder of the proceeds to be used for general corporate purposes. Debt issuance costs incurred related to the 2019 Term Loan Facility were not significant.

8. Equity

Preferred Stock

On March 25, 2019, BHF issued depositary shares, each representing a 1/1,000th ownership interest in a share of BHF’s perpetual 6.600% Series A non-cumulative preferred stock (the “Series A Preferred Stock”) and in the aggregate representing 17,000 shares of Series A Preferred Stock, with a stated amount of $25,000 per share, for aggregate net cash proceeds of $412 million. Dividends, if declared, will accrue and be payable quarterly, in arrears, at an annual rate of 6.600% on the stated amount per share. In connection with the issuance of the depositary shares and the underlying Series A Preferred Stock, BHF incurred $13 million of issuance costs, which have been recorded as a reduction of additional paid-in capital.

On May 15, 2019, BHF declared a dividend of $412.50 per share, for a total of $7 million, on the Series A Preferred Stock. The dividend was paid on June 25, 2019 to stockholders of record as of June 10, 2019.

Common Stock Repurchase Program

On May 3, 2019, BHF authorized the repurchase of up to an additional $400 million of its common stock. Repurchases made under such authorization may be made through open market purchases, including pursuant to 10b5-1 plans or pursuant to accelerated stock repurchase plans, from time to time at management’s discretion in accordance with applicable federal securities laws.

8. Equity (continued)

During the three months and six months ended June 30, 2019, BHF repurchased 3,575,842 shares and 4,993,424 shares, respectively, of its common stock through open market purchases, pursuant to 10b5-1 plans, for $136 million and $188 million, respectively. At June 30, 2019, BHF had $307 million remaining under its common stock repurchase program.

Accumulated Other Comprehensive Income (Loss)

Information regarding changes in the balances of each component of AOCI was as follows:

	Three Months Ended June 30, 2019				
	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, March 31, 2019	$ 1,580	$ 140	$ (27)	$ (23)	$ 1,670
OCI before reclassifications	1,293	75	7	—	1,375
Deferred income tax benefit (expense)	(271)	(16)	—	—	(287)
AOCI before reclassifications, net of income tax	2,602	199	(20)	(23)	2,758
Amounts reclassified from AOCI	(48)	(22)	—	—	(70)
Deferred income tax benefit (expense)	10	4	—	—	14
Amounts reclassified from AOCI, net of income tax	(38)	(18)	—	—	(56)
Balance, June 30, 2019	$ 2,564	$ 181	$ (20)	$ (23)	$ 2,702

	Three Months Ended June 30, 2018				
	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, March 31, 2018	$ 695	$ 87	$ (22)	$ (23)	$ 737
OCI before reclassifications	(65)	111	4	—	50
Deferred income tax benefit (expense)	30	(23)	(1)	(1)	5
AOCI before reclassifications, net of income tax	660	175	(19)	(24)	792
Amounts reclassified from AOCI	42	(10)	—	—	32
Deferred income tax benefit (expense)	(12)	3	—	—	(9)
Amounts reclassified from AOCI, net of income tax	30	(7)	—	—	23
Balance, June 30, 2018	$ 690	$ 168	$ (19)	$ (24)	$ 815

	Six Months Ended June 30, 2019				
	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, December 31, 2018	$ 576	$ 187	$ (27)	$ (20)	$ 716
OCI before reclassifications	2,545	41	7	(3)	2,590
Deferred income tax benefit (expense)	(534)	(9)	—	—	(543)
AOCI before reclassifications, net of income tax	2,587	219	(20)	(23)	2,763
Amounts reclassified from AOCI	(29)	(48)	—	—	(77)
Deferred income tax benefit (expense)	6	10	—	—	16
Amounts reclassified from AOCI, net of income tax	(23)	(38)	—	—	(61)
Balance, June 30, 2019	$ 2,564	$ 181	$ (20)	$ (23)	$ 2,702

8. Equity (continued)

	Six Months Ended June 30, 2018				
	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, December 31, 2017	$ 1,572	$ 154	$ (24)	$ (26)	$ 1,676
Cumulative effect of change in accounting principle, net of income tax	(79)	—	—	—	(79)
Balance, January 1, 2018	1,493	154	(24)	(26)	1,597
OCI before reclassifications	(1,138)	35	6	3	(1,094)
Deferred income tax benefit (expense)	259	(7)	(1)	(1)	250
AOCI before reclassifications, net of income tax	614	182	(19)	(24)	753
Amounts reclassified from AOCI	100	(18)	—	—	82
Deferred income tax benefit (expense)	(24)	4	—	—	(20)
Amounts reclassified from AOCI, net of income tax	76	(14)	—	—	62
Balance, June 30, 2018	$ 690	$ 168	$ (19)	$ (24)	$ 815

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(1) See Note 4 for information on offsets to investments related to future policy benefits, DAC, VOBA and DSI.

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

AOCI Components	Amounts Reclassified from AOCI				Consolidated Statements of Operations and Comprehensive Income (Loss) Locations
	Three Months Ended June 30,		Six Months Ended June 30,		
	2019	2018	2019	2018	
	(In millions)				
Net unrealized investment gains (losses):					
Net unrealized investment gains (losses)	$ 70	$ (42)	$ 55	$ (101)	Net investment gains (losses)
Net unrealized investment gains (losses)	—	—	—	1	Net investment income
Net unrealized investment gains (losses)	(22)	—	(26)	—	Net derivative gains (losses)
Net unrealized investment gains (losses), before income tax	48	(42)	29	(100)	
Income tax (expense) benefit	(10)	12	(6)	24	
Net unrealized investment gains (losses), net of income tax	38	(30)	23	(76)	
Unrealized gains (losses) on derivatives - cash flow hedges:					
Interest rate swaps	6	10	28	16	Net derivative gains (losses)
Interest rate swaps	—	2	1	2	Net investment income
Interest rate forwards	—	(1)	—	—	Net derivative gains (losses)
Interest rate forwards	—	—	—	1	Net investment income
Foreign currency swaps	16	(1)	19	(1)	Net derivative gains (losses)
Gains (losses) on cash flow hedges, before income tax	22	10	48	18	
Income tax (expense) benefit	(4)	(3)	(10)	(4)	
Gains (losses) on cash flow hedges, net of income tax	18	7	38	14	
Total reclassifications, net of income tax	$ 56	$ (23)	$ 61	$ (62)	

9. Other Revenues and Other Expenses

Other Revenues

The Company has entered into contracts with mutual funds, fund managers, and their affiliates (collectively, the "Funds") whereby the Company is paid monthly or quarterly fees ("12b-1 fees") for providing certain services to customers and distributors of the Funds. The 12b-1 fees are generally equal to a fixed percentage of the average daily balance of the customer's investment in a fund. The percentage is specified in the contract between the Company and the Funds. Payments are generally collected when due and are neither refundable nor able to offset future fees.

To earn these fees, the Company performs services such as responding to phone inquiries, maintaining records, providing information to distributors and shareholders about fund performance and providing training to account managers and sales agents. The passage of time reflects the satisfaction of the Company's performance obligations to the Funds and is used to recognize revenue associated with 12b-1 fees.

Other revenues consisted primarily of 12b-1 fees of $85 million and $167 million for the three months and six months ended June 30, 2019, respectively, and $91 million and $184 million for the three months and six months ended June 30, 2018, respectively, of which substantially all were reported in the Annuities segment.

Other Expenses

Information on other expenses was as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
	(In millions)			
Compensation	$ 80	$ 83	$ 162	$ 153
Contracted services and other labor costs	65	77	112	126
Transition services agreements	65	71	132	145
Establishment costs	38	56	72	103
Premium and other taxes, licenses and fees	13	26	20	43
Separate account fees	122	132	242	268
Volume related costs, excluding compensation, net of DAC capitalization	153	166	317	325
Interest expense on debt	48	37	95	74
Other	37	43	61	72
Total other expenses	$ 621	$ 691	$ 1,213	$ 1,309

10. Earnings Per Common Share

The following table sets forth the calculation of earnings per common share:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
	(In millions, except share and per share data)			
Net income (loss) available to Brighthouse Financial, Inc.'s common shareholders	$ 377	$ (239)	$ (360)	$ (306)
Weighted average common shares outstanding — basic	114,931,224	119,773,106	115,863,127	119,773,106
Dilutive effect of share-based awards	605,430	—	—	—
Weighted average common shares outstanding — diluted	115,536,654	119,773,106	115,863,127	119,773,106
Earnings per common share:				
Basic	$ 3.28	$ (2.01)	$ (3.10)	$ (2.56)
Diluted	$ 3.27	$ (2.01)	$ (3.10)	$ (2.56)

Basic loss per common share equaled diluted loss per common share for the six months ended June 30, 2019 and the three months and six months ended June 30, 2018. The diluted shares were not utilized in the per share calculation for these periods, as the inclusion of such shares would have an antidilutive effect.

For the three months ended June 30, 2019, weighted average shares used for calculating earnings per diluted common share excludes 196,492 out-of-the-money stock options, as the inclusion of such shares would be antidilutive to the earnings per common share calculation due to the average share price for the three months ended June 30, 2019.

11. 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 at June 30, 2019.

11. Contingencies, Commitments and Guarantees (continued)

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 June 30, 2019, the Company estimates the aggregate range of reasonably possible losses in excess of amounts accrued for these matters to be $0 to $10 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.

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 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 consolidated 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 consolidated 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 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 consolidated 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 $297 million and $492 million at June 30, 2019 and December 31, 2018, respectively.

Commitments to Fund Partnership Investments, Bank Credit Facilities, Bridge Loans 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 $1.9 billion at both June 30, 2019 and December 31, 2018.

11. Contingencies, Commitments and Guarantees (continued)

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 $124 million, with a cumulative maximum of $130 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 $1 million and $2 million at June 30, 2019 and December 31, 2018, respectively, for indemnities, guarantees and commitments.

12. Related Party Transactions

The following table summarizes income and expense from affiliated transactions with MetLife prior to the MetLife Divestiture (see Note 1) for the periods indicated:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
	(In millions)			
Income (1)	$ —	$ (101)	$ —	$ (182)
Expense (2)	$ —	$ 55	$ —	$ 133

(1) Primarily includes the net impact of reinsurance ceded to MetLife.

(2) Primarily includes costs incurred with MetLife related to shared services, offset by reinsurance ceded to MetLife.

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

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

Introduction

For purposes of this discussion, unless otherwise mentioned or unless the context indicates otherwise, "Brighthouse," "Brighthouse Financial," the "Company," "we," "our" and "us" refer to Brighthouse Financial, Inc. a corporation incorporated in Delaware in 2016, and its subsidiaries. We use the term "BHF" to refer solely to Brighthouse Financial, Inc., and not to any of its subsidiaries. Until August 4, 2017, BHF was a wholly-owned subsidiary of MetLife, Inc. (together with its subsidiaries and affiliates, "MetLife"). Following this summary is a discussion addressing the consolidated results of operations and financial condition of the Company for the periods indicated. This Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with (i) the unaudited interim condensed consolidated financial statements and related notes included elsewhere herein; (ii) our Annual Report on Form 10-K for the year ended December 31, 2018, filed with the U.S. Securities and Exchange Commission ("SEC") on February 26, 2019 (the "2018 Annual Report"); (iii) our Quarterly Report on Form 10-Q for the quarter ended March 31, 2019 (the "First Quarter Form 10-Q") filed with the SEC on May 7, 2019; and (iv) our current reports on Form 8-K filed in 2019.

The term "Separation" refers to the separation of MetLife's former Brighthouse Financial segment from MetLife's other businesses and the creation of a separate, publicly traded company, BHF, as well as the distribution on August 4, 2017 of 96,776,670, or 80.8%, of the 119,773,106 shares of BHF common stock outstanding immediately prior to the distribution date by MetLife, Inc. to holders of MetLife, Inc. common stock as of the record date for the distribution. The term "MetLife Divestiture" refers to the disposition by MetLife, Inc. on June 14, 2018 of all its remaining shares of BHF common stock. Effective with the MetLife Divestiture, MetLife, Inc. and its subsidiaries and affiliates are no longer considered related parties to Brighthouse Financial, Inc. and its subsidiaries and affiliates.

Presentation

Prior to discussing our Results of Operations, we present background information and definitions that we believe are useful to understanding the discussion of our financial results. This information precedes the Results of Operations and is most beneficial when read in the sequence presented. A summary of key informational sections is as follows:

- "Executive Summary" provides information regarding our business, segments and results as discussed in the Results of Operations.
- "Industry Trends" discusses updates and changes to a number of trends and uncertainties included in the 2018 Annual Report that we believe may materially affect our future financial condition, results of operations or cash flows.
- "Summary of Critical Accounting Estimates" explains the most critical estimates and judgments applied in determining our GAAP results.
- "Non-GAAP and Other Financial Disclosures" defines key financial measures presented in the Results of Operations that are not calculated in accordance with accounting principles generally accepted in the United States of America ("GAAP") but are used by management in evaluating company and segment performance. As described in this section, adjusted earnings is presented by key business activities which are derived from, but different than, the line items presented in the GAAP statement of operations. This section also refers to certain other terms used to describe our insurance business and financial and operating metrics, but is not intended to be exhaustive.

Certain amounts presented in prior periods within the foregoing discussions of our financial results have been reclassified to conform with the current year presentation.

Executive Summary

We are one of the largest providers of annuity and life insurance products 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 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 in Corporate & Other.

This Management's Discussion and Analysis of Financial Condition and Results of Operations is intended to help the reader understand the results of operations, financial condition and cash flows of Brighthouse for the periods indicated. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Executive Summary — Overview," and "Business — Segments and Corporate & Other" included in the 2018 Annual Report along with Note 2 of the Notes to the Interim Condensed Consolidated Financial Statements for further information on our segments and Corporate & Other.

The table below presents a summary of our net income (loss) available to shareholders and adjusted earnings, a non-GAAP financial measure. See "— Non-GAAP and Other Financial Disclosures." For a detailed discussion of our results see "— Results of Operations."

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
	(In millions)			
Net income (loss) available to shareholders before provision for income tax	$ 462	$ (318)	$ (493)	$ (433)
Less: Provision for income tax expense (benefit)	85	(79)	(133)	(127)
Net income (loss) available to shareholders (1)	$ 377	$ (239)	$ (360)	$ (306)
Pre-tax adjusted earnings, less net income attributable to noncontrolling interests and preferred stock dividends	$ 305	$ 179	$ 577	$ 507
Less: Provision for income tax expense (benefit)	51	26	91	71
Adjusted earnings	$ 254	$ 153	$ 486	$ 436

(1) We use the term "net income (loss) available to shareholders" to refer to "net income (loss) available to Brighthouse Financial, Inc.'s common shareholders" throughout the results of operations discussions.

For the three months ended June 30, 2019, we had net income available to shareholders of $377 million and adjusted earnings of $254 million, compared to a net loss available to shareholders of $239 million and adjusted earnings of $153 million for the three months ended June 30, 2018. The net income available to shareholders for the three months ended June 30, 2019 was driven primarily by the favorable changes in the fair value of the universal life with secondary guarantees ("ULSG") hedge program from the significant decline in interest rates as well as favorable comparative results in guaranteed minimum living benefits ("GMLB") Riders and higher adjusted earnings. For the six months ended June 30, 2019, we had a net loss available to shareholders of $360 million and adjusted earnings of $486 million, compared to a net loss available to shareholders of $306 million and adjusted earnings of $436 million for the six months ended June 30, 2018. The net loss available to shareholders for the six months ended June 30, 2019 was driven by net unfavorable comparative results in GMLB Riders from higher relative equity markets and declining interest rates, offset by favorable changes in the fair value of the ULSG hedge program from declining interest rates as well as higher adjusted earnings.

See Note 1 of the Notes to the Interim Condensed Consolidated Financial Statements for information regarding the adoption of new accounting pronouncements in 2019.

Industry Trends

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. Refer to "Management's Discussion and Analysis of Financial Condition and Results of Operations — Industry Trends and Uncertainties" included in the 2018 Annual Report, as amended or supplemented by such information in the First Quarter Form 10-Q, for a comprehensive discussion of 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. In addition, significant changes or updates in certain of these trends and uncertainties are discussed below.

Regulatory Developments

Our life insurance companies are regulated primarily at the state level, with some products and services also subject to federal regulation. In addition, BHF and its insurance subsidiaries are subject to regulation under the insurance holding company laws of various U.S. jurisdictions. Furthermore, some of our operations, products and services are subject to the Employee Retirement Income Security Act of 1974 ("ERISA"), consumer protection laws, securities, broker-dealer and investment advisor regulations, and environmental and unclaimed property laws and regulations. See "Business — Regulation," as well as "Risk Factors — Regulatory and Legal Risks" included in the 2018 Annual Report, as amended or supplemented herein.

NAIC

The National Association of Insurance Commissioners ("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. 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 states may impact our statutory capital and surplus.

The NAIC adopted a revised framework for statutory accounting, reserve and capital requirements for variable annuities in August 2018. The framework is designed to mitigate the motivation for insurers to engage in captive reinsurance transactions by making improvements to Actuarial Guideline 43 ("AG 43") and the Life Risk Based Capital C3 Phase II ("RBC C3 Phase II") capital requirements. The changes to AG 43 and RBC C3 Phase II are intended to (i) mitigate the asset-liability accounting mismatch between hedge instruments and statutory instruments and statutory liabilities, (ii) remove the non-economic volatility in statutory capital charges and the resulting solvency ratios and (iii) facilitate greater harmonization across insurers and their products for greater comparability. On August 6, 2019, the NAIC adopted changes to AG 43 and submitted the RBC C3 Phase II changes for NAIC Executive Committee and Plenary consent (which will be adopted after 10 days, unless otherwise objected to in accordance with the NAIC bylaws). The changes will become effective as of January 1, 2020, with early adoption permitted as of December 31, 2019.

The adopted changes will apply to all of our existing variable annuity business and may materially change the sensitivity of reserve and capital requirements to capital markets, including interest rate, equity markets and volatility, our estimates of which historically did not reflect the impact of variable annuity capital reform or changes in tax rates, as well as prescribed assumptions for policyholder behavior. We have not yet determined what impacts this reform will have on current risk mitigation and hedging programs. See "Risk Factors — Risk Related to Our Business — Our analyses of scenarios and sensitivities utilized in connection with our variable annuity risk management strategies involve significant estimates based on assumptions that may result in material differences from actual outcomes compared to the sensitivities calculated under such scenarios" and "Risk Factors — Regulatory and Legal Risks — Our insurance business is 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" in our 2018 Annual Report.

In addition, following the reduction in the statutory tax rate pursuant to the Tax Cuts and Jobs Act (the "Tax Act"), the NAIC reviewed the methodology by which taxes are incorporated into the RBC calculation. On August 7, 2018 the NAIC Executive Committee and Plenary, a body comprised of all U.S. state insurance commissioners and the NAIC Executive Committee, adopted changes to the RBC calculation effective December 31, 2018 to reflect the lower statutory tax rate, which resulted in a reduction to our insurance subsidiaries' RBC ratios. As of the date of the most recent annual statutory financial statements filed with insurance regulators, the total adjusted capital ("TAC") of each of our insurance subsidiaries was in excess of RBC levels required by regulators.

The NAIC has adopted a new approach for the calculation of life insurance reserves, known as principle-based reserving ("PBR"). PBR became operative on January 1, 2017 in those states where it has been adopted, to be followed by a three-year phase-in period for business issued on or after this date. With respect to the states in which our insurance subsidiaries are domiciled, the Delaware Department of Insurance implemented PBR on January 1, 2017, and New York enacted legislation adopting PBR in December 2018. At the same time, the New York Department of Financial Services adopted a temporary regulation to implement PBR while it develops a final regulation. PBR legislation was signed into law in Massachusetts in January 2019. See "Risk Factors — Regulatory and Legal Risks — Our insurance business is 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" in our 2018 Annual Report.

The NAIC is considering revisions to RBC factors for bonds and real estate, as well as developing RBC charges for longevity risk. We cannot predict the impact of any potential proposals that may result from these studies.

We can give no assurances that any of our expectations will be met regarding the capital and reserve impacts or compliance costs, if any, that may result from the above initiatives.

Standard of Conduct Regulation

As a result of overlapping efforts by the Department of Labor, the NAIC, individual states, and the SEC to impose fiduciary-like requirements in connection with the sale of annuities, life insurance policies and securities, which are each discussed in more detail below, there have been a number of proposed or adopted changes to the laws and regulations that govern the conduct of our business and the firms that distribute our products. As a manufacturer of annuity and life insurance products, we do not directly distribute our products to consumers. However, regulations establishing standards of conduct in connection with the distribution and sale of these products could affect our business by imposing greater compliance, oversight, disclosure and notification requirements on our distributors and/or us, which may in either case increase our costs or limit distribution of our products. We cannot predict what other proposals may be made, what legislation or regulations may be introduced or enacted, or what impact any future legislation or regulations may have on our business, results of operations and financial condition. See "Risk Factors — Regulatory and Legal Risks — Our insurance business is 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 — Standard of Conduct Regulation" in our 2018 Annual Report.

New SEC Rules Addressing Standards of Conduct for Broker-Dealers

On June 5, 2019, the SEC adopted a comprehensive set of rules and interpretations for broker-dealers and investment advisers, including new Regulation Best Interest. Among other things, the package of new regulations (i) requires broker-dealers to act in the best interest of their retail clients without placing their own interests ahead of those of their clients when providing securities recommendations or advice; (ii) clarifies the nature of the fiduciary obligations owed by registered investment advisers to their clients; (iii) imposes new disclosure requirements on broker-dealers and investment advisers aimed at ensuring investors understand the nature of their relationship with their investment professionals and, in the case of broker-dealers, disclosing all material facts about conflicts of interest; and (iv) restricts broker-dealers and their financial professionals from using certain compensation practices and the terms "adviser" or "advisor." The intent of Regulation Best Interest is to impose an enhanced standard of care on broker-dealers which is more similar to that of an investment adviser. Among other things, this would require broker-dealers to mitigate conflicts of interest arising from financial incentives in selling securities products.

Regulation Best Interest may change the way broker-dealers sell securities such as variable annuities to their customers. Moreover, it may impact broker-dealer sales of other annuity products that are not securities because it could be difficult for broker-dealers to differentiate their sales practices. Per the timeline established by the SEC, broker-dealers will be required to comply with the requirements of Regulation Best Interest beginning June 30, 2020. Given the complexity of this package of regulations and the fact that it was just recently adopted, its likely impact on the distribution of our products is uncertain. It is also unclear whether Regulation Best Interest will have any preemptive effect on similar existing or forthcoming state-level standard of conduct regulations.

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 on the Interim Condensed Consolidated Financial Statements.

The most critical estimates include those used in determining:

(i) liabilities for future policy benefits;

(ii) accounting for reinsurance;

(iii) capitalization and amortization of deferred policy acquisition costs ("DAC") and amortization of value of business acquired ("VOBA");

(iv) estimated fair values of investments in the absence of quoted market values;

(v) investment impairments;

(vi) estimated fair values of freestanding derivatives and the recognition and estimated fair value of embedded derivatives requiring bifurcation;

(vii) measurement of income taxes and the valuation of deferred tax assets; and

(viii) 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; others are specific to our business and operations. Actual results could differ from these estimates.

The above critical accounting estimates are described in "Management's Discussion and Analysis of Financial Condition and Results of Operations — Summary of Critical Accounting Estimates" and Note 1 of the Notes to the Consolidated and Combined Financial Statements included in the 2018 Annual Report.

Non-GAAP and Other Financial Disclosures

Our definitions of the non-GAAP and other financial measures may differ from those used by other companies.

Non-GAAP Financial Disclosures

Adjusted Earnings

In this report, we present adjusted earnings, which excludes net income (loss) attributable to noncontrolling interests and preferred stock dividends, as a measure of our performance that is not calculated in accordance with GAAP. We believe that this non-GAAP financial measure highlights our results of operations and the underlying profitability drivers of our business, as well as enhances the understanding of our performance by the investor community. However, adjusted earnings should not be viewed as a substitute for net income (loss) available to Brighthouse Financial, Inc.'s common shareholders, which is the most directly comparable financial measure calculated in accordance with GAAP. See "— Results of Operations" for a reconciliation of adjusted earnings to net income (loss) available to Brighthouse Financial, Inc.'s common shareholders.

Adjusted earnings, which may be positive or negative, is used by management to evaluate performance, allocate resources and facilitate comparisons to industry results. This financial measure focuses on our primary businesses principally by excluding the impact of market volatility, which could distort trends.

The following are significant items excluded from total revenues, net of income tax, in calculating adjusted earnings:

- Net investment gains (losses);
- Net derivative gains (losses) except 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 ("Investment Hedge Adjustments"); and
- Certain variable annuity guaranteed minimum income benefits ("GMIBs") fees ("GMIB Fees") and amortization of unearned revenue related to net investment gains (losses) and net derivative gains (losses).

The following are significant items excluded from total expenses, net of income tax, in calculating adjusted earnings:

- Amounts associated with benefits and hedging costs related to GMIBs ("GMIB Costs");
- Amounts associated with periodic crediting rate adjustments based on the total return of a contractually referenced pool of assets and market value adjustments associated with surrenders or terminations of contracts ("Market Value Adjustments"); and
- Amortization of DAC and VOBA related to (i) net investment gains (losses), (ii) net derivative gains (losses), (iii) GMIB Fees and GMIB Costs and (iv) Market Value Adjustments.

The tax impact of the adjustments mentioned is calculated net of the statutory tax rate, which could differ from our effective tax rate.

We present adjusted earnings in a manner consistent with management's view of the primary business activities that drive the profitability of our core businesses. The following table illustrates how each component of adjusted earnings is calculated from the GAAP statement of operations line items:

Component of Adjusted Earnings	How Derived from GAAP (1)
(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 associated with related party reinsurance) and amortization of deferred gain on reinsurance.
(ii) Net investment spread	(ii) *Net investment 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) Market Value Adjustments, (c) interest on future policy benefits and (d) amortization of deferred gain on reinsurance) plus the pass through of performance of ceded separate account assets.
(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 and GMIB Costs and (d) Market Value Adjustments).
(v) Other expenses, net of DAC capitalization	(v) *Other expenses* reduced by capitalization of DAC.
(vi) Provision for income tax expense (benefit)	(vi) Tax impact of the above items.

(1) Italicized items indicate GAAP statement of operations line items.

Consistent with GAAP guidance for segment reporting, adjusted earnings is also our GAAP measure of segment performance. Accordingly, we report adjusted earnings by segment in Note 2 of the Notes to the Interim Condensed Consolidated Financial Statements.

Adjusted Net Investment Income

We present adjusted net investment income, which is not calculated in accordance with GAAP. We present adjusted net investment income to measure our performance for management purposes, and we believe it enhances the understanding of our investment portfolio results. Adjusted net investment income represents net investment income including Investment Hedge Adjustments. For a reconciliation of adjusted net investment income to net investment income, the most directly comparable GAAP measure, see footnote 3 to the summary yield table located in "— Investments — Current Environment — Investment Portfolio Results."

Other Financial Disclosures

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 (Life Insurance Marketing and Research Association) 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.
- Similar to adjusted net investment income, we present net investment income yields as a performance measure we believe enhances the understanding of our investment portfolio results. Net investment income yields are calculated on adjusted net investment income as a percent of average quarterly asset carrying values. Asset carrying values exclude unrealized gains (losses), collateral received in connection with our securities lending program, freestanding derivative assets, and collateral received from derivative counterparties.

Results of Operations

Consolidated Results for the Three Months and Six Months Ended June 30, 2019 and 2018

Business Overview. Annuity sales increased 35% compared to the first six months of 2018 driven by higher sales of our suite of structured annuities consisting of products marketed under various names (collectively, "Shield Annuities"), fixed indexed annuities and fixed annuities.

Unless otherwise noted, all amounts in the following discussions of our results of operations are stated before income tax except for adjusted earnings, which are presented net of income tax.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
	(In millions)			
Revenues				
Premiums	$ 232	$ 223	$ 459	$ 452
Universal life and investment-type product policy fees	888	962	1,763	1,964
Net investment income	942	806	1,753	1,623
Other revenues	96	98	188	203
Net investment gains (losses)	63	(75)	52	(79)
Net derivative gains (losses)	149	(312)	(1,154)	(646)
Total revenues	2,370	1,702	3,061	3,517
Expenses				
Policyholder benefits and claims	845	813	1,617	1,551
Interest credited to policyholder account balances	265	269	523	536
Capitalization of DAC	(95)	(76)	(181)	(152)
Amortization of DAC and VOBA	170	246	192	551
Interest expense on debt	48	33	95	70
Other expenses	668	734	1,299	1,391
Total expenses	1,901	2,019	3,545	3,947
Income (loss) before provision for income tax	469	(317)	(484)	(430)
Provision for income tax expense (benefit)	85	(79)	(133)	(127)
Net income (loss)	384	(238)	(351)	(303)
Less: Net income (loss) attributable to noncontrolling interests	—	1	2	3
Net income (loss) attributable to Brighthouse Financial, Inc.	384	(239)	(353)	(306)
Less: Preferred stock dividends	7	—	7	—
Net income (loss) available to Brighthouse Financial, Inc.'s common shareholders	$ 377	$ (239)	$ (360)	$ (306)

The table below shows the components of net income (loss) available to shareholders.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
	(In millions)			
GMLB Riders	$ (233)	$ (429)	(1,563)	$ (423)
Other derivative instruments	344	(2)	480	(479)
Net investment gains (losses)	63	(75)	52	(79)
Other adjustments	(17)	9	(39)	41
Pre-tax adjusted earnings, less net income attributable to noncontrolling interests and preferred stock dividends	305	179	577	507
Net income (loss) available to shareholders before provision for income tax	462	(318)	(493)	(433)
Provision for income tax expense (benefit)	85	(79)	(133)	(127)
Net income (loss) available to shareholders	$ 377	$ (239)	$ (360)	$ (306)

Three Months Ended June 30, 2019 Compared with the Three Months Ended June 30, 2018

Net income available to shareholders before provision for income tax was $462 million ($377 million, net of income tax) an increase of $780 million ($616 million, net of income tax) from a loss before provision for income tax of $318 million ($239 million, net of income tax) in the prior period.

The increase in income before provision for income tax was driven by the following key favorable items:

- current period gains on interest rate swaps and swaptions in our ULSG hedge program from declining long-term interest rates;
- lower losses from GMLB Riders, discussed in greater detail in "— GMLB Riders for the Three Months and Six Months Ended June 30, 2019 and 2018;"
- higher net investment gains reflecting current period net gains on sales of fixed maturity securities compared to prior period losses; and
- higher adjusted earnings, discussed in greater detail below.

The increase in income before provision for income tax was partially offset by higher policyholder benefits and claims, included in other adjustments, resulting from the adjustment for market performance related to participating products in the Run-off segment.

The provision for income tax in the current period led to an effective tax rate of 18%, compared to 25% in the prior period. Our effective tax rate primarily differs from the statutory tax rate due to the impacts of the dividends received deductions and tax credits.

Six Months Ended June 30, 2019 Compared with the Six Months Ended June 30, 2018

Net loss available to shareholders before provision for income tax was $493 million ($360 million, net of income tax), an increased loss of $60 million ($54 million, net of income tax) from a loss before provision for income tax of $433 million ($306 million, net of income tax) in the prior period.

The increased loss in income before provision for income tax was driven by the following key unfavorable items:

- higher losses from GMLB Riders, discussed in greater detail in "— GMLB Riders for the Three Months and Six Months Ended June 30, 2019 and 2018;" and
- higher policyholder benefits and claims, included in other adjustments, resulting from the adjustment for market performance related to participating products in the Run-off segment.

The increased loss in income before provision for income tax was partially offset by the following key favorable items:

- current period gains on interest rate swaps and swaptions in our ULSG hedge program from declining long-term interest rates;
- higher net investment gains reflecting:
    - current period net gains on sales of fixed maturity securities compared to prior period losses; and

- ◦ current period net mark-to-market gains on equity securities compared to prior period net losses,

partially offset by

- ◦ prior period net gains on real estate limited partnerships; and

- higher adjusted earnings, discussed in greater detail below.

The provision for income tax in the current period led to an effective tax rate of 27%, compared to 29% in the prior period. Our effective tax rate primarily differs from the statutory tax rate due to the impacts of the dividends received deductions and tax credits.

Reconciliation of Net Income (Loss) Available to Shareholders to Adjusted Earnings

Three Months Ended June 30, 2019

	Annuities	Life	Run-off	Corporate & Other	Total
			(In millions)		
Net income (loss) available to shareholders	$ 41	$ 78	$ 432	$ (174)	$ 377
Add: Provision for income tax expense (benefit)	58	14	(41)	54	85
Net income (loss) available to shareholders before provision for income tax	99	92	391	(120)	462
Less: GMLB Riders	(233)	—	—	—	(233)
Less: Other derivative instruments	(3)	11	337	(1)	344
Less: Net investment gains (losses)	13	9	68	(27)	63
Less: Other adjustments	(1)	—	(16)	—	(17)
Pre-tax adjusted earnings, less net income attributable to noncontrolling interests and preferred stock dividends	323	72	2	(92)	305
Less: Provision for income tax expense (benefit)	58	14	—	(21)	51
Adjusted earnings	$ 265	$ 58	$ 2	$ (71)	$ 254

Three Months Ended June 30, 2018

	Annuities	Life	Run-off	Corporate & Other	Total
			(In millions)		
Net income (loss) available to shareholders	$ (292)	$ (4)	$ 4	$ 53	$ (239)
Add: Provision for income tax expense (benefit)	33	12	(19)	(105)	(79)
Net income (loss) available to shareholders before provision for income tax	(259)	8	(15)	(52)	(318)
Less: GMLB Riders	(429)	—	—	—	(429)
Less: Other derivative instruments	36	1	(59)	20	(2)
Less: Net investment gains (losses)	(132)	(39)	44	52	(75)
Less: Other adjustments	—	—	8	1	9
Pre-tax adjusted earnings, less net income attributable to noncontrolling interests and preferred stock dividends	266	46	(8)	(125)	179
Less: Provision for income tax expense (benefit)	45	9	(2)	(26)	26
Adjusted earnings	$ 221	$ 37	$ (6)	$ (99)	$ 153

Six Months Ended June 30, 2019

	Annuities	Life	Run-off	Corporate & Other	Total
			(In millions)		
Net income (loss) available to shareholders	$ (1,010)	$ 94	$ 690	$ (134)	$ (360)
Add: Provision for income tax expense (benefit)	113	20	(189)	(77)	(133)
Net income (loss) available to shareholders before provision for income tax	(897)	114	501	(211)	(493)
Less: GMLB Riders	(1,563)	—	—	—	(1,563)
Less: Other derivative instruments	(35)	21	495	(1)	480
Less: Net investment gains (losses)	17	(10)	89	(44)	52
Less: Other adjustments	—	—	(39)	—	(39)
Pre-tax adjusted earnings, less net income attributable to noncontrolling interests and preferred stock dividends	684	103	(44)	(166)	577
Less: Provision for income tax expense (benefit)	124	20	(10)	(43)	91
Adjusted earnings	$ 560	$ 83	$ (34)	$ (123)	$ 486

Six Months Ended June 30, 2018

	Annuities	Life	Run-off	Corporate & Other	Total
			(In millions)		
Net income (loss) available to shareholders	$ (49)	$ 86	$ (258)	$ (85)	$ (306)
Add: Provision for income tax expense (benefit)	84	35	(116)	(130)	(127)
Net income (loss) available to shareholders before provision for income tax	35	121	(374)	(215)	(433)
Less: GMLB Riders	(423)	—	—	—	(423)
Less: Other derivative instruments	14	(13)	(479)	(1)	(479)
Less: Net investment gains (losses)	(96)	7	12	(2)	(79)
Less: Other adjustments	2	—	38	1	41
Pre-tax adjusted earnings, less net income attributable to noncontrolling interests and preferred stock dividends	538	127	55	(213)	507
Less: Provision for income tax expense (benefit)	91	24	11	(55)	71
Adjusted earnings	$ 447	$ 103	$ 44	$ (158)	$ 436

Consolidated Results for the Three Months and Six Months Ended June 30, 2019 and 2018 — Adjusted Earnings

The following table presents the components of adjusted earnings:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
	(In millions)			
Fee income	$ 919	$ 990	$ 1,820	$ 2,026
Net investment spread	459	330	794	674
Insurance-related activities	(292)	(295)	(565)	(550)
Amortization of DAC and VOBA	(153)	(150)	(250)	(327)
Other expenses, net of DAC capitalization	(621)	(695)	(1,213)	(1,313)
Less: Net income (loss) attributable to noncontrolling interests and preferred stock dividends	7	1	9	3
Pre-tax adjusted earnings, less net income attributable to noncontrolling interests and preferred stock dividends	305	179	577	507
Provision for income tax expense (benefit)	51	26	91	71
Adjusted earnings	$ 254	$ 153	$ 486	$ 436

Three Months Ended June 30, 2019 Compared with the Three Months Ended June 30, 2018

Adjusted earnings were $254 million, an increase of $101 million.

Key net favorable impacts were:

- higher net investment spread reflecting:
  - higher alternative investment income in the current period; and
  - higher average invested assets resulting from positive net flows in the general account;
- lower other expenses due to:
  - lower establishment costs in the current period related to planned technology expense;
  - the exit of various transition service agreements with MetLife; and
  - lower asset-based variable annuity expenses resulting from lower average separate account balances, which are passed through to third-parties and largely offset in fee income.

The increase in adjusted earnings was partially offset by lower fee income primarily due to lower asset-based fees resulting from lower average separate account balances, a portion of which are offset in other expenses.

The provision for income tax in the current period led to an effective tax rate of 17%, compared to 15% in the prior period. Our effective tax rate primarily differs from the statutory tax rate due to the impacts of the dividends received deductions and tax credits.

Six Months Ended June 30, 2019 Compared with the Six Months Ended June 30, 2018

Adjusted earnings were $486 million, an increase of $50 million.

Key net favorable impacts were:

- higher net investment spread reflecting:
  - higher average invested assets resulting from positive net flows in the general account;

  partially offset by
  - lower alternative investment income in the current period.
- lower other expenses due to:
  - lower establishment costs in the current period related to planned technology expenses;
  - the exit of various transition service agreements with MetLife; and

  - lower asset-based variable annuity expenses resulting from lower average separate account balances, which are passed through to third-parties and largely offset in fee income;
- lower amortization of DAC and VOBA due to positive equity market performance in the current period.

The increase in adjusted earnings was partially offset by the following:

- lower fee income due to:
  - lower asset-based fees resulting from lower average separate account balances, a portion of which are offset in other expenses; and
  - the reimbursement of fees for recaptured universal life business in the prior period; and
- higher costs associated with insurance-related activities due to:
  - unfavorable mortality in our life business;

  partially offset by

  - a decrease in guaranteed minimum death benefits ("GMDB") liability balances resulting from positive equity market performance.

The provision for income tax in the current period led to an effective tax rate of 16%, compared to 14% in the prior period. Our effective tax rate primarily differs from the statutory tax rate due to the impacts of the dividends received deductions and tax credits.

Segments and Corporate & Other Results for the Three Months and Six Months Ended June 30, 2019 and 2018 — Adjusted Earnings

Annuities

The following table presents the components of adjusted earnings for our Annuities segment:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
	(In millions)			
Fee income	$ 664	$ 720	$ 1,302	$ 1,451
Net investment spread	280	186	521	361
Insurance-related activities	(77)	(89)	(119)	(174)
Amortization of DAC and VOBA	(128)	(124)	(210)	(267)
Other expenses, net of DAC capitalization	(416)	(427)	(810)	(833)
Pre-tax adjusted earnings	323	266	684	538
Provision for income tax expense (benefit)	58	45	124	91
Adjusted earnings	$ 265	$ 221	$ 560	$ 447

A significant portion of our adjusted earnings is driven by separate account balances related to our variable annuity business. Most directly, these balances determine asset-based fee income but they also impact DAC amortization and asset-based commissions. Below is a rollforward of our variable annuities separate account balances. Variable annuities separate account balances increased for the three months and six months ended June 30, 2019 driven by positive equity market performance, partially offset by negative net flows and policy charges.

	Three Months Ended June 30, 2019		Six Months Ended June 30, 2019	
	(In millions)			
Balance, beginning of period	$	98,244	$	91,923
Deposits		338		637
Withdrawals, surrenders and contract benefits		(2,499)		(4,782)
Net flows		(2,161)		(4,145)
Investment performance		3,630		12,556
Policy charges		(627)		(1,197)
Net transfers from (to) general account		(73)		(124)
Balance, end of period	$	99,013	$	99,013
Average balance	$	98,142	$	97,320

Three Months Ended June 30, 2019 Compared with the Three Months Ended June 30, 2018

Adjusted earnings were $265 million for the current period, an increase of $44 million.

Key net favorable impacts were:

- higher net investment spread driven by:
  - higher average invested assets resulting from positive net flows in the general account;
  - higher alternative investment income in the current period; and
  - repositioning of the investment portfolio into higher yielding assets;
- lower costs associated with insurance-related activities due to:
  - a decrease in GMDB liability balances resulting from positive equity market performance,

  partially offset by
  - higher paid claims net of reinsurance; and
- lower other expenses due to:
  - lower asset-based variable annuity expenses resulting from lower average separate account balances, which are passed through to third-parties and largely offset in fee income; and
  - the exit of various transition services agreements with MetLife in the current period,

  partially offset by
  - an increase in the allocation of corporate expenses.

The increase in adjusted earnings was partially offset by lower fee income due to lower asset-based fees resulting from lower average separate account balances, a portion of which are offset in other expenses.

The provision for income tax in the current period led to an effective tax rate of 18%, compared to 17% in the prior period. Our effective tax rate primarily differs from the statutory tax rate due to the impacts of the dividends received deductions and tax credits.

Six Months Ended June 30, 2019 Compared with the Six Months Ended June 30, 2018

Adjusted earnings were $560 million for the current period, an increase of $113 million.

Key net favorable impacts were:

- higher net investment spread driven by:
  - higher average invested assets resulting from positive net flows in the general account; and

- ◦ repositioning of the investment portfolio into higher yielding assets; and
  - ◦ higher alternative investment income in the current period.
- lower amortization of DAC and VOBA driven by:
  - ◦ positive equity market performance in the current period; and
  - ◦ the net impacts of actuarial model refinements in both the current and prior periods;
- lower costs associated with insurance-related activities due to:
  - ◦ a decrease in GMDB liability balances resulting from positive equity market performance,

  partially offset by

  - ◦ higher paid claims net of reinsurance; and
- lower other expenses due to:
  - ◦ lower asset-based variable annuity expenses resulting from lower average separate account balances, which are passed through to third-parties and largely offset in fee income; and
  - ◦ the exit of various transition services agreements with MetLife in the current period,

  partially offset by

  - ◦ an increase in the allocation of corporate expenses.

The increase in adjusted earnings was partially offset by lower fee income due to lower asset-based fees resulting from lower average separate account balances, a portion of which are offset in other expenses.

The provision for income tax in the current period led to an effective tax rate of 18%, compared to 17% in the prior period. Our effective tax rate primarily differs from the statutory tax rate due to the impacts of the dividends received deductions and tax credits.

Life

The following table presents the components of adjusted earnings for our Life segment:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
	(In millions)			
Fee income	$ 64	$ 77	$ 125	$ 180
Net investment spread	61	52	103	98
Insurance-related activities	12	14	6	38
Amortization of DAC and VOBA	(21)	(23)	(32)	(52)
Other expenses, net of DAC capitalization	(44)	(74)	(99)	(137)
Pre-tax adjusted earnings	72	46	103	127
Provision for income tax expense (benefit)	14	9	20	24
Adjusted earnings	$ 58	$ 37	$ 83	$ 103

Three Months Ended June 30, 2019 Compared with the Three Months Ended June 30, 2018

Adjusted earnings were $58 million for the current period, an increase of $21 million.

Key net favorable impacts were:

- lower other expenses due to a decrease in the allocation of corporate expenses in the current period; and
- higher net investment spread reflecting repositioning of the investment portfolio into higher yielding assets.

The increase in adjusted earnings was partially offset by lower fee income due to lower net costs of insurance fees driven by the decline in our aging in-force business.

The provision for income tax led to an effective tax rate of 19% in the current period, compared to 20% in the prior period. Our effective tax rate primarily differs from the statutory tax rate due to the impacts of the dividends received deductions and tax credits.

Six Months Ended June 30, 2019 Compared with the Six Months Ended June 30, 2018

Adjusted earnings were $83 million for the current period, a decrease of $20 million.

Key net unfavorable impacts were:

- lower fee income due to:
  - the reimbursement of fees for recaptured universal life business in the prior period;
  - lower amortization of unearned revenue in the current period from positive separate account fund performance;
  - lower net cost of insurance fees driven by the decline in our aging in-force business; and
- higher costs associated with insurance-related activities due to higher paid claims, net of reinsurance.

The decrease in adjusted earnings was partially offset by:

- lower other expenses due to a decrease in the allocation of corporate expenses in the current period; and
- lower amortization of DAC and VOBA primarily due to positive equity market performance in the current period.

The provision for income tax led to an effective tax rate of 19% in both the current and prior period. Our effective tax rate primarily differs from the statutory tax rate due to the impacts of the dividends received deductions and tax credits.

Run-off

The following table presents the components of adjusted earnings for our Run-off segment:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
	(In millions)			
Fee income	$ 188	$ 197	$ 387	$ 402
Net investment spread	101	81	136	193
Insurance-related activities	(236)	(225)	(470)	(431)
Amortization of DAC and VOBA	—	—	—	—
Other expenses, net of DAC capitalization	(51)	(61)	(97)	(109)
Pre-tax adjusted earnings	2	(8)	(44)	55
Provision for income tax expense (benefit)	—	(2)	(10)	11
Adjusted earnings	$ 2	$ (6)	$ (34)	$ 44

Three Months Ended June 30, 2019 Compared with the Three Months Ended June 30, 2018

Adjusted earnings were $2 million for the current period, an increase of $8 million.

Key net favorable impacts were:

- higher net investment spread reflecting higher alternative investment income in the current period; and
- lower other expenses due to a decrease in allocated expenses resulting from business run-off.

The increase in adjusted earnings was partially offset by higher costs associated with insurance-related activities due to:

- unfavorable underwriting in our ULSG business resulting from higher claim severity and
- an increase in reserves in the current period from higher reinsurance rates on certain assumed ULSG business;

partially offset by

- lower benefit costs driven by the aging of our structured settlement business.

There was a minimal income tax expense and effective tax rate in the current period, compared an effective rate of 25% in the prior period. Our effective tax rate primarily differs from the statutory tax rate due to the impacts of the dividends received deductions and tax credits.

Six Months Ended June 30, 2019 Compared with the Six Months Ended June 30, 2018

Adjusted earnings were a loss of $34 million for the current period, a decrease of $78 million.

Key net unfavorable impacts were:

- lower net investment spread reflecting lower alternative investment income in the current period;
- higher costs associated with insurance-related activities due to:
  - unfavorable mortality in our ULSG business resulting from higher claim severity and lower reinsurance recoveries in the current period and
  - an increase in reserves in the current period from higher reinsurance rates on certain assumed ULSG business;
- lower fee income due to:
  - the reimbursement of fees for recaptured ULSG business in the prior period;

  partially offset by
  - the ongoing impacts of various reinsurance recaptures, which occurred in the prior period.

The decrease in adjusted earnings was partially off by lower other expenses due to a decrease in expenses resulting from business run-off.

The provision for income tax in the current period led to an effective tax rate of 23%, compared to 20% in the prior period. Our effective tax rate primarily differs from the statutory tax rate due to the impacts of the dividends received deductions and tax credits.

Corporate & Other

The following table presents the components of adjusted earnings for Corporate & Other:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
	(In millions)			
Fee income	$ 3	$ (4)	$ 6	$ (7)
Net investment spread	17	11	34	22
Insurance-related activities	9	5	18	17
Amortization of DAC and VOBA	(4)	(3)	(8)	(8)
Other expenses, net of DAC capitalization	(110)	(133)	(207)	(234)
Less: Net income (loss) attributable to noncontrolling interests and preferred stock dividends	7	1	9	3
Pre-tax adjusted earnings, less net income attributable to noncontrolling interests and preferred stock dividends	(92)	(125)	(166)	(213)
Provision for income tax expense (benefit)	(21)	(26)	(43)	(55)
Adjusted earnings	$ (71)	$ (99)	$ (123)	$ (158)

Three Months Ended June 30, 2019 Compared with the Three Months Ended June 30, 2018

Adjusted earnings were a loss of $71 million, an improvement of $28 million from the prior period.

Key net favorable impacts were:

- lower other expenses due to
  - lower establishment costs in the current period related to planned technology expenses; and
  - lower branding expenses associated with the Separation;
- higher fee income due to reimbursement of pension liabilities from MetLife, which was reported in other expenses in the prior period; and

- higher net investment spread reflecting positive returns on short-term investments.

The provision for income tax in the current period led to an effective tax rate of 23%, compared to 21% in the prior period. Our effective tax rate primarily differs from the statutory tax rate due to the impacts of tax credits.

Six Months Ended June 30, 2019 Compared with the Six Months Ended June 30, 2018

Adjusted earnings were a loss of $123 million, an improvement of $35 million from the prior period.

Key net favorable impacts were:

- lower other expenses due to:
  - lower establishment costs in the current period related to planned technology expenses; and
  - lower branding expenses associated with the Separation;

  partially offset by
  - higher interest on debt which was issued in the first quarter of 2019 and the third quarter of 2018;
- higher fee income due to reimbursement of pension liabilities from MetLife, which was reported in other expenses in the prior period; and
- higher net investment spread reflecting positive returns on short-term investments.

The provision for income tax in the current period led to an effective tax rate of 26% in both the current and prior periods. Our effective tax rate primarily differs from the statutory tax rate due to the impacts of tax credits.

GMLB Riders for the Three Months and Six Months Ended June 30, 2019 and 2018

The following table presents the overall impact to income (loss) available to shareholders before provision for income tax from the performance of GMLB Riders, which includes (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:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
	(In millions)			
Liabilities (1)	$ (702)	$ (21)	$ (1,051)	$ 312
Hedging program	245	(510)	(999)	(881)
Ceded reinsurance	34	(16)	24	(44)
Fees (2)	207	214	406	419
GMLB DAC	(17)	(96)	57	(229)
Total GMLB Riders	$ (233)	$ (429)	$ (1,563)	$ (423)

(1) Includes changes in fair value of the Shield Annuities embedded derivatives of ($204) million and ($903) million for the three months and six months ended June 30, 2019, respectively, and ($127) million and ($69) million for the three months and six months ended June 30, 2018, respectively.

(2) Excludes living benefit fees, included as a component of adjusted earnings of $16 million and $32 million for the three months and six months ended June 30, 2019, respectively, and $18 million and $36 million for the three months and six months ended June 30, 2018, respectively.

Three Months Ended June 30, 2019 Compared with the Three Months Ended June 30, 2018

Comparative results from GMLB Riders were favorable by $196 million.

This favorable increase was primarily driven by:

- a net favorable change in GMLB DAC related to capital market factors;
- net favorable changes in the GMLB Hedging Program in excess of increases to the liability reserves; and
- favorable changes in ceded reinsurance.

Lower interest rates in the current period significantly impacted the following:

- favorable change to the fair value of the freestanding derivatives in our GMLB Hedging Program and
- favorable changes in reinsurance

partially offset by

- unfavorable changes to the fair value of the variable annuity liability reserves.

Higher relative equity markets in the current period significantly impacted the following:

- unfavorable changes to the fair value of the freestanding derivatives in our GMLB Hedging Program and
- unfavorable changes to the fair value of the Shield liability reserves;

partially offset by

- favorable changes to the fair value of the variable annuity liability reserves.

Six Months Ended June 30, 2019 Compared with the Six Months Ended June 30, 2018

Comparative results from GMLB Riders were unfavorable by $1.1 billion.

This decrease was primarily driven by:

- the unfavorable change in the fair value of the embedded derivative liability reserves and
- higher losses in the GMLB Hedging Program

partially offset by

- a net favorable change in GMLB DAC related to capital market factors and
- favorable changes in the ceded reinsurance.

The unfavorable change in the embedded derivative liabilities was driven primarily by lower interest rates in the current period compared to higher interest rates in the prior period and the impact of capital market changes to the adjustment for non-performance risk and risk margins. While higher relative equity markets favorably impacted the fair value of the variable annuity liability reserves, this impact was largely offset by the unfavorable impact that the higher equity markets had on the fair value of the Shield Annuities reserves.

Higher losses in the GMLB Hedging Program resulted as unfavorable changes from higher relative equity markets exceeded the favorable changes due to lower interest rates in the current period compared to the prior period.

Investments

Investment Risks

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.

We are exposed to the following primary sources of investment risks:

- credit risk, relating to the uncertainty associated with the continued ability of a given obligor to make timely payments of principal and interest;
- interest rate risk, relating to the market price and cash flow variability associated with changes in market interest rates. Changes in market interest rates will impact the net unrealized gain or loss position of our fixed income investment portfolio and the rates of return we receive on both new funds invested and reinvestment of existing funds;
- market valuation risk, relating to the variability in the estimated fair value of investments associated with changes in market factors such as credit spreads and equity market levels. A widening of credit spreads will adversely impact the net unrealized gain (loss) position of the fixed income investment portfolio, will increase losses associated with credit-based non-qualifying derivatives where we assume credit exposure, and, if credit spreads widen significantly or for an extended period of time, will likely result in higher other-than-temporary impairment (“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, which include, but are not limited to, market conditions, including the demand and supply of leasable commercial space, creditworthiness of borrowers and their tenants and joint venture partners, capital markets volatility and inherent interest rate movements;
- currency risk, relating to the variability in currency exchange rates for foreign denominated investments; and
- financial and operational integration risks while we transition to a multiple manager investment platform, and following such transition, we will continue to be subject to the risks related to using external investment managers.

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 and equity risk 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 reflects 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.

Investment Management Agreements

Following the Separation, MetLife Investment Advisors ("MLIA") managed our investment portfolio pursuant to several investment management agreements. On February 5, 2019, we terminated several existing investment management agreements with MLIA and entered into a new investment management agreement (the "Investment Management Agreement") with MLIA, pursuant to which MLIA will, on a sub-advisory basis, manage the investment of the assets comprising the general account portfolio and certain separate account assets of our insurance subsidiaries, as well as assets of BHF and our non-insurance subsidiaries. As part of the termination of the prior investment management agreements, we brought our derivatives trading, which had previously been managed by MLIA, in-house. The Investment Management Agreement marks one of the initial steps in the transition of our investment portfolio to a multi-manager platform, which is expected to continue in stages throughout 2019. The Investment Management Agreement allows us flexibility to partially terminate investment management services for specified investments upon prior notice to MLIA and we have accordingly terminated certain services under the Investment Management Agreement as we have engaged a select group of experienced external asset management firms to provide such services.

Current Environment

Our business and results of operations are materially affected by conditions in capital markets and the economy, generally. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Industry Trends and Uncertainties — Financial and Economic Environment" included in the 2018 Annual Report.

As a U.S. insurance company, we are affected by the monetary policy of the Federal Reserve Board in the United States. The Federal Reserve may increase or decrease the federal funds rate in the future, which may have an impact on the pricing levels of risk-bearing investments and may adversely impact the level of product sales. We are also affected by the monetary policy of central banks around the world due to the diversification of our investment portfolio.

Investment Portfolio Results

The following summary yield table presents the yield and net investment income for our investment portfolio for the periods indicated. As described below, this table reflects certain differences from the presentation of net investment income presented in the GAAP statement of operations. This summary 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.

	Three Months Ended June 30,				Six Months Ended June 30,			
	2019		2018		2019		2018	
	Yield% (1)	Amount	Yield% (1)	Amount	Yield% (1)	Amount	Yield% (1)	Amount
	(Dollars in millions)							
Investment income	4.79 %	$ 967	4.53 %	$ 841	4.52 %	$ 1,806	4.59 %	$ 1,693
Investment fees and expenses	(0.12)	(25)	(0.16)	(29)	(0.13)	(53)	(0.15)	(56)
Adjusted net investment income (2), (3)	4.67 %	$ 942	4.37 %	$ 812	4.39 %	$ 1,753	4.44 %	$ 1,637

(1) Yields are calculated as investment income as a percent of average quarterly asset carrying values. Investment income excludes recognized gains and losses and reflects the adjustments presented in footnote 3 below to arrive at adjusted net investment income. Asset carrying values exclude unrealized gains (losses), collateral received in connection with our securities lending program, freestanding derivative assets and collateral received from derivative counterparties.

(2) Adjusted net investment income included in yield calculations includes Investment Hedge Adjustments.

(3) Adjusted net investment income presented in the yield table varies from the most directly comparable GAAP measure due to certain reclassifications, as presented below.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
	(In millions)			
Net investment income	$ 942	$ 806	$ 1,753	$ 1,623
Less: Investment hedge adjustments	—	(3)	—	(11)
Less: Other incremental net investment income	—	(3)	—	(3)
Adjusted net investment income — in the above yield table	$ 942	$ 812	$ 1,753	$ 1,637

See "— Results of Operations — Consolidated Results for the Three Months and Six Months Ended June 30, 2019 and 2018 — Adjusted Earnings" for an analysis of the period over period changes in net investment income.

Fixed Maturity Securities AFS

The following table presents fixed maturity securities available-for-sale ("AFS") by type (public or private) held at:

	June 30, 2019		December 31, 2018	
	Estimated Fair Value	% of Total	Estimated Fair Value	% of Total
	(Dollars in millions)			
Fixed maturity securities				
Publicly-traded	$ 55,132	82.0%	$ 51,939	83.0%
Privately-placed	12,079	18.0	10,669	17.0
Total fixed maturity securities	$ 67,211	100.0%	$ 62,608	100.0%
Percentage of cash and invested assets	71.6%		71.7%	

Valuation of Securities. See Note 6 of the Notes to the Interim Condensed Consolidated 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.

Fixed Maturity Securities AFS

See Note 4 of the Notes to the Interim Condensed Consolidated Financial Statements for information about fixed maturity securities AFS by sector, contractual maturities and continuous gross unrealized losses.

Fixed Maturity Securities Credit Quality — Ratings

See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Investments — Fixed Maturity AFS — Fixed Maturity Securities Credit Quality — Ratings" included in the 2018 Annual Report for a discussion of the credit quality ratings assigned by Nationally Recognized Statistical Rating Organizations ("NRSRO"), credit quality designations assigned by and methodologies used by the Securities Valuation Office of the NAIC for fixed maturity securities and the revised methodologies adopted by the NAIC for certain residential mortgage-backed securities ("RMBS"), commercial mortgage-backed securities ("CMBS") and asset-backed securities ("ABS") (collectively, "Structured Securities").

The following table presents total fixed maturity securities by NRSRO rating and the applicable NAIC 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 well as the percentage, based on estimated fair value that each NAIC designation is comprised of at:

		June 30, 2019				December 31, 2018			
NAIC Designation	NRSRO Rating	Amortized Cost	Unrealized Gain (Loss)	Estimated Fair Value	% of Total	Amortized Cost	Unrealized Gain (Loss)	Estimated Fair Value	% of Total
		(Dollars in millions)							
1	Aaa/Aa/A	$ 39,729	$ 4,648	$ 44,377	66.0%	$ 40,218	$ 1,954	$ 42,172	67.4%
2	Baa	18,625	1,164	19,789	29.5	17,656	(122)	17,534	28.0
Subtotal investment grade		58,354	5,812	64,166	95.5	57,874	1,832	59,706	95.4
3	Ba	2,044	36	2,080	3.1	2,160	(87)	2,073	3.3
4	B	855	4	859	1.3	787	(48)	739	1.2
5	Caa and lower	75	(1)	74	0.1	99	(9)	90	0.1
6	In or near default	34	(2)	32	—	—	—	—	—
Subtotal below investment grade		3,008	37	3,045	4.5	3,046	(144)	2,902	4.6
Total fixed maturity securities		$ 61,362	$ 5,849	$ 67,211	100.0%	$ 60,920	$ 1,688	$ 62,608	100.0%

The following tables present total fixed maturity securities, based on estimated fair value, by sector classification and by NRSRO rating and the applicable NAIC designations from the NAIC published comparison of NRSRO ratings to NAIC designations, except for certain Structured Securities, which are presented using the NAIC methodologies as described above:

	Fixed Maturity Securities — by Sector & Credit Quality Rating						
NAIC Designation	1	2	3	4	5	6	
NRSRO Rating	Aaa/Aa/A	Baa	Ba	B	Caa and Lower	In or Near Default	Total Estimated Fair Value
	(Dollars in millions)						
June 30, 2019							
U.S. corporate	$ 13,788	$ 12,297	$ 1,437	$ 695	$ 33	$ 32	$ 28,282
U.S. government and agency	7,198	71	—	—	—	—	7,269
RMBS	9,323	29	35	3	21	—	9,411
Foreign corporate	2,912	6,081	479	102	11	—	9,585
CMBS	5,203	109	—	—	—	—	5,312
State and political subdivision	3,672	161	—	4	9	—	3,846
ABS	1,570	253	24	—	—	—	1,847
Foreign government	711	788	105	55	—	—	1,659
Total fixed maturity securities	$ 44,377	$ 19,789	$ 2,080	$ 859	$ 74	$ 32	$ 67,211
Percentage of total	66.0%	29.5%	3.1%	1.3%	0.1%	—%	100.0%
December 31, 2018							
U.S. corporate	$ 11,277	$ 11,118	$ 1,417	$ 635	$ 26	$ —	$ 24,473
U.S. government and agency	8,921	174	—	—	—	—	9,095
RMBS	8,395	40	58	6	48	—	8,547
Foreign corporate	2,427	5,089	427	70	13	—	8,026
CMBS	5,183	57	6	2	—	—	5,248
State and political subdivision	3,437	156	1	—	3	—	3,597
ABS	1,851	244	30	1	—	—	2,126
Foreign government	681	656	134	25	—	—	1,496
Total fixed maturity securities	$ 42,172	$ 17,534	$ 2,073	$ 739	$ 90	$ —	$ 62,608
Percentage of total	67.4%	28.0%	3.3%	1.2%	0.1%	—%	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 ten holdings in aggregate comprise 2% of total investments at June 30, 2019 and December 31, 2018. The tables below present our U.S. and foreign corporate securities holdings by industry at:

	June 30, 2019		December 31, 2018	
	Estimated Fair Value	% of Total	Estimated Fair Value	% of Total
	(Dollars in millions)			
Industrial	$ 11,603	30.6%	$ 9,896	30.4%
Consumer	9,450	25.0	8,290	25.5
Finance	8,499	22.5	7,209	22.2
Utility	5,580	14.7	4,770	14.7
Communications	2,735	7.2	2,334	7.2
Total	$ 37,867	100.0%	$ 32,499	100.0%

Structured Securities

We held $16.6 billion and $15.9 billion of Structured Securities, at estimated fair value, at June 30, 2019 and December 31, 2018, respectively, as presented in the RMBS, CMBS and ABS sections below.

RMBS

The following table presents our RMBS holdings at:

	June 30, 2019			December 31, 2018		
	Estimated Fair Value	% of Total	Net Unrealized Gains (Losses)	Estimated Fair Value	% of Total	Net Unrealized Gains (Losses)
	(Dollars in millions)					
By security type:						
Collateralized mortgage obligations	$ 4,951	52.6%	$ 365	$ 4,885	57.2%	$ 174
Pass-through securities	4,460	47.4	43	3,662	42.8	(55)
Total RMBS	$ 9,411	100.0%	$ 408	$ 8,547	100.0%	$ 119
By risk profile:						
Agency	$ 7,398	78.6%	$ 228	$ 6,396	74.8%	$ (23)
Prime	213	2.3	12	296	3.5	10
Alt-A	884	9.4	101	938	11.0	79
Sub-prime	916	9.7	67	917	10.7	53
Total RMBS	$ 9,411	100.0%	$ 408	$ 8,547	100.0%	$ 119
Ratings profile:						
Rated Aaa	$ 7,468	79.4%		$ 6,529	76.4%	
Designated NAIC 1	$ 9,323	99.1%		$ 8,395	98.2%	

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 2012 at significant discounts to par value and discounts to the expected principal recovery value of these 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 $883 million at both June 30, 2019 and December 31, 2018, with unrealized gains (losses) of $63 million and $50 million at June 30, 2019 and December 31, 2018, respectively.

CMBS

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

	June 30, 2019		December 31, 2018	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
	(Dollars in millions)			
2003 - 2010	$ 131	$ 145	$ 177	$ 177
2011	237	236	297	293
2012	150	154	263	262
2013	255	264	290	290
2014	348	360	526	519
2015	953	990	1,076	1,059
2016	495	511	582	568
2017	639	673	696	686
2018	1,570	1,685	1,385	1,394
2019	284	294	—	—
Total	$ 5,062	$ 5,312	$ 5,292	$ 5,248

CMBS rated Aaa using rating agency ratings were $3.8 billion, or 72.2% of total CMBS, and designated NAIC 1 were $5.2 billion, or 97.9% of total CMBS, at June 30, 2019. CMBS rated Aaa using rating agency ratings were $3.5 billion, or 66.9% of total CMBS, and designated NAIC 1 were $5.2 billion, or 98.8% of total CMBS at December 31, 2018.

ABS

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

	June 30, 2019			December 31, 2018		
	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	$ 1,018	55.1%	$ (7)	$ 1,010	47.5%	$ (18)
Automobile loans	145	7.9	3	199	9.4	—
Consumer loans	161	8.7	3	193	9.1	1
Student loans	197	10.7	5	186	8.7	3
Credit card loans	36	1.9	3	136	6.4	2
Other loans	290	15.7	8	402	18.9	3
Total	$ 1,847	100.0%	$ 15	$ 2,126	100.0%	$ (9)
Ratings profile:						
Rated Aaa	$ 729	39.5%		$ 956	45.0%	
Designated NAIC 1	$ 1,570	85.0%		$ 1,851	87.1%	

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

See Note 4 of the Notes to the Interim Condensed Consolidated Financial Statements for information about the evaluation of fixed maturity securities AFS and equity securities for OTTI and evaluation of temporarily impaired AFS securities.

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 received from counterparties may not be sold or repledged, unless the counterparty is in default, and is not reflected in the 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 — Primary Uses of Liquidity and Capital — Securities Lending" and Note 4 of the Notes to the Interim Condensed Consolidated 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 at:

	June 30, 2019				December 31, 2018			
	Recorded Investment	% of Total	Valuation Allowance	% of Recorded Investment	Recorded Investment	% of Total	Valuation Allowance	% of Recorded Investment
	(Dollars in millions)							
Commercial	$ 9,267	61.2%	$ 46	0.5%	$ 8,529	62.0%	$ 42	0.5%
Agricultural	3,248	21.5%	10	0.3%	2,946	21.4%	9	0.3%
Residential	2,627	17.3%	8	0.3%	2,276	16.6%	6	0.3%
Total	$ 15,142	100.0%	$ 64	0.4%	$ 13,751	100.0%	$ 57	0.4%

We diversify our mortgage loan portfolio by both geographic region and property type to reduce the risk of concentration. The percentage of our commercial and agricultural mortgage loan portfolios collateralized by properties located in the U.S. were 96% and 97% at June 30, 2019 and December 31, 2018, respectively, and the remainder was collateralized by properties located outside of the U.S. 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 at:

	June 30, 2019	December 31, 2018
State		
California	24%	26%
New York	13%	14%
Texas	7%	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 June 30, 2019 and December 31, 2018. The carrying value as a percentage of total residential mortgage loans for the top three states in the U.S. is as follows at:

	June 30, 2019	December 31, 2018
State		
California	37%	36%
Florida	10%	9%
New York	7%	6%

Commercial Mortgage Loans by Geographic Region and Property Type. Commercial mortgage loans are the largest component of the mortgage loan invested asset class. The tables below present the diversification across geographic regions and property types of commercial mortgage loans at:

	June 30, 2019		December 31, 2018	
	Amount	% of Total	Amount	% of Total
	(Dollars in millions)			
Region				
Pacific	$ 2,613	28.2%	$ 2,550	29.9%
Middle Atlantic	1,860	20.1	1,867	21.9
South Atlantic	1,545	16.7	1,316	15.5
West South Central	783	8.5	801	9.4
Mountain	696	7.5	404	4.7
East North Central	521	5.6	473	5.5
International	463	5.0	389	4.5
New England	455	4.9	397	4.7
West North Central	126	1.3	127	1.5
East South Central	59	0.6	59	0.7
Multi-Region and Other	146	1.6	146	1.7
Total recorded investment	9,267	100.0%	8,529	100.0%
Less: valuation allowances	46		42	
Carrying value, net of valuation allowances	$ 9,221		$ 8,487	
Property Type				
Office	$ 3,911	42.2%	$ 3,810	44.6%
Retail	2,173	23.4	2,064	24.2
Apartment	1,904	20.5	1,480	17.4
Hotel	825	9.0	744	8.7
Industrial	423	4.6	400	4.7
Other	31	0.3	31	0.4
Total recorded investment	9,267	100.0%	8,529	100.0%
Less: valuation allowances	46		42	
Carrying value, net of valuation allowances	$ 9,221		$ 8,487	

Mortgage Loan Credit Quality — Monitoring Process. Our investment manager monitors our mortgage loan investments on an ongoing basis, including a review of loans that are current, past due, restructured and under foreclosure. Quarterly, we conduct a formal review of the portfolio with our investment manager. See Note 4 of the Notes to the Interim Condensed Consolidated Financial Statements for information on mortgage loans by credit quality indicator, past due and nonaccrual mortgage loans, as well as impaired mortgage loans.

Our investment manager reviews our commercial mortgage loans on an ongoing basis. These reviews may include an analysis of the property financial statements and rent roll, lease rollover analysis, property inspections, market analysis, estimated valuations of the underlying collateral, loan-to-value ratios, debt service coverage ratios and tenant creditworthiness. The monitoring process focuses on higher risk loans, which include those that are classified as restructured, delinquent or in foreclosure, as well as loans with higher loan-to-value ratios and lower debt service coverage ratios. The monitoring process for agricultural mortgage loans is generally similar, with a focus on higher risk loans, such as loans with higher loan-to-value ratios, including reviews on a geographic and sector basis. We review our residential mortgage loans on an ongoing basis. See Note 6 of the Notes to Consolidated and Combined Financial Statements included in the 2018 Annual Report 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. For our commercial mortgage loans, our average loan-to-value ratio was 52% at both June 30, 2019 and December 31, 2018, and our average debt service coverage ratio was 2.2x at both June 30, 2019 and December 31, 2018. 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 47% and 46% at June 30, 2019 and December 31, 2018, 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. See Notes 4 and 6 of the Notes to the Interim Condensed Consolidated Financial Statements for information about how valuation allowances are established and monitored, activity in and balances of the valuation allowance, and the estimated fair value of impaired mortgage loans and related impairments included within net investment gains (losses) at and for the six months ended June 30, 2019 and 2018.

Real Estate Limited Partnerships and Limited Liability Companies

Real estate limited partnerships and limited liability companies are comprised primarily of limited partner interests in real estate funds, and to a lesser extent interests in projects with varying strategies ranging from the development of properties to the operation of income-producing properties.

The estimated fair value of the associated investment portfolios was $571 million and $572 million at June 30, 2019 and December 31, 2018, respectively.

Other Limited Partnership Interests

Other limited partnership interests are comprised primarily of private equity funds. The carrying value of other limited partnership interests was $1.8 billion at both June 30, 2019 and December 31, 2018, which included $53 million and $98 million of hedge funds at June 30, 2019 and December 31, 2018, respectively. Cash distributions on these investments are generated from investment gains, operating income from the underlying investments of the funds and liquidation of the underlying investments of the funds. We estimate that the underlying investments of the funds will typically be liquidated over the next 10 to 20 years.

Other Invested Assets

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

	June 30, 2019		December 31, 2018	
	Carrying Value	% of Total	Carrying Value	% of Total
	(Dollars in millions)			
Freestanding derivatives with positive estimated fair values	$ 2,856	93.3%	$ 2,778	91.8%
Tax credit and renewable energy partnerships	93	3.0	95	3.1
Leveraged leases, net of non-recourse debt	64	2.1	65	2.1
FHLB Stock	50	1.6	64	2.1
Other	1	—	25	0.9
Total	$ 3,064	100.0%	$ 3,027	100.0%

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 5 of the Notes to the Interim Condensed Consolidated Financial Statements for:

- Types of 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 held at June 30, 2019 and December 31, 2018.
- The statement of operations effects of derivatives in cash flow or nonqualifying hedge relationships for the three months and six months ended June 30, 2019 and 2018.

See “Business — Segments and Corporate & Other — Annuities,” “Business — Risk Management Strategies — ULSG Market Risk Exposure Management” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Results of Operations — Annual Actuarial Review” included in the 2018 Annual Report for more information about our use of derivatives by major hedge programs.

Fair Value Hierarchy

See Note 6 of the Notes to the Interim Condensed Consolidated Financial Statements for derivatives measured at estimated fair value on a recurring basis and their corresponding fair value hierarchy, as well as a rollforward of the fair value measurements for derivatives measured at estimated fair value on a recurring basis using significant unobservable (Level 3) inputs as discussed below.

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 June 30, 2019 include: credit default swaps priced using unobservable credit spreads, or that are priced through independent broker quotations; equity variance swaps with unobservable volatility inputs; foreign currency swaps with certain unobservable inputs; equity index options with unobservable correlation inputs and guaranteed minimum benefits accounted for as embedded derivatives with unobservable inputs.

Credit Risk

See Note 5 of the Notes to the Interim Condensed Consolidated Financial Statements for information about how we manage credit risk related to derivatives and for the estimated fair value of our net derivative assets and net derivative liabilities after the application of master netting agreements and collateral.

Our policy is not to offset the fair value amounts recognized for derivatives executed with the same counterparty under the same master netting agreement. This policy applies to the recognition of derivatives in the 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 at:

	June 30, 2019		December 31, 2018	
Credit Default Swaps	**Gross Notional Amount**	**Estimated Fair Value**	**Gross Notional Amount**	**Estimated Fair Value**
		(In millions)		
Written	$ 1,905	$ 33	$ 1,820	$ 11
Purchased	12	—	98	3
Total	$ 1,917	$ 33	$ 1,918	$ 14

The maximum amount at risk related to our written credit default swaps is equal to the corresponding gross notional amount. We use credit default swaps to create synthetic credit investments to replicate credit exposure that is more economically attractive than what is available in the market or otherwise unavailable. 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 state insurance regulators and the NAIC and are an important tool in managing the overall corporate credit risk within the Company. By purchasing Treasury bonds (or other high-quality assets) and associating them with written credit default swaps on the desired corporate credit name, we can replicate the desired bond exposures and meet our ALM needs. This can expose the Company to changes in credit spreads as the written credit default swap tenor is shorter than the maturity of Treasury bonds.

Off-Balance Sheet Arrangements

Collateral for Securities Lending and Derivatives

We have a securities lending program 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 consolidated balance sheets. The amount of this collateral was $18 million and $55 million at estimated fair value at June 30, 2019 and December 31, 2018, respectively. See Note 4 of the Notes to the Interim Condensed Consolidated Financial Statements, as well as "— Investments — Securities Lending" for discussion of our securities lending program, the classification of revenues and expenses, and the nature of the secured financing arrangement and associated liability.

We 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 consolidated balance sheets. The amount of this non-cash collateral was $0 million and $145 million at June 30, 2019 and December 31, 2018, respectively. See Note 5 of the Notes to the Interim Condensed Consolidated Financial Statements for information regarding the gross notional amount, estimated fair value of assets and liabilities and primary underlying risk exposure of our derivatives.

Guarantees

See "Guarantees" in Note 11 of the Notes to the Interim Condensed Consolidated Financial Statements.

Other

Additionally, we enter into commitments for the purpose of enhancing the total return on our investment portfolio: mortgage loan commitments and commitments to fund partnership investments, bank credit facilities and private corporate bond investments. See "Commitments" in Note 11 of the Notes to the Interim Condensed Consolidated Financial Statements. For further information on commitments to fund partnership investments, mortgage loans, bank credit facilities and private corporate bond investments, see "Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — The Company — Contractual Obligations" included in the 2018 Annual Report.

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 financial statements in conformity with GAAP. For more details on Policyholder Liabilities, see "Management's Discussion and Analysis of Financial Condition and Results of Operations — Summary of Critical Accounting Estimates" and "Management's Discussion and Analysis of Financial Condition and Results of Operations — Policyholder Liabilities" included in the 2018 Annual Report. Except as otherwise discussed below, there have been no material changes to our actuarial liabilities.

Future Policy Benefits

We establish liabilities for amounts payable under insurance policies. See Note 3 of the Notes to the Interim Condensed Consolidated Financial Statements. A discussion of future policy benefits by segment, as well as Corporate & Other, can be found in "Management's Discussion and Analysis of Financial Condition and Results of Operations — Policyholder Liabilities" included in the 2018 Annual Report.

Policyholder Account Balances

Policyholder account balances ("PABs") 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 Note 3 of the Notes to the Interim Condensed Consolidated Financial Statements. A discussion of PABs by segment, as well as Corporate & Other, can be found in "Management's Discussion and Analysis of Financial Condition and Results of Operations — Policyholder Liabilities" included in the 2018 Annual Report.

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 step-ups. See Note 3 of the Notes to the Interim Condensed Consolidated Financial Statements. See also "Quantitative and Qualitative Disclosures About Market Risk — Market Risk - Fair Value Exposures — Interest Rates" and "Business — Segments and Corporate & Other — Annuities — Current Products — Variable Annuities" included in the 2018 Annual Report for additional information.

Select information that management considers relevant to understanding our variable annuity risk management strategy has been included below.

Net Amount at Risk

The net amount at risk ("NAR") for the GMDB is the amount of death benefit in excess of the account value (if any) at 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 guaranteed minimum withdrawal benefits ("GMWB") and guaranteed minimum accumulation benefits ("GMAB") is the amount of guaranteed benefits in excess of the account values (if any) at the balance sheet date. The NAR assumes utilization of benefits by all contract holders at 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 GMWB with lifetime payments ("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.

A detailed description of NAR by type of guaranteed minimum benefit can be found in "Business — Segments and Corporate & Other — Annuities — Net Amount at Risk" included in the 2018 Annual Report.

The account values and NAR of contract owners by type of guaranteed minimum benefit for variable annuity contracts are summarized below at:

	June 30, 2019 (1)				December 31, 2018 (1)			
	Account Value	Death Benefit NAR (1)	Living Benefit NAR (1)	% of Account Value In-the-Money (2)	Account Value	Death Benefit NAR (1)	Living Benefit NAR (1)	% of Account Value In-the-Money (2)
	(Dollars in millions)							
GMIB	$ 41,258	$ 2,475	$ 3,575	33.5%	$ 38,682	$ 4,064	$ 4,115	42.6%
GMIB Max w/ Enhanced DB	11,861	2,779	8	0.8%	10,961	3,775	11	1.3%
GMIB Max w/o Enhanced DB	6,805	3	1	0.3%	6,324	87	2	0.42%
GMWB4L (FlexChoice[SM])	3,520	5	3	3.1%	2,819	100	15	12.5%
GMAB	652	2	2	2.8%	600	17	16	27.3%
GMWB	2,819	45	13	6%	2,672	143	85	31.3%
GMWB4L	15,249	79	308	15.7%	14,596	558	505	27.8%
EDB Only	3,697	665	—	N/A	3,434	955	—	N/A
GMDB Only (Other than EDB)	18,005	991	—	N/A	16,777	1,374	—	N/A
Total	$ 103,866	$ 7,044	$ 3,910		$ 96,865	$ 11,073	$ 4,749	

(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.

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 $4.8 billion at June 30, 2019, 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. All other variable annuity guarantee features are accounted for as embedded derivatives and recorded on the balance sheet in PABs with changes reported in net derivative gains (losses). These liabilities, valued at $1.7 billion at June 30, 2019, 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”). Additionally, the index protection and accumulation features of Shield Annuities are accounted for as embedded derivatives, recorded on the balance sheet in PABs with changes reported in net derivative gains (losses) and valued at $1.5 billion at June 30, 2019. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Summary of Critical Accounting Estimates” included in the 2018 Annual Report.

The table below presents the GAAP variable annuity reserve balances by guarantee type and accounting model at:

	Reserves					
	June 30, 2019			December 31, 2018		
	Future Policy Benefits	Policyholder Account Balances	Total Reserves	Future Policy Benefits	Policyholder Account Balances	Total Reserves
	(In millions)					
GMDB	$ 1,324	$ —	$ 1,324	$ 1,305	$ —	$ 1,305
GMIB	2,631	1,793	4,424	2,565	1,603	4,168
GMIB Max	531	(88)	443	507	14	521
GMAB	—	(15)	(15)	—	(8)	(8)
GMWB	—	11	11	—	16	16
GMWB4L	272	(32)	240	261	17	278
GMWB4L (FlexChoice℠)	—	—	—	—	—	—
Total	$ 4,758	$ 1,669	$ 6,427	$ 4,638	$ 1,642	$ 6,280

Derivatives Hedging Variable Annuity Guarantees

The table below presents the gross notional amount and estimated fair value of the derivatives in our variable annuity hedging program at:

		June 30, 2019			December 31, 2018		
			Estimated Fair Value			Estimated Fair Value	
Primary Underlying Risk Exposure	Instrument Type	Gross Notional Amount	Assets	Liabilities	Gross Notional Amount	Assets	Liabilities
		(In millions)					
Interest Rate	Interest rate swaps	$ 7,741	$ 805	$ 30	$ 7,928	$ 470	$ 29
	Interest rate futures	—	—	—	54	—	—
	Interest rate options	21,000	551	81	10,500	94	—
Equity Market	Equity futures	—	—	—	170	—	—
	Equity index options	41,550	700	1,623	43,985	1,365	1,202
	Equity variance swaps	5,574	95	247	5,574	80	232
	Equity total return swaps	5,061	4	92	3,920	280	3
	Total	$ 80,926	$ 2,155	$ 2,073	$ 72,131	$ 2,289	$ 1,466

Period to period changes in the estimated fair value of these hedges affect our net income, as well as stockholders’ equity and these effects can be material in any given period. See “Risk Factors — Risks Related to Our Business — Our variable annuity exposure management strategy 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,” both included in the 2018 Annual Report.

Liquidity and Capital Resources

Our business and results of operations are materially affected by conditions in the global capital markets and the economy generally. Stressed conditions, volatility or disruptions in global capital markets, particular markets or financial asset classes can impact us adversely, in part because we have a large investment portfolio and our insurance liabilities and derivatives are sensitive to changing market factors. Changing conditions in the global capital markets and the economy may affect our financing costs and market interest rates for our debt or equity securities. For further information regarding market factors that could affect our ability to meet liquidity and capital needs, see "— Industry Trends" and "— Investments — Current Environment" herein, as well as "Management's Discussion and Analysis of Financial Condition and Results of Operations — Industry Trends and Uncertainties" and "Management's Discussion and Analysis of Financial Condition and Results of Operations — Investments — Current Environment" in our 2018 Annual Report.

Liquidity and Capital Management

Based upon our capitalization, expectations regarding maintaining our business mix, ratings, and funding sources available to us, we believe we have sufficient liquidity to meet business requirements under current market conditions and certain stress scenarios. Our Board of Directors and senior management are directly involved in the governance of the capital management process, including proposed changes to the annual capital plan and capital targets. We are targeting a debt-to-capital ratio commensurate with our parent company credit ratings and our insurance subsidiaries' financial strength ratings. We continuously monitor and adjust our liquidity and capital plans in light of market conditions, as well as changing needs and opportunities.

We maintain a substantial short-term liquidity position, which was $3.0 billion and $2.2 billion at June 30, 2019 and December 31, 2018, respectively. Short-term liquidity is comprised of cash and cash equivalents and short-term investments, excluding assets that are pledged or otherwise committed. Assets pledged or otherwise committed include amounts received in connection with securities lending, derivatives and assets held on deposit or in trust.

An integral part of our liquidity management includes managing our level of liquid assets, which was $40.8 billion and $36.5 billion at June 30, 2019 and December 31, 2018, respectively. Liquid assets are comprised of cash and cash equivalents, short-term investments and publicly-traded securities, excluding assets that are pledged or otherwise committed. Assets pledged or otherwise committed include amounts received in connection with securities lending, derivatives and assets held on deposit or in trust.

The Company

Liquidity

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. 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 reflect the impact of various scenarios, including (i) the potential increase in our requirement to pledge additional collateral or return collateral to our counterparties, (ii) a reduction in new business sales, and (iii) the risk of early contract holder and policyholder withdrawals, as well as lapses and surrenders of existing policies and contracts. We include provisions limiting withdrawal rights in many of our products, which deter the customer from making withdrawals prior to the maturity date of the product. If significant cash is required beyond our anticipated liquidity needs, we have various alternatives available depending on market conditions and the amount and timing of the liquidity need. These available alternative sources of liquidity include cash flows from operations, sales of liquid assets and funding sources including secured funding agreements, unsecured credit facilities and secured committed facilities.

Under certain adverse market and economic conditions, our access to liquidity may deteriorate, or the cost to access liquidity may increase.

Capital

We manage our capital position to maintain our financial strength and credit ratings. Our capital position is supported by our ability to generate cash flows within our insurance companies, our ability to effectively manage the risks 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.

We target to maintain a debt-to-capital ratio of approximately 25%, which we monitor using an average of our key leverage ratios as calculated by A.M. Best, Fitch Ratings, Moody's Investors Service and Standard & Poor's Global Rating. As such, we may opportunistically look to pursue additional financing over time, which may include the incurrence of additional term loans, borrowings under credit facilities, the issuance of debt, equity or hybrid securities or the refinancing of existing indebtedness. There can be no assurance that we will be able to complete any such financing transactions on terms and conditions favorable to us or at all.

Additionally, we intend to maintain a funding of assets in excess of the amount required to satisfy contract holder obligations across market environments in the average of the worst two percent of a set of capital markets scenarios over the life of the contracts (“CTE98”) to support our variable annuity contracts during normal market conditions and assets in excess of the amount required to satisfy contract holder obligations across market environments in the average of the worst five percent of a set of capital markets scenarios over the life of the contracts (“CTE95”) in stressed market conditions. At June 30, 2019, we held assets in excess of CTE98.

In August 2018, we authorized the repurchase of up to $200 million of our common stock and, on May 3, 2019, we authorized the repurchase of up to an additional $400 million of our common stock. Repurchases made under such authorizations may be made through open market purchases, including pursuant to 10b5-1 plans or pursuant to accelerated stock repurchase plans, from time to time at management’s discretion in accordance with applicable federal securities laws. Common stock repurchases are dependent upon several factors, including our capital position, liquidity, financial strength and credit ratings, general market conditions, the market price of our common stock compared to management’s assessment of the stock’s underlying value and applicable regulatory approvals, as well as other legal and accounting factors.

We do not currently anticipate declaring or paying cash dividends on our common stock. Any future declaration and payment of dividends or other distributions or returns of capital will be at the discretion of our Board of Directors and will depend on and be subject to our financial condition, results of operations, cash needs, regulatory and other constraints, capital requirements (including capital requirements of our subsidiaries), contractual restrictions and any other factors that our Board of Directors deems relevant in making such a determination. Therefore, there can be no assurance that we will pay any dividends or make other distributions or returns of capital on our common stock, or as to the amount of any such dividends, distributions or returns of capital.

Sources and Uses of Liquidity and Capital

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

	Six Months Ended June 30,	
	2019	**2018**
	(In millions)	
Sources:		
Operating activities, net	$ 809	$ 1,017
Changes in policyholder account balances, net	2,290	1,451
Changes in payables for collateral under securities loaned and other transactions, net	—	96
Long-term debt issued	1,000	—
Preferred stock issued, net of issuance costs	412	—
Financing element on certain derivative instruments and other derivative related transactions, net	44	—
Total sources	4,555	2,564
Uses:		
Investing activities, net	2,932	2,023
Changes in payables for collateral under securities loaned and other transactions, net	963	—
Long-term debt repaid	601	6
Dividends on preferred stock	7	—
Treasury stock acquired in connection with share repurchases	188	—
Financing element on certain derivative instruments and other derivative related transactions, net	—	226
Other, net	28	31
Total uses	4,719	2,286
Net increase (decrease) in cash and cash equivalents	$ (164)	$ 278

Cash Flows from Operating Activities

The principal cash inflows from our insurance activities come from insurance premiums, annuity considerations and net investment income. The principal cash outflows are the result of various annuity and life insurance products, operating expenses and income tax, as well as interest expense. The primary liquidity concern with respect to these cash flows is the risk of early contract holder and policyholder withdrawal.

Cash Flows from Investing Activities

The principal cash inflows from our investment activities come from repayments of principal, proceeds from maturities and sales of investments, as well as settlements of freestanding derivatives. The principal cash outflows relate to purchases of investments and settlements of freestanding derivatives. We typically can have a net cash outflow from investing activities because cash inflows from insurance operations are reinvested in accordance with our ALM discipline to fund insurance liabilities. We closely monitor and manage these risks through our comprehensive investment risk management process. The primary liquidity concerns with respect to these cash flows are the risk of default by debtors and market disruption.

Cash Flows from Financing Activities

The principal cash inflows from our financing activities come from issuances of debt and equity securities, deposits of funds associated with policyholder account balances and lending of securities. The principal cash outflows come from repayments of debt, common stock repurchases, preferred stock dividends, withdrawals associated with policyholder account balances and the return of securities on loan. The primary liquidity concerns with respect to these cash flows are market disruption and the risk of early policyholder withdrawal.

Primary Sources of Liquidity and Capital

In addition to the summary description of liquidity and capital sources discussed in "— Sources and Uses of Liquidity and Capital," the following additional information is provided regarding our primary sources of liquidity and capital:

Funding Sources

Liquidity is provided by a variety of funding sources, including secured funding agreements, unsecured credit facilities and secured committed facilities. Capital is provided by a variety of funding sources, including issuances of debt and equity securities, as well as borrowings under our credit facilities. The diversity of our funding sources enhances our funding flexibility, limits dependence on any one market or source of funds and generally lowers the cost of funds. Our primary funding sources include:

Preferred Stock

On March 25, 2019, BHF issued depositary shares, each representing a 1/1,000th ownership interest in a share of BHF's perpetual 6.600% Series A non-cumulative preferred stock (the "Series A Preferred Stock") and in the aggregate representing 17,000 shares of Series A Preferred Stock, with a stated amount of $25,000 per share, for aggregate net cash proceeds of $412 million. See Note 8 of the Notes to the Interim Condensed Consolidated Financial Statements.

Federal Home Loan Bank Funding Agreements, Reported in Policyholder Account Balances

Brighthouse Life Insurance Company is a member of the Federal Home Loan Bank ("FHLB") of Atlanta and maintains a funding agreement program with certain FHLBs. At both June 30, 2019 and December 31, 2018, Brighthouse Life Insurance Company had obligations outstanding under funding agreements with certain FHLBs of $595 million. During the six months ended June 30, 2019 and 2018, there were no issuances or repayments under such funding agreements. Activity related to these funding agreements is reported in the Run-off segment.

Farmer Mac Funding Agreements, Reported in Policyholder Account Balances

On February 1, 2019, Brighthouse Life Insurance Company entered into a funding agreement program with the Federal Agricultural Mortgage Corporation and its affiliate Farmer Mac Mortgage Securities Corporation ("Farmer Mac"), pursuant to which the parties may enter into funding agreements in an aggregate amount of up to $500 million. At June 30, 2019, there were no borrowings under this funding agreement program. Activities related to these funding agreements are reported in the Run-off segment.

Credit Facilities

On May 7, 2019, BHF entered into an amended and restated revolving credit agreement with respect to a $1.0 billion senior unsecured revolving credit facility (the "2019 Revolving Credit Facility") scheduled to mature in May 2024, all of which may be used for revolving loans and/or letters of credit. The 2019 Revolving Credit Facility replaced BHF's former

$2.0 billion senior unsecured revolving credit facility, which was scheduled to mature in December 2021. At June 30, 2019, there were no borrowings under the 2019 Revolving Credit Facility.

On February 1, 2019, BHF entered into a term loan agreement with respect to a $1.0 billion unsecured term loan facility (as amended, the "2019 Term Loan Facility") scheduled to mature in February 2024. On February 1, 2019, BHF borrowed $1.0 billion under the 2019 Term Loan Facility, terminated its former term loan facility due December 2, 2019 (the "2017 Term Loan Facility") without penalty and repaid $600 million of borrowings outstanding under the 2017 Term Loan Facility, with the remainder of the proceeds to be used for general corporate purposes.

Committed Facilities

Repurchase Facility

In April 2018, Brighthouse Life Insurance Company entered into a secured committed repurchase facility (the "Repurchase Facility") with a financial institution, pursuant to which Brighthouse Life Insurance Company may enter into repurchase transactions in an aggregate amount of up to $2.0 billion. The Repurchase Facility has a term ending on July 31, 2021. Under the Repurchase Facility, Brighthouse Life Insurance Company may sell certain eligible securities at a purchase price based on the market value of the securities less an applicable margin based on the types of securities sold, with a concurrent agreement to repurchase such securities at a predetermined future date (ranging from two weeks to three months) and at a price which represents the original purchase price plus interest. At June 30, 2019, there were no borrowings under the Repurchase Facility.

Reinsurance Financing Arrangement

Our reinsurance subsidiary, Brighthouse Reinsurance Company of Delaware ("BRCD"), was formed to manage our capital and risk exposures and to support our term and ULSG businesses through the use of affiliated reinsurance arrangements and related reserve financing. As of June 30, 2019, BRCD had a $10.0 billion financing arrangement with a pool of highly rated third-party reinsurers. This financing arrangement consists of credit-linked notes that each mature in 2037. At June 30, 2019, there were no borrowings under this facility, and there was $10.0 billion of funding available under this financing arrangement.

BRCD is capitalized with cash and invested assets, including funds withheld ("Minimum Initial Target Assets") at a level we believe sufficient to satisfy its future cash obligations assuming a permanent level yield curve, consistent with NAIC cash flow testing scenarios. BRCD utilizes the above referenced financing arrangement to cover the difference between full required statutory assets (i.e., XXX/AXXX reserves plus target risk margin appropriate to meet capital needs) and Minimum Initial Target Assets. An admitted deferred tax asset, if any, would also serve to reduce the amount of funding required under the above referenced financing arrangement.

Outstanding Long-term Debt

The following table summarizes our outstanding long-term debt at:

	June 30, 2019	December 31, 2018
	(In millions)	
Senior notes (1)	$ 2,969	$ 2,968
Term loan	1,000	600
Junior subordinated debentures (1)	362	361
Other long-term debt (2)	34	34
Total long-term debt	$ 4,365	$ 3,963

(1) Includes unamortized debt issuance costs and debt discount totaling $44 million and $46 million at June 30, 2019 and December 31, 2018, respectively, for senior notes and junior subordinated debentures on a combined basis.

(2) 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.

Debt and Facility Covenants

The Company's debt instruments and credit and committed facilities contain certain administrative, reporting and legal covenants. Additionally, the Company's credit facilities contain financial covenants, including requirements to maintain a specified minimum adjusted consolidated net worth, to maintain a ratio of total indebtedness to total capitalization not in excess of a specified percentage and that place limitations on the dollar amount of indebtedness that may be incurred by the Company, which could restrict our operations and use of funds. At June 30, 2019, the Company was in compliance with these financial covenants.

Primary Uses of Liquidity and Capital

In addition to the summarized description of liquidity and capital uses discussed in "— Sources and Uses of Liquidity and Capital," the following additional information is provided regarding our primary uses of liquidity and capital:

Common Stock Repurchases

During the six months ended June 30, 2019, we repurchased 4,993,424 shares of our common stock through open market purchases, pursuant to 10b5-1 plans, for $188 million.

Preferred Stock Dividends

On May 15, 2019, BHF declared a dividend of $412.50 per share, for a total of $7 million, on the Series A Preferred Stock. The dividend was paid on June 25, 2019 to stockholders of record as of June 10, 2019.

Under the terms of the Series A Preferred Stock, our ability to declare or pay dividends on, or purchase, redeem or otherwise acquire, shares of our common stock or shares of any other class or series of our capital stock (if any) that ranks junior to the Series A Preferred Stock will be subject to certain restrictions in the event that we do not declare and pay (or set aside) dividends on the Series A Preferred Stock for the latest completed dividend period, and our ability to declare full dividends on preferred stock that ranks equally with the Series A Preferred Stock (if any) will be subject to certain limitations in the event we declare partial dividends on the Series A Preferred Stock. See Note 8 of the Notes to the Interim Condensed Consolidated Financial Statements.

Debt Repurchases

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

Insurance Liabilities

Liabilities arising from our insurance activities primarily relate to benefit payments under various annuity and life insurance products, as well as payments for policy surrenders, withdrawals and loans. Surrender or lapse behavior differs somewhat by product but tends to occur in the ordinary course of business. During the six months ended June 30, 2019, general account surrenders and withdrawals totaled $1.3 billion, of which $1.1 billion was attributable to products within the Annuities segment. During the six months ended June 30, 2018, general account surrenders and withdrawals totaled $1.3 billion, of which $923 million was attributable to products within the Annuities segment.

Pledged Collateral

We pledge collateral to, and have collateral pledged to us by, counterparties in connection with our derivatives. At June 30, 2019 and December 31, 2018, counterparties were obligated to return cash collateral pledged by us of $0 and $64 million, respectively. At June 30, 2019 and December 31, 2018, we were obligated to return cash collateral pledged to us by counterparties of $1.1 billion and $1.4 billion, respectively. See Note 5 of the Notes to the Interim Condensed Consolidated Financial Statements for additional information about pledged collateral. We also pledge collateral from time to time in connection with funding agreements.

Securities Lending

We have 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 $3.0 billion and $3.6 billion at June 30, 2019 and December 31, 2018, respectively. Of these amounts, $1.4 billion and $1.5 billion at June 30, 2019 and December 31, 2018, respectively, were on open, meaning that the related loaned security could be returned to us on the next business day requiring the immediate return of cash collateral we hold. The estimated fair value of the securities on loan related to the cash collateral on open at June 30, 2019 was $1.4 billion, all of which were U.S. government and agency securities which, if put back to us, could be immediately sold to satisfy the cash requirement. See Note 4 of the Notes to the Interim Condensed Consolidated 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 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 11 of the Notes to the Interim Condensed Consolidated Financial Statements.

The Parent Company

Liquidity and Capital

In evaluating liquidity, it is important to distinguish the cash flow needs of the parent company from the cash flow needs of the combined group of companies. BHF is largely dependent on cash flows from its insurance subsidiaries to meet its obligations. Constraints on BHF's liquidity may occur as a result of operational demands and/or as a result of compliance with regulatory requirements.

Short-term Liquidity and Liquid Assets

At June 30, 2019 and December 31, 2018, BHF and certain of its non-insurance subsidiaries had short-term liquidity of $823 million and $520 million, respectively. Short-term liquidity is comprised of cash and cash equivalents and short-term investments.

At June 30, 2019 and December 31, 2018, BHF and certain of its non-insurance subsidiaries had liquid assets of $904 million and $752 million, respectively, of which $875 million and $693 million, respectively, was held by BHF. Liquid assets are comprised of cash and cash equivalents, short-term investments and publicly-traded securities.

Statutory Capital and Dividends

The NAIC and state insurance departments have established regulations that provide minimum capitalization requirements based on risk-based capital ("RBC") formulas for insurance companies. 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. State insurance laws provide insurance regulators the authority to require various actions by, or take various actions against, insurers whose TAC 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 TAC of each of our insurance subsidiaries subject to these requirements was in excess of each of those RBC levels.

The amount of dividends that our insurance subsidiaries can ultimately pay to BHF through their various parent entities provides an additional margin for risk protection and investment in our businesses. Such dividends are constrained by the amount of surplus our insurance subsidiaries hold to maintain their ratings, which is generally higher than minimum RBC requirements. We proactively take actions to maintain capital consistent with these ratings objectives, which may include adjusting dividend amounts and deploying financial resources from internal or external sources of capital. Certain of these activities may require regulatory approval. Furthermore, the payment of dividends and other distributions by our insurance subsidiaries is governed by insurance laws and regulations. See "— Primary Sources and Uses of Liquidity and Capital — Dividends and Returns of Capital from Insurance Subsidiaries."

Primary Sources and Uses of Liquidity and Capital

The principal sources of funds available to BHF include distributions from Brighthouse Holdings, LLC ("BH Holdings"), dividends and returns of capital from its insurance subsidiaries, capital markets issuances, as well as its own cash and cash equivalents and short-term investments. These sources of funds may also be supplemented by alternate sources of liquidity either directly or indirectly through our insurance subsidiaries. For example, we have established internal liquidity facilities to provide liquidity within and across our regulated and non-regulated entities to support our businesses.

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

In addition to the liquidity and capital sources discussed in "— The Company — Primary Sources of Liquidity and Capital" and "— The Company — Primary Uses of Liquidity and Capital," the following additional information is provided regarding BHF's primary sources and uses of liquidity and capital:

Distributions from and Capital Contributions to BH Holdings

During the six months ended June 30, 2019 and 2018, BHF received cash distributions of $195 million and $52 million, respectively, from BH Holdings and made cash capital contributions of $412 million and $0, respectively, to BH Holdings.

Dividends and Returns of Capital from Insurance Subsidiaries

Our business is primarily conducted through our insurance subsidiaries. The insurance subsidiaries are subject to regulatory restrictions on the payment of dividends and other distributions imposed by the regulators of their respective state domiciles.

Any requested payment of dividends by Brighthouse Life Insurance Company and New England Life Insurance Company to BH Holdings, or by Brighthouse Life Insurance Company of NY ("BHNY") to Brighthouse Life Insurance Company, in excess of the 2019 limit on the permitted payment of dividends without approval would be considered an extraordinary dividend and would require prior approval from the Delaware Department of Insurance or the Massachusetts Division of Insurance, and the New York State Department of Financial Services, respectively.

The table below sets forth the dividends permitted to be paid in 2019 by our insurance subsidiaries without insurance regulatory approval and the respective dividends paid during the six months ended June 30, 2019.

	Paid	Permitted without Approval (1)
	(In millions)	
Brighthouse Life Insurance Company	$ —	$ 798
New England Life Insurance Company	$ —	$ 131
Brighthouse Life Insurance Company of NY (2)	$ —	$ 27

(1) Reflects dividend amounts that may be paid during 2019 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 2019, some or all of such dividends may require regulatory approval.

(2) Dividends are not anticipated to be paid by BHNY in 2019.

Short-term Intercompany Loans

As of June 30, 2019, BHF, as borrower, had a short-term intercompany loan agreement with certain of its non-insurance subsidiaries, as lenders, for the purposes of facilitating the management of the available cash of the borrower and the lenders on a short-term and consolidated basis. Such intercompany loan agreement allows management to optimize the efficient use of and maximize the yield on cash between BHF and its subsidiary lenders. Each loan entered into under this intercompany loan agreement has a term not more than 364 days and bears interest on the unpaid principal amount at a variable rate, payable monthly. During the six months ended June 30, 2019 and 2018, BHF borrowed $493 million and $0, respectively, from certain of its non-insurance subsidiaries under short-term intercompany loan agreements and repaid $645 million and $87 million, respectively, to certain of its non-insurance company subsidiaries under short-term intercompany loan agreements. At June 30, 2019 and December 31, 2018, BHF had total obligations outstanding of $151 million and $303 million, respectively, under such agreements.

Intercompany Liquidity Facilities

As of June 30, 2019, we maintained intercompany liquidity facilities with certain of our insurance and non-insurance company subsidiaries to provide short-term liquidity within and across the combined group of companies. Under these facilities, which are comprised of a series of revolving loan agreements among BHF and its participating subsidiaries, each company may lend to or borrow from each other, subject to certain maximum limits for a term not more than 364 days. During the six months ended June 30, 2019 and 2018, BHF borrowed $0 and $40 million, respectively, under intercompany liquidity facilities and, at June 30, 2019 and December 31, 2018, there were no obligations outstanding under such facilities.

Note Regarding Forward-Looking Statements

This report, including Management's Discussion and Analysis of Financial Condition and Results of Operations, and other oral or written statements that we make from time to time may contain information that includes or is based upon forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements involve substantial risks and uncertainties. We have tried, wherever possible, to identify such statements using words such as "anticipate," "estimate," "expect," "project," "may," "will," "could," "intend," "goal," "target," "guidance," "forecast," "preliminary," "objective," "continue," "aim," "plan," "believe" and other words and terms of similar meaning, or that are tied to future periods, in connection with a discussion of future operating or financial performance. In particular, these include, without limitation, statements relating to future actions, prospective services or products, future performance or results of current and anticipated services or products, sales efforts, expenses, the outcome of contingencies such as legal proceedings, trends in operating and financial results, as well as statements regarding the expected benefits of the Separation.

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. These statements are based on current expectations and the current economic environment and 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:

- differences between actual experience and actuarial assumptions and the effectiveness of our actuarial models;
- higher risk management costs and exposure to increased market and counterparty risk due to guarantees within certain of our products;
- the effectiveness of our variable annuity exposure management strategy and the impact of such strategy on net income volatility and negative effects on our statutory capital;
- the reserves we are required to hold against our variable annuities as a result of actuarial guidelines;
- 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 potential material adverse effect of changes in accounting standards, practices and/or policies applicable to us, including changes in the accounting for long duration contracts;
- our degree of leverage due to indebtedness;
- 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 changes in regulation and in supervisory and enforcement policies on our insurance business or other operations;
- the effectiveness of our risk management policies and procedures;
- the availability of reinsurance and the ability of our counterparties to our reinsurance or indemnification arrangements to perform their obligations thereunder;
- 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;
- 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;

- any failure of third parties to provide services we need, any failure of the practices and procedures of these third parties and any inability to obtain information or assistance we need from third parties, including MetLife;
- whether all or any portion of the tax consequences of the Separation are not as expected, leading to material additional taxes or material adverse consequences to tax attributes that impact us;
- the uncertainty of the outcome of any disputes with MetLife over tax-related or other matters and agreements, including the potential of outcomes adverse to us that could cause us to owe MetLife material tax reimbursements or payments, or disagreements regarding MetLife's or our obligations under our other agreements;
- the impact on our business structure, profitability, cost of capital and flexibility due to restrictions we have agreed to that preserve the tax-free treatment of certain parts of the Separation;
- the potential material negative tax impact of potential future tax legislation that could decrease the value of our tax attributes and cause other cash expenses, such as reserves, to increase materially and make some of our products less attractive to consumers;
- whether the Separation will qualify for non-recognition treatment for federal income tax purposes and potential indemnification to MetLife if the Separation 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 ability to attract and retain key personnel; and
- other factors described in our 2018 Annual Report, our subsequent Quarterly Reports on Form 10-Q, and from time to time in documents that we file with the SEC.

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 in our 2018 Annual Report, our subsequent Quarterly Reports on Form 10-Q, particularly in the sections entitled "Risk Factors" and "Quantitative and Qualitative Disclosures About Market Risk," as well as in our other subsequent SEC filings. 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.

Corporate Information

We routinely use our Investor Relations website to provide presentations, press releases and other information that may be deemed material to investors. Accordingly, we encourage investors and others interested in the Company to review the information that we share at http://investor.brighthousefinancial.com. Information contained on or connected to any website referenced in this report or any of our other filings with the SEC is not incorporated by reference in this report or in any other report or document we file with the SEC, and any website references are intended to be inactive textual references only unless expressly noted.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We regularly analyze our market risk exposure to interest rate, equity market price, credit spreads 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 significantly exposed to changes in interest rates, and to a lesser extent, to changes in equity market prices 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 market prices, credit spreads and foreign currency exchange rates. We may have additional financial impacts other than changes in fair value, which are beyond the scope of this discussion. A description of our market risk exposures may be found under "Quantitative and Qualitative Disclosures About Market Risk" in the 2018 Annual Report. There have been no material changes to our market risk exposures from the market risk exposures previously disclosed in the 2018 Annual Report.

Item 4. Controls and Procedures

Management, with the participation of the Chief Executive Officer and Interim Chief Financial Officer, has evaluated the effectiveness of the design and operation of the Company’s disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (“Exchange Act”), as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and Interim Chief Financial Officer have concluded that these disclosure controls and procedures were effective as of June 30, 2019.

MetLife provides certain services to the Company on a transitional basis through services agreements. The Company continues to change business processes, implement systems and establish new third-party arrangements. We consider these to be material changes in our internal control over financial reporting.

Other than as noted above, there were no changes to the Company’s internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the quarter ended June 30, 2019 that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

Part II — Other Information

Item 1. Legal Proceedings

See Note 11 of the Notes to the Interim Condensed Consolidated Financial Statements included in this report. There have been no new material legal proceedings and no material developments in legal proceedings previously disclosed in the 2018 Annual Report.

Item 1A. Risk Factors

We discuss in this report, in the 2018 Annual Report and in our other filings with the SEC, various risks that may materially affect our business. In addition, see "Management's Discussion and Analysis of Financial Condition and Results of Operations — Note Regarding Forward-Looking Statements" included in this report. There have been no material changes to our risk factors from the risk factors previously disclosed in the 2018 Annual Report, as amended or supplemented by such information in our subsequent Quarterly Reports on Form 10-Q.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Issuer Purchases of Equity Securities

Purchases of BHF common stock made by or on behalf of BHF or its affiliates during the three months ended June 30, 2019 are set forth below:

Period	Total Number of Shares Purchased (1)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (2)	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs
				(In millions)
April 1 — April 30, 2019	354,806	$ 38.88	352,259	$ 29
May 1 — May 31, 2019	1,435,198	$ 38.26	1,435,198	$ 374
June 1 — June 30, 2019	1,788,630	$ 37.50	1,788,385	$ 307
Total	3,578,634		3,575,842	

(1) Where applicable, total number of shares purchased includes shares of common stock withheld with respect to option exercise costs and tax withholding obligations associated with the exercise or vesting of share-based compensation awards under our publicly announced benefit plans or programs.

(2) In August 2018, we authorized the repurchase of up to $200 million of our common stock and, on May 3, 2019, we authorized the repurchase of up to an additional $400 million of our common stock. For more information on common stock repurchases, see "Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — The Company — Primary Uses of Liquidity and Capital — Common Stock Repurchases" and Note 8 of the Notes to the Interim Condensed Consolidated Financial Statements.

Item 5. Other Information

On August 5, 2019, Brighthouse Services, LLC ("Brighthouse Services"), an indirect wholly-owned subsidiary of BHF and the Company's internal services and payroll company, agreed to pay Conor Murphy, the Company's Executive Vice President, Chief Operating Officer and Interim Chief Financial Officer, $361,000 for miscellaneous relocation costs and related expenses (of which $161,000 was reimbursement for the payment of income taxes) under the Brighthouse Services, LLC Blue Relocation Policy (the "Relocation Policy"), which is included as Exhibit 10.3 hereto. The amounts paid to Mr. Murphy under the Relocation Policy are subject to repayment by Mr. Murphy if he voluntarily ceases employment with Brighthouse Services, voluntarily transfers to a new location or is terminated for certain conduct within two years of his execution of a repayment agreement, and in certain other circumstances as set forth in the Relocation Policy.

Item 6. Exhibits

*(**Note Regarding Reliance on Statements in Our Contracts:** In reviewing the agreements included as exhibits herein, please remember that they are included to provide you with information regarding their terms and are not intended to provide any other factual or disclosure information about Brighthouse Financial, Inc. and its subsidiaries or affiliates, or the other parties to the agreements. The agreements contain representations and warranties by each of the parties to the applicable agreement. These representations and warranties have been made solely for the benefit of the other parties to the applicable agreement and (i) should not in all instances be treated as categorical statements of fact, but rather as a way of allocating the risk to one of the parties if those statements prove to be inaccurate; (ii) have been qualified by disclosures that were made to the other party in connection with the negotiation of the applicable agreement, which disclosures are not necessarily reflected in the agreement; (iii) may apply standards of materiality in a way that is different from what may be viewed as material to investors; and (iv) were made only as of the date of the applicable agreement or such other date or dates as may be specified in the agreement and are subject to more recent developments. Accordingly, these representations and warranties may not describe the actual state of affairs as of the date they were made or at any other time. Additional information about Brighthouse Financial, Inc. and its subsidiaries and affiliates may be found elsewhere herein and Brighthouse Financial, Inc.'s other public filings, which are available without charge through the U.S. Securities and Exchange Commission website at www.sec.gov.)*

Exhibit No.	Description
10.1	Amended and Restated Revolving Credit Agreement, dated as of May 7, 2019, among Brighthouse Financial, Inc., JPMorgan Chase Bank, N.A., as administrative agent, and the other lenders party thereto is incorporated by reference to Exhibit 10.8 to our Quarterly Report on Form 10-Q, filed May 7, 2019 (File No. 001-37905).
10.2*	First Amendment to Term Loan Agreement, dated as of May 31, 2019, by and among Brighthouse Financial, Inc., the banks party thereto and JPMorgan Chase Bank, N.A., as Administrative Agent.
10.3*#	Brighthouse Services, LLC Blue Relocation Policy, revised July 1, 2019.
10.4*	First Amended and Restated Investment Management Agreement, dated as of July 17, 2019, by and between Brighthouse Services, LLC and MetLife Investment Management, LLC.
10.5#	Offer Letter, dated as of July 24, 2019, between Brighthouse Services, LLC and Edward Spehar is incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K, filed July 24, 2019 (File No. 001-37905).
31.1*	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Interim Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1**	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2**	Certification of Interim Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS*	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH*	Inline XBRL Taxonomy Extension Schema Document.
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document.
104*	The cover page of Brighthouse Financial, Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2019, formatted in Inline XBRL (included within the Exhibit 101 attachments).

* Filed herewith.

** Furnished herewith.

# Denotes management contracts or compensation plans or arrangements.

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

BRIGHTHOUSE FINANCIAL, INC.

By:		/s/ Conor E. Murphy
	Name:	Conor E. Murphy
	Title:	Executive Vice President, Chief Operating Officer and Interim Chief Financial Officer
		(Authorized Signatory and Principal Financial Officer)

Date: August 6, 2019

<u>FIRST AMENDMENT TO TERM LOAN AGREEMENT</u>

This **FIRST AMENDMENT TO TERM LOAN AGREEMENT** (this "<u>Amendment</u>") is made and entered into as of May 31, 2019 by and among **BRIGHTHOUSE FINANCIAL, INC.**, a Delaware corporation (the "<u>Company</u>"), the undersigned **BANKS** and the Administrative Agent (as defined below). Reference is made to that certain Term Loan Agreement, dated as of February 1, 2019 (the "<u>Credit Agreement</u>"), by and among the Company, the Banks from time to time party thereto and **JPMORGAN CHASE BANK, N.A.**, as administrative agent (the "<u>Administrative Agent</u>"). Capitalized terms used herein without definition shall have the meanings assigned to such terms in the Credit Agreement.

WHEREAS, the Company has requested that the Administrative Agent and the undersigned Banks agree to amend the Credit Agreement in the manner set forth herein;

WHEREAS, the undersigned Banks and the Administrative Agent are willing to amend the Credit Agreement, on the terms and subject to the conditions set forth herein; and

NOW, THEREFORE, in consideration of the mutual agreements herein contained, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. **<u>Loan Document</u>**. This Amendment shall constitute a Credit Document for all purposes of the Credit Agreement and the other Credit Documents.

2. **<u>Amendment to the Credit Agreement</u>**.

(a) <u>Section 1.01</u> of the Credit Agreement is hereby amended by deleting the reference to "Revolver Effective Date" contained in the definition of "Adjusted Consolidated Net Worth" and substituting in lieu thereof the text: "August 4, 2017."

(b) <u>Section 5.12</u> of the Credit Agreement is hereby amended by deleting the reference to "$150,000,000" contained therein and substituting in lieu thereof the text: "$250,000,000."

3. **<u>Conditions to Effectiveness of Amendment</u>**. This Amendment shall become effective upon receipt by the Administrative Agent of a counterpart signature to this Amendment duly executed and delivered by the Company, the Administrative Agent and the Required Banks.

4. **<u>Expenses</u>**. The Company agrees to pay promptly following written demand the reasonable and documented out-of-pocket expenses incurred by Administrative Agent (including the reasonable fees, charges and disbursements of one outside counsel) in connection with the negotiation, preparation, execution and delivery of this Amendment.

5. **<u>No Implied Amendment or Waiver</u>**. Except as expressly set forth in this Amendment, this Amendment shall not, by implication or otherwise, limit, impair, constitute a waiver of or otherwise affect any rights or remedies of the Banks under the Credit Agreement or the other Credit Documents, or alter, modify, amend or in any way affect any of the terms, obligations

or covenants contained in the Credit Agreement or the other Credit Documents, all of which shall continue in full force and effect. Nothing in this Amendment shall be construed to imply any willingness on the part of the Banks to agree to or grant any similar or future amendment, consent or waiver of any of the terms and conditions of the Credit Agreement or the other Credit Documents.

6. **Counterparts; Governing Law**. This Amendment may be executed in any number of counterparts and by different parties hereto on separate counterparts, each of such when so executed and delivered shall be an original, but all of such counterparts shall together constitute but one and the same agreement. Delivery of an executed counterpart of a signature page of this Amendment by fax transmission or other electronic mail transmission (e.g., “pdf” or “tif”) shall be effective as delivery of a manually executed counterpart of this Amendment. THIS AMENDMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

[Remainder of Page Intentionally Left Blank]

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

COMPANY:

BRIGHTHOUSE FINANCIAL, INC.

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

BANKS:

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

By: /s/ James S. Mintzer
Name: James S. Mintzer
Title: Executive Director

Signature Page to First Amendment to Term Loan Agreement

Bank of America, N.A., as a Bank

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

Signature Page to First Amendment to Term Loan Agreement

BNP Paribas, as a Bank

By: /s/ Marguerite L. Lebon
Name: Marguerite L. Lebon
Title: Vice President

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

HSBC Bank USA, National Association as a Bank

By: /s/ Daniel Hartmann
Name: Daniel Hartmann
Title: Vice President, Financial Institutions Group

Signature Page to First Amendment to Term Loan Agreement

U.S. Bank National Association

By: /s/ Tenzin Subhar
Name: Tenzin Subhar
Title: Vice President

Signature Page to First Amendment to Term Loan Agreement

Citizens Bank, N.A., as a Bank

By: /s/Donald A. Wright
Name: Donald A. Wright
Title: SVP

Signature Page to First Amendment to Term Loan Agreement

Credit Agricole Corporate and Investment Bank, as a Bank

By: /s/ Gordon Yip
Name: Gordon Yip
Title: Director

By: /s/ Myra Martinez
Name: Myra Martinez
Title: Vice President

Signature Page to First Amendment to Term Loan Agreement

Fifth Third Bank, as a Bank

By: /s/ Christine Reyling
Name: Christine Reyling
Title: Senior Vice President

Signature Page to First Amendment to Term Loan Agreement

PNC Bank, National Association, as a Bank

By: /s/ Paul Gleason

Name: Paul Gleason

Title: Vice President

Signature Page to First Amendment to Term Loan Agreement

First National Bank of Pennsylvania, as a Bank

By: /s/ Kenneth M. Harris
Name: Kenneth M. Harris
Title: Senior Vice President

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MUFG Bank, Ltd., as a Bank

By: /s/ Rajiv Ranjan
Name: Rajiv Ranjan
Title: Vice President

Signature Page to First Amendment to Term Loan Agreement

Wells Fargo Bank, National Association, as a Bank

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

Signature Page to First Amendment to Term Loan Agreement

Associated Bank, National Association, as a Bank

By: /s/ Liliana Huerta Correa
Name: Liliana Huerta Correa
Title: Senior Vice President

Signature Page to First Amendment to Term Loan Agreement

KEYBANK NATIONAL ASSOCIATION, as a Bank

By: /s/ James Cribbet
Name: James Cribbet
Title: SVP

Signature Page to First Amendment to Term Loan Agreement

Société Générale, as a Bank

By: /s/ Arun Bansal
Name: Arun Bansal
Title: Managing Director

Signature Page to First Amendment to Term Loan Agreement

Exhibit 10.3

Blue Relocation Policy

Salary Grades 14 & Above

Revised July 1, 2019

Table of Contents

BRIGHTHOUSE SERVICES, LLC BLUE RELOCATION POLICY

I. INTRODUCTION

Brighthouse Services, LLC has contracted with SIRVA to administer its relocation benefits. This Relocation Policy (the "Policy") is effective as of July 1, 2019. The Policy is not intended to be an expressed or implied contract, nor is it intended to otherwise create any legally enforceable obligations on the part of Brighthouse Services, LLC or any of its affiliated entities. This Policy supersedes and replaces all previous policies, practices and guidelines regarding domestic relocation within the United States for those individuals to which it applies. Brighthouse Services, LLC reserves the right to add to, modify or delete provisions of this Policy at any time without advance notice to employees who are subject to this Policy. Modifications can be made for any reason at the discretion of Brighthouse Services, LLC or the administrator, including changes to reflect Brighthouse Services, LLC's changing business objectives or otherwise as required by local laws and regulations. Brighthouse Services, LLC will make all determinations regarding eligibility for and amount of benefits or payments under this program, in its sole discretion, and its interpretation of this Policy will be final and binding.

II. ELIGIBILITY

To be eligible for this Policy you must meet the following criteria:

- You are a full-time, salaried Brighthouse Services, LLC employee or a new hire scheduled to be a full-time, salaried Brighthouse Services, LLC employee, at Grade 14 or above.
- You have received a letter from Brighthouse Services, LLC requesting that you relocate and stating that you are entitled to the benefits provided under this Policy. Employee-initiated relocations are NOT eligible for relocation benefits.
- The distance between your former residence and your new job site must be at least 50 miles greater than the distance between your former residence and your former job site.

Relocation assistance is provided to you and your family members who permanently reside with you, are relocating with you, and who will reside with you in the new location. If your spouse or domestic partner is also a Brighthouse Services, LLC employee being transferred, only one set of relocation benefits will be provided.

III. BENEFIT HIGHLIGHTS

SIRVA will assist with selling your home and buying or leasing a new one. A Loss-on-Sale payment up to $50,000 is available to assist you with a financial loss you may incur on the sale of your home. The various types of expense reimbursements and assistance from SIRVA available under this Policy are listed below as either Departure Services (related to selling your home) or Destination Services (relating to buying a home and transitioning to the new home).

The benefits listed above are only an outline of the types of benefits provided under this Policy. For more information regarding a specific benefit, including limitations and conditions, please see the full description of each benefit in the applicable sections of this Policy which follow.

IV. CONDITIONS

a. Benefits Must be Used Within 1 Year of Relocation

All events necessary for receiving relocation benefits under this Policy, including (if necessary) the submission of forms, must be completed within one year of the date your new address is entered into the Human Resources system of record. For example, if your household goods have not been transported to your new home within one year of the date that your new address was entered into the Human Resources system of record, Brighthouse Services, LLC will not pay for the cost of transporting your household goods. If you have not submitted the necessary HUD-1 form or Settlement Statement to SIRVA within one year of the date that your new address is entered into the Human Resources system of record, Brighthouse Services, LLC will not reimburse you for any Loss-on-Sale that you incur. Please consult with your SIRVA Relocation Consultant if you have any questions regarding the one-year deadline.

b. Repayment Agreement

The costs that Brighthouse Services, LLC will incur because of this move are extensive. For this reason, and to be sure you are committed to the new position, we require that you sign a Repayment Agreement. The Repayment Agreement stipulates that you will repay costs* incurred by Brighthouse Services, LLC on your behalf if, generally, you leave the employment of Brighthouse Services, LLC within two years of the date your new address is entered into the Human Resources system of record, based on the chart below:

0 – 180 days	100%
181 – 365 days	75%
366 – 545 days	50%
546 – 730 days	25%

*If you repay these costs in the same calendar year you received payment, you are responsible for repaying only the actual costs incurred. If you repay these costs in a year after the year that you received payment, you are responsible for repayment of the actual costs plus any associated taxes that were withheld by the company.

These costs include home marketing and sale assistance, home finding and purchase assistance or rental assistance, household good transportation, temporary housing, among other benefits. Repayment is required for the following reasons: 1) you voluntarily terminate employment with Brighthouse Services, LLC; 2) Brighthouse Services, LLC terminates your employment because you engaged in a serious infraction of Brighthouse Services, LLC policy, theft of Brighthouse Services, LLC property or services or other dishonest conduct, or conduct otherwise injurious to the interests of Brighthouse Services, LLC, or because you demonstrated unacceptable lateness or absenteeism; or 3) you voluntarily transfer your employment to another position or function within Brighthouse Services, LLC that either is not at the new location or is materially different from the position or function for which you were transferred to the new location. The Repayment Agreement must be signed and returned to Brighthouse Services, LLC prior to implementing any relocation services.

c. Cooperation with SIRVA

Your cooperation with SIRVA throughout the process will help ensure that your move is handled with the least inconvenience possible. Accordingly, please comply with all timelines spelled out in this Policy and in the instructions you receive from SIRVA. **Failing to comply with the terms of this Policy or with SIRVA's instructions may jeopardize your eligibility for benefits under this Policy.**

As part of your cooperation with SIRVA, Brighthouse Services, LLC requires that you:

- Refrain from contacting a real estate broker or listing your home with an agent. SIRVA will recommend pre-qualified brokers who are trained and experienced in corporate relocation transactions. They will recommend brokers for both selling your current home and purchasing a home in the destination location.
- Accurately complete all required disclosure materials. Real estate transactions are governed by laws and regulations designed to protect the interests of both sellers and buyers. Every home seller has certain duties and obligations to a buyer, including full disclosure of all pertinent information about the condition of the home and its surroundings.

  In this regard, you can protect both yourself and Brighthouse Services, LLC from potential litigation by the timely and thorough completion of all forms and documents pertaining to the condition of the property. It is not the intent of Brighthouse Services, LLC to relieve you of your duties and obligations relating to full disclosure. You will be asked to complete property disclosure forms for the real estate agent and for SIRVA. You must complete and return these forms at the beginning of the listing period.

- DO NOT sign anything or accept any monies as this may affect the taxability of Home Sale Assistance described in the Home Sale Assistance section, should you receive an offer on the sale of your home. Simply contact your SIRVA Relocation Consultant and he or she will instruct you on how to proceed. SIRVA ensures that you will have after-hours access to your SIRVA Relocation Consultant or a designated representative at all times.
- Retain receipts and other documentation to verify relocation expenses and to support payments made to you by Brighthouse Services, LLC. You must submit expense reports and required receipts (scanned receipts are acceptable) within 60 days of the incurred expense.

V. EXPENSE REIMBURSEMENT – GENERAL

Most standard expenses involved in relocation are covered under this Policy via a direct payment to a supplier, through a lump sum payment, or by reimbursement of relocation expense reports that you submit. Reimbursements will be made under this Policy only after an expense is incurred, and only if a reimbursement request and proper documentation is submitted within 60 days after the expense is incurred (unless the terms of this Policy specifically provide otherwise in a particular case). You must submit your out-of-pocket costs to SIRVA, either online or on a Relocation Expense Report form. **It is very important that the expenses submitted are strictly related to the relocation and does not include other business expenses**. **Relocation expenses and travel should not be paid with a Brighthouse Services, LLC corporate credit card.**

Your SIRVA Relocation Consultant will provide you with instructions for completing these forms online and can also provide you with a hard copy of the Relocation Expense Report for your convenience. It is also important that you retain records and submit original receipts, or scans of original receipts. If you choose to submit your expenses via a Relocation Expense Report, rather than through SIRVA's password protected website, you must submit original receipts to SIRVA.

Once you have submitted all the documents required for reimbursement, Brighthouse Services, LLC will reimburse the expense as soon as practicable, but not later than the last day of the calendar year following the calendar year in which the expense was incurred. Please see the Taxes section for a list of expenses that Brighthouse Services, LLC will reimburse upon receipt of the proper documentation.

Unless another specific deadline for payment is specified below, allowances under this Policy that do not require the submission of a request for reimbursement and accompanying receipts will be paid by Brighthouse Services, LLC no later than March 1 following the calendar year in which you signed your Repayment Agreement. Please see the Taxes section for a list of available Brighthouse Services, LLC -paid allowances under this Policy that do not require the submission of receipts.

VI. DEPARTURE SERVICES AND HOME SALE ASSISTANCE

The sale of your home at a reasonable price and within the shortest amount of time is probably one of your main concerns. Brighthouse Services, LLC wants to help you accomplish this goal, as it benefits both Brighthouse Services, LLC and you by expediting your relocation and keeping costs to a minimum. If you are a homeowner, Brighthouse Services, LLC offers a comprehensive program through SIRVA to assist in marketing and coordinating the sale of your residence to a qualified buyer. Through Home Sale Assistance, Brighthouse Services, LLC will pay those expenses associated with selling and closing your home that it deems to be reasonable and customary.

a. Home Marketing Assistance

To ensure the highest level of service in the most cost-effective manner, you must **NOT** enter into any binding listing agreements with brokers before contacting your SIRVA Relocation Consultant and you must fully participate in the marketing plan.

Brighthouse Services, LLC will provide you with professional assistance on how to market your home to ensure optimum success. **Do not contact a real estate agent or broker before talking to your SIRVA Counselor**. Your SIRVA Relocation Consultant will recommend a broker that is experienced in working on corporate relocation transactions and the specific requirements of these transactions. Furthermore, recommended brokers will have a proven track record of market knowledge and sales success, as well as familiarity with SIRVA's service standards.

SIRVA requires its brokers to meet the following standards:

- Brokerage must have a relocation department or proven relocation-related experience.
- Real estate firm must have no interest (actual or contemplated) in Brighthouse Services, LLC, departure property, or home to be purchased, including any business or family relationship with the owners of the properties.
- Broker must have a proven track record in the selling community. SIRVA tracks list price to sales price ratio, number of current listings, and number of recent sales.

i. Broker Market Analysis

Your SIRVA Relocation Consultant will contact two qualified brokers in your area and ask them to complete a Broker's Market Analysis (BMA) on your home, which will include suggested marketing conditions, competing listing information, and recent sales in the neighborhood. Based on the data they gather and their knowledge of the marketplace, they will provide a most likely sales price.

Your SIRVA Relocation Consultant will review and analyze the market data contained in the BMAs to help you formulate a competitive list price and marketing strategy to achieve the highest possible sales price within a reasonable timeframe. If the recommended list prices indicated by the BMAs are not within 5% of each other, a third one will be ordered and the two closest values will be used to formulate listing and marketing strategies.

You and your SIRVA Relocation Consultant will work with the selected agent to list and market your home and identify potential buyers. You will receive continuous feedback and updates on marketing activity throughout the process.

In addition to ensuring top-of-the-line service delivery to you, SIRVA collects referral fees from its approved brokers, which offsets relocation costs for Brighthouse Services, LLC. If you do not list with a SIRVA-approved real estate broker, your relocation benefits may be reduced to cover the additional cost to Brighthouse Services, LLC.

To assist with a successful sale, **Brighthouse Services, LLC and SIRVA** require that you:

- Use an agent or broker who has been qualified by SIRVA. If you have a preferred agent, please submit the name of that agent for qualification and consideration, realizing that you cannot list the house with a relative or friend as this may cause a conflict of interest.
- Agree to list the home for sale at a price that does not exceed 105% of the average of the two most likely sales prices from the Broker Market Analyses (BMAs) requested by SIRVA.
- Allow reasonable showings and open houses as suggested and maintain the home in marketing condition.
- Present all offers to your SIRVA Relocation Consultant for review.
- Continuously market the home until it is sold.

b. Home Sale Assistance

In addition to Home Marketing Assistance you are eligible for SIRVA's Home Sale Assistance program. Home Sale Assistance states that once you receive an acceptable offer from a potential buyer, SIRVA will buy your house from you at that offer price (which is deemed the house's "Market Value"). Following this, SIRVA will then sell the house to the prospective buyer, bearing the responsibility of closing the sale. Once you are authorized for Home Sale Assistance with SIRVA, your SIRVA Relocation Consultant will contact you to review the program and procedures.

CONTACT YOUR SIRVA RELOCATION CONSULTANT TO DISCUSS ALL OFFERS. DO NOT ACCEPT ANY OFFERS, ANY DEPOSIT MONIES, OR SIGN ANYTHING WITHOUT FIRST CONTACTING YOUR SIRVA RELOCATION CONSULTANT. IF YOU ACCEPT ANY OFFER, DEPOSIT, OR SIGN ANY AGREEMENT WITHOUT SIRVA APPROVAL, SIRVA AND BRIGHTHOUSE SERVICES, LLC RESERVE THE RIGHT TO EXCLUDE YOUR HOME FROM THE HOME SALE ASSISTANCE PROGRAM.

To assist with a successful sale, Brighthouse Services, LLC and SIRVA require that you**:**

- Enter into an Option to Purchase with SIRVA instead of listing your home under your name. This agreement enables SIRVA to list the property in SIRVA's name, facilitate the move and defray many relocation costs. The option will last for six months and is renewable at the end of that period of time with your consent. During this option period SIRVA will expose the home to the marketplace. Most typically, the home will be listed with a real estate agent by SIRVA who will, through exposure to the public, determine what a buyer will pay at arm's length for the home. The Option to Purchase must be executed and returned to SIRVA prior to proceeding with the program.
- Comply with all federal, state and local disclosure requirements associated with the sale of your home. This includes the completion of all real estate disclosure forms that may be required, as well as a SIRVA Seller's Disclosure Statement for execution. This document must be executed prior to proceeding with the program.
- Properly clearing title before selling the home to SIRVA, in the event the title report ordered by SIRVA indicates a cloud on title. SIRVA may be able to assist you in clearing clouds on title. A cloud on title is defined as any outstanding claim, lien, encumbrance, document or condition usually revealed by a title search which impairs the title and the marketability of a property.

i. **Homes Eligible for Home Sale Assistance**

Not all homes are eligible for Home Sale Assistance. To qualify for Home Sale Assistance, the home must be:

- Located in the U.S.
- A completed primary, single-family residence, townhouse, two-family duplex, or condominium unit (provided said unit meets FNMA/FHLMC approval), in each case owned and occupied by the Employee (or in the case of a two-family

duplex, where the entire property is owned by the Employee and one unit of which occupied by the Employee).
- Not rendered ineligible by the provisions listed below.

ii. Homes Not Eligible for Home Sale Assistance

The following properties are ineligible for Home Sale Assistance, unless Brighthouse Services, LLC and SIRVA agree in writing to permit the property into the program on mutually agreed upon terms and conditions. Please speak to your SIRVA Relocation Consultant immediately if your home falls into the category of an excludable property.

- Any income producing properties or properties with inherent in coproducing characteristics (including but not limited to properties with mineral rights, properties with commercial businesses and rental properties but not including two family duplexes owned by the Employee, one unit of which is occupied by the Employee).
- Resort properties.
- Mobile homes/manufactured homes.
- Cooperative units (see Item vi Cooperative Apartment).
- Farms.
- Properties with acreage in excess of five acres.
- Properties with acreage that does not conform to the immediate area.
- Properties on which clear title cannot be delivered.
- Properties which do not qualify for conventional mortgage financing.
- Properties containing or located by hazardous, toxic or potentially hazardous or toxic containers, materials, chemicals or gases (including but not limited to, radon, underground storage tanks, mold, Urea Formaldehyde Foam Insulation (UFFI), carcinogens, irritants, corrosives, environment hazardous and the like).
- Vacant land.
- Residences that are not Fannie Mae approved or income properties other than two-family dwellings.
- Properties that have Exterior Insulation Finishing System (EIFS)/synthetic stucco exterior finishing.
- Properties in which investigations disclose conditions which render the property unmarketable and/or which the Employee does not resolve to the satisfaction of SIRVA.
- Properties not zoned for 1-4 family residential.
- Properties not insurable under SIRVA's property and general insurance liability coverage for relocation homes.
- Partially completed dwelling.

- Converted properties (not originally residential).
- Properties where the Employee currently has or has previously had their home on the market.
- Properties with building materials commonly known as "Chinese Drywall" or other drywall material with similar characteristics.
- Properties with a most probable sales price of at least one million dollars as determined by the average of the BMAs.

If your home is ineligible for Home Sale Assistance program and closing costs on the sale are reimbursed, the direct reimbursement of closing costs is taxable, and will be included in your taxable wages reported on your Form W-2. This payment will be grossed-up for taxes as described in the Taxes section.

Once you have submitted all the documents required for reimbursement, Brighthouse Services, LLC will reimburse the costs as soon as practicable, but not later than the last day of the calendar year following the calendar year in which the costs were incurred.

iii. Inspections and Repairs

In general, SIRVA does not order nor pay for inspections on your home up front. However, SIRVA will typically not acquire a home without inspections. Inspections may be ordered and paid for by a buyer to assist in determining if he/she should purchase the home. SIRVA may use those inspections in its purchase from you. If the buyer does not order inspections SIRVA reserves the right to order its own set of inspections.

If there is a reason to believe inspections are necessary on your home in order to determine if the home is eligible for Home Sale Assistance, SIRVA will order and pay for inspections including but not limited to, a general home, pest, and well and septic, if applicable.

If any additional inspections such as Exterior Insulation Finishing System (EIFS), structural, hardboard siding, etc. are required as a result of the general inspection or SIRVA's due diligence, you may be responsible for those inspection costs.

SIRVA follows the Worldwide Employee Relocation Council's (ERC) Relocation Property Assessment ("Assessment") that identifies structural, safety and inoperable items, regardless of local/state codes. You will also be responsible for repairs required to ensure the home follows state and local codes even if not identified on the Assessment form.

You will be solely responsible for rectifying or repairing any adverse items that appear in any inspections obtained prior to closing with SIRVA. All final re-inspection reports must be satisfactory to SIRVA. If any inspection discloses a significant problem, SIRVA reserves the right to exclude the home from Home Sale Assistance.

iv. Acquisition of the Home

REMEMBER: DO NOT SIGN ANY CONTRACT OR ACCEPT ANY DEPOSIT MONIES. CONTACT YOUR SIRVA RELOCATION CONSULTANT TO DISCUSS ALL OFFERS.

Your SIRVA Relocation Consultant will review all offers to ensure they are bona fide (considering any contingencies such as points, closing costs, repairs, etc.). The SIRVA Relocation Consultant will also determine whether the buyer is likely to qualify for any financing terms included in the contract. If it is determined that the offer is bona fide and that all contingencies can be met, the contract will be sent to and signed by SIRVA as the Seller.

Once SIRVA has exercised the Option to Purchase, a closing will be scheduled with you approximately three days prior to closing with the buyer (referred to as the "Prorate Date"). You will be responsible for all costs and risks associated with the home, up to and including the date of closing with SIRVA. These include but are not limited to: pro-rations for taxes, interest on the mortgage, utilities, homeowner's insurance, agreed upon repairs required from any inspections, and any other costs associated with the ownership of the home. After the date of the closing, SIRVA will be responsible for all of those items regarding the home.

If, after all contingencies of the sale of your home to SIRVA have been met and the property remains eligible for the relocation, the sale of the home to the buyer falls through, the Contract of Sale between you and SIRVA will still be honored.

At the closing between SIRVA and you, SIRVA will provide a Promissory Note for the amount due to you under the Contract of Sale. You will receive the final net proceeds (the equity) in the property within approximately 10 business days from the date of the Promissory Note. Net proceeds are defined as the sales price of the home minus liens, mortgages, appropriate pro-rations, and less any equity advance already received by you. The Contract of Sale states that there will be no real estate commissions or other standard closing costs that will be deducted from the house proceeds.

Home sale closing costs differ by location, but typically consist of:

- Brokerage or agent commission up to a maximum of six percent of the sale price
- Normal and customary home sale closing costs, including:
  - Attorney/escrow fees
  - Customary federal, state, and local transfer taxes
  - Filing and notary fees
  - Legal fees

Note: Points and special financing costs are not reimbursed

If the mortgage company submits funds to you that were previously paid by SIRVA (i.e., escrow payments or additional interest payments), you must immediately return the funds to SIRVA or they will revert to a loan, requiring interest and a payroll deduction.

You are responsible for disclosing all known conditions and defects of the property. If you fail to disclose a condition that is known to you, you may be responsible for all costs incurred by SIRVA as a result of the non-disclosure. Of course, if you do not know that a condition exists, you will not be held responsible for failing to disclose it.

IMPORTANT NOTE: At the closing with you, SIRVA does not actually record title to your home in its name or pay off your mortgage. Instead, SIRVA takes full responsibility for making your mortgage payments, and ultimately paying off the mortgage when a sale between SIRVA and the buyer closes. Until a sale between SIRVA and the buyer closes, the title and mortgage remain in your name and will continue to appear on your credit report. SIRVA assumes all responsibility for the care and maintenance of the home once you close with SIRVA under the provisions of Home Sale Assistance (this is called “Equitable Title” or “Equitable Ownership”.) SIRVA will assist you if any questions should arise in regard to this process.

In the event you are unable to vacate the property at the time of closing with SIRVA, the home may be leased back to you during the approximate three-day period prior to closing with a buyer, at a minimum per diem of $50. A $500 security deposit will be withheld from the net proceeds and will be returned after SIRVA inspects the home following the vacate date. Under the lease, you would be responsible for utilities, general maintenance and insurance on household goods through the date of vacating and/or transfer of possession to SIRVA. The SIRVA Relocation Consultant will provide instructions for transferring utilities, keys, etc.

v. Equity Advance

If you find a home in the new location, you may request an equity advance for a down payment on the purchase, as long as you have a signed purchase contract on your current residence and it has been signed by SIRVA as the Seller. Once you satisfy all the requirements for an equity advance, including any finance contingency, SIRVA will provide you with the necessary paperwork for this request. You may request up to 90% of your equity at this time and the remainder will be available to you after the closing on your current residence. Brighthouse Services, LLC reserves the right to decide, in its sole discretion, whether to grant any request for an equity advance and to determine the amount of any equity advance.

vi. Cooperative Apartment

If you own a cooperative apartment which does not qualify for purchase by SIRVA, you should follow the Home Marketing Assistance procedures and list your home according to the marketing strategy (and program requirements). Your SIRVA Relocation Consultant will advise you with regard to negotiating/accepting an offer. However, when you receive an acceptable offer, you should conclude the sale directly with the buyer. You will be reimbursed normal and reasonable closing costs (as determined by Brighthouse Services, LLC in its sole discretion) which are customarily paid by the seller, and which must be substantiated by a HUD-1 form or other similar documentation. For a cooperative apartment, up to 6% commission will be paid along with $1,000 in advertising costs.

Once you have submitted all the documents required for reimbursement, Brighthouse Services, LLC will reimburse the costs as soon as practicable, but not later than the last day of the calendar year following the calendar year in which the costs were incurred.

The direct reimbursement of closing costs is taxable, and will be included in your taxable wages reported on your Form W-2. This payment will be grossed-up for taxes as described in the Taxes section.

vii. Loss on Sale

Brighthouse Services, LLC realizes that you may incur a financial loss upon the sale of your home in connection with your relocation. To further facilitate your relocation, Brighthouse Services, LLC has agreed to reimburse you for 85% of your loss on the sale of your home up to a maximum of $50,000.

For purposes of this Loss-on-Sale reimbursement, your loss will be calculated as the difference between the documented amount you originally paid for the house and the documented amount for which it was sold. In order to receive the Loss-on-Sale reimbursement, you must submit HUD-1 settlement forms (or other similar documentation), for both your original purchase of the house and for your sale of the house, to SIRVA within 60 days after the date of the closing of the sale of your house. The Loss-on-Sale amount will generally be paid to you in a lump sum on either the first or second pay day following the date that all necessary documents are submitted to SIRVA, and in no event will it be paid later than the March 1 following the calendar year in which the closing of the sale of your house occurs.

The lump sum payment reimbursing your Loss-on-Sale is taxable and will be included in your taxable wages reported on your Form W-2. This payment will be grossed-up for taxes as described in the Taxes section.

VII. DESTINATION SERVICES

a. Home Finding Assistance

You are required to contact your SIRVA Relocation Consultant prior to beginning the new home search with any real estate agent. Home Finding Assistance includes selecting a qualified agent, understanding purchase guidelines, negotiations and contracts and obtaining a new mortgage. Your SIRVA Relocation Consultant will contact you to review the program, explain the benefits and offer assistance. This assistance includes:

- Conducting a telephone interview with you to discuss your housing needs and wants at the destination location. After this discussion, the SIRVA Relocation Consultant will use the information acquired to recommend a real estate agent, who is a relocation specialist in the destination area and who is knowledgeable regarding homes within the price range you have requested.
- Explaining “agency” and clarifying who the real estate agent is representing and why.
- Discussing real estate agent expectations so you fully understand what the real estate agent is expected to do for you and in what time frame.
- Reviewing purchase guidelines to help you make a good decision on the home you decide to purchase, including: disclosure hazards such as synthetic stucco, lead paint and other toxic hazards.
- Explaining comparable market analysis and encouraging you to have the real estate agent assist you in putting one together on the home you are purchasing. This will help you determine the best price for the property and eliminate purchasing an over-priced home.
- Assisting with negotiations, which can be very helpful to have the opinion of an uninvolved specialist when you are negotiating the purchase price of a new home.
- Reviewing the purchase agreement, or contract. The SIRVA Relocation Consultant will be available to look over the purchase agreement to help determine if it is written in your best interest.
- Encouraging you to be prequalified with a lender. In many markets, sellers are requiring buyers to be prequalified at the time the offer to purchase is made. The Company has made lender arrangements through SIRVA Mortgage.

b. House-Hunting Trip

The house-hunting trip includes a one-time trip for you and one family member for up to three days/two nights if the distance of the move is 200 miles or less, or seven days/six nights if the distance of the move is more than 200 miles. Reasonable transportation and lodging will be reimbursed, and a per diem meal stipend will be provided ($40 a day for ages 13 and older, and $20 for ages 12 and younger).

Once you have submitted all the documents required for reimbursement, Brighthouse Services, LLC will reimburse these costs as soon as practicable, but not later than the last day of the calendar year following the calendar year in which the expenses were incurred.

The reimbursements for the house-hunting trip are taxable, and will be included in your taxable wages reported on your Form W-2. The house-hunting reimbursements will be grossed-up for taxes, as described in the Taxes section.

c. Temporary Housing Assistance

Brighthouse Services, LLC will provide assistance for temporary housing expenses such as travel and lodging.

In order to qualify for the assistance, the following conditions must be met:

- You must not have established a permanent residence in the new area.
- Your position and work have transferred permanently to the new office.
- A new lease has not been executed or a new home closing has not occurred and you still have a residence in the former location.
- You are not submitting travel/hotel/meal expenses through Brighthouse Services, LLC’s Business Expense Reimbursement system.

You will receive temporary housing assistance for up to 60 days if you are purchasing a home, or 30 days if you will be renting a home. If you need a rental car during your time in temporary housing, Brighthouse Services, LLC will reimburse the cost of a rental car for up to 14 days. You must submit eligible expenses online or complete a SIRVA Relocation Expense Report form and provide copies of all expenses and their receipts.

Once you have submitted all the documents required for reimbursement, Brighthouse Services, LLC will reimburse the expenses as soon as practicable, but not later than the last day of the calendar year following the calendar year in which the expenses were incurred.

Temporary Housing Assistance reimbursement is taxable and will be included in your taxable wages reported on your Form W-2. The Temporary Housing Assistance reimbursement will be grossed-up for taxes, as described in the Taxes section.

d. Miscellaneous Allowance

Brighthouse Services, LLC will provide you with a $7,500 Miscellaneous Allowance to help offset expenses associated with your relocation. You are not required to furnish any accounting or documentation as to how you utilized this allowance. This payment will generally be made available to you approximately six weeks prior to the effective date of the transfer of your location in the payroll system, but in no event later than the March 1 following the calendar year in which you signed your Repayment Agreement.

In special circumstances and in its sole discretion, Brighthouse Services, LLC may make an additional Miscellaneous Allowance payment to you. You are not required to furnish any accounting or documentation as to how you utilized this allowance. Any such additional payment will be made to you shortly after you sign a Repayment Agreement specifically for the additional payment, and in no event later than the March 1 following the calendar year in which you signed such Repayment Agreement. Furthermore, for purposes of any such additional payment, the two-year period specified in Section IV.b of this Policy will begin on the date you signed the Repayment Agreement that is required under this paragraph.

The Miscellaneous Allowance (including any additional Miscellaneous Allowance) is taxable and will be included in your taxable wages reported on your Form W-2. The Miscellaneous Allowance (as well as any additional Miscellaneous Allowance) will be grossed-up for taxes as described in the Taxes section.

e. Home Purchase Assistance

To help you find a home in the new location that is suitable for your family's needs, Brighthouse Services, LLC provides you with assistance from SIRVA. SIRVA will, through its affiliate, SIRVA Mortgage, provide various mortgage-related services for you if you currently own a home and will be purchasing a home in the destination location. The assistance will include:

- Counseling on various types of loan programs available and the impact of those programs based upon your specific financial situation and relocation mortgage benefits.
- Pre-approval assessment for mortgage financing, including credit review, so you are more aware of the value of a home you can acquire in the destination location. You are encouraged to be pre- approved before embarking on a home finding trip. This benefit is without cost or obligation.

SIRVA Mortgage is a mortgage banker that is licensed to originate loans in all fifty states plus Washington DC, specializing in relocation lending. SIRVA Mortgage offers a wide variety of mortgage products through the nation's leading lenders. SIRVA will shop rates and programs through its multi-lender approach to find the most competitive rate for your mortgage loan.

SIRVA Mortgage offers a no closing cost loan. In order to be eligible for the no closing cost loan program:

- You must sell your home through SIRVA's Home Sale Assistance program.
- The residence purchased must be your permanent residence.
- The home purchased cannot be a mobile home or boat.

You must be responsible for recurring costs such as prepaid interest, real estate taxes, and private mortgage insurance (PMI).

If you participate in the no closing cost loan program through SIRVA Mortgage, tax assistance (gross-up) on the new home purchase closing costs will not be applicable.

If your home is ineligible for Home Sale Assistance program, the closing costs on the new home will be reimbursed. The reimbursement will be considered compensation and the Company will gross-up for the reimbursement for taxes as described in the Taxes section.

If you elect not to participate in the no closing cost loan program and use a lender other than SIRVA Mortgage, the closing costs on the new home will be reimbursed. The reimbursement will be reported as additional compensation, although Brighthouse Services, LLC will ***not*** provide tax assistance in the form of a tax gross-up.

If you are renting or otherwise do not own a home in the originating location and will be purchasing in the destination location, the closing costs on the new home will be reimbursed. The reimbursement will be considered additional compensation and the Company will gross-up for the reimbursement for taxes as described in the Taxes section.

A general home inspection will be recommended by your SIRVA Relocation Consultant to help you assess the prospective home's overall condition. Brighthouse Services, LLC will reimburse the cost of this inspection in addition to providing the no closing cost loan.

The general home inspection will be reported as additional compensation and Brighthouse Services, LLC will gross-up for the reimbursement for taxes as described in the Taxes section.

Once you have submitted all the documents required for the reimbursements under this subsection (e), Brighthouse Services, LLC will reimburse the expenses as soon as practicable, but not later than the last day of the calendar year following the calendar year in which the expenses were incurred.

NOTE: Building a new home versus buying an existing property can be a frustrating and expensive proposition. It's a personal decision, but you are encouraged to purchase an existing home to avoid the added costs (which are your responsibility) and risks involved in purchasing new construction. Some of the added costs you may incur include:

- Additional temporary housing expenses due to construction delays.
- Reimbursement of purchase closing costs related to the builder or construction loan.
- Household goods storage costs.

In the event that you are relocated again, it is important to keep in mind when purchasing a home that SIRVA will not accept certain properties into Home Sale Assistance. See the Home Sale Assistance section for a checklist of ineligible properties. However, if you choose to build a new home, Brighthouse Services, LLC will reimburse certain closing costs that it determines, in its discretion, to be reasonable.

f. Rental Assistance

If you choose to rent a home in the new location, your Relocation Consultant will assist you in finding a home to rent in the destination location. You will be contacted to review the program and benefits, and discuss your rental housing and community needs. You will then be referred to a rental expert at the destination location. If you are obligated to pay a finder or broker's fee, Brighthouse Services, LLC will reimburse the fee that is normal and customary for that location, not to exceed 15% of the first year's rent.

Once you have submitted all the documents required for reimbursement, Brighthouse Services, LLC will reimburse the fee as soon as practicable, but not later than the last day of the calendar year following the calendar year in which the fee was incurred.

The reimbursement for the finder or broker's fee is taxable, and will be included in your taxable wages reported on your Form W-2. The finder or broker's fee reimbursement will be grossed-up for taxes as described in the Taxes section.

The Relocation Consultant will counsel you on areas of consideration during the rental process such as:

- Rental applications
- Rental deposits
- Security considerations
- Lease considerations
- Renters insurance

If you do sign a lease in the new location, please make sure it includes the following Lease Cancellation Clause, which will allow you to cancel the lease without penalty providing proper notice is given in the event of a Brighthouse Services, LLC-initiated relocation:

"If tenant *is transferred out of the city or country in which the leased premises is located, then tenant may terminate this lease by giving sixty (60) days written notice, with a copy of the company transfer notice attached, provided tenant is not otherwise in default."*

i. Rental Home Finding Trip

Brighthouse Services, LLC will provide you with a one-time trip for you and one family member for up to three days/two nights if the distance of the move is 200 miles or less, or five days/four nights if the distance of the move is more than 200 miles. Reasonable transportation and lodging will be reimbursed, and a per diem meal stipend will be provided ($40 a day for ages 13 and older, and $20 for ages 12 and younger).

Once you have submitted all the documents required for reimbursement, Brighthouse Services, LLC will reimburse these costs as soon as practicable, but not later than the last day of the calendar year following the calendar year in which the expenses were incurred.

The reimbursement for the home-finding trip is taxable, and will be included in your taxable wages reported on your Form W-2. The home-finding reimbursement will be grossed-up for taxes as described in the Taxes section.

**If it is not known whether you want to purchase or rent a home in your destination location, only one trip is allowed (either house-hunting or rental home finding).

ii. Lease Cancellation Payment

If you incur penalties for canceling or breaking your lease, Brighthouse Services, LLC will reimburse up to two months' rent to assist with this payment. This penalty does not include the loss of deposit due to damage, repairs, pet damage or neglect.

To receive payment, submit expenses online or through a Relocation Expense Report form along with a copy of your lease and a letter from the landlord or property manager outlining the charges no later than 60 days after the date on which your lease is terminated.

Once you have submitted all the documents required for reimbursement, Brighthouse Services, LLC will reimburse the penalties as soon as practicable, but not later than the last day of the calendar year following the calendar year in which the penalties were incurred.

The payment reimbursing your lease cancelation fee is taxable, and will be included in your taxable wages reported on your Form W-2. The lease cancellation fee reimbursement will be grossed-up for taxes as described in the Taxes section.

Depending on the location, SIRVA will advise you as to whether Brighthouse Services, LLC will be directly billed for these cancellation fees, or whether you must pay the fees yourself and submit for reimbursement (including receipts) online or by a Relocation Expense Report form.

g. Transportation and/or Storage of Your Household Goods

Your SIRVA Relocation Consultant will help you with the arrangements for moving your household goods to the new location. The SIRVA Relocation Consultant will explain the process and put you in touch with a professional mover. It is important that you or an adult family member arrange to be present to supervise the move and that you provide a telephone number where the moving company can reach you prior to your move date. Brighthouse Services, LLC will be billed directly from the carrier for the cost of shipping your household goods. **Brighthouse Services, LLC does not reimburse tips to the movers**.

i. Authorized Charges

Brighthouse Services, LLC will pay the following charges in connection with your move by an approved professional moving service:

- Provide all required packing materials.
- Crate and uncrate necessary household items as recommended by the movers.
- Perform normal appliance servicing at origin and destination locations.
- Perform all packing, loading, transporting, and unloading.
- Provide partial unpacking services.
- Remove debris upon completion of the move (includes one pickup by the carrier of all cartons unpacked by you within 30 days of delivery); make sure during any unpacking that you inspect every carton and all packaging material so that no item is accidentally discarded.

Partial unpacking services include:

- Unload the moving van and place furniture and boxes in specific rooms in the home per the transferee’s instructions.
- Unpack mattresses and assemble beds.
- Unpack dresser mirrors and similar items and reassemble.
- Reassemble any item disassembled by the mover to facilitate transportation. Exceptions include any item needing professional expertise to reassemble, such as a slate pool table, major appliances, etc.

Items of value such as deeds, coin collections, jewelry and precious stones should not be shipped with the carrier. Should you choose to ship these items, you must make special arrangements, at your own expense, to do so. If you do send such items with the SIRVA-selected mover and do not disclose them, then neither the mover nor the insurer will be responsible for any loss or damage to such items.

The moving service will prepare a complete inventory list of the household goods describing the condition of each item (nicks, scratches, dents, etc.). You should review the inventory list carefully to make sure you agree with the driver's description before signing the inventory list. The inventory list is an important document in the settlement of claims for loss and damage.

If you must vacate your residence at the departure location before you have procured permanent housing at the destination location, the Brighthouse Services, LLC will pay for storage costs of household goods for up to 60 days if you are a homeowner in the departure location or up to 30 days if you are a renter in the departure location. Storage costs are figured on a daily basis. Although storage will be provided, the Brighthouse Services, LLC recommends that you attempt to coordinate the shipment to be transported directly from your home at the departure location to your home at the destination location to avoid excessive handling of your household goods. The Brighthouse Services, LLC will not cover the cost of accessing items that have been placed in storage. Your mover will designate an agent to arrange storage of your goods. Be sure to obtain the name, address, and telephone number of the warehouse where your goods will be stored. The storage costs are taxable and will be included in your taxable wages reported on your Form W-2. The value of these expenses will be grossed-up for taxes via a gross up payment as described in the Taxes section below.

ii. **Brighthouse Services, LLC will not pay for the following:**

- Exclusive use of the moving service van or truck, expedited service or extra drop off/pick up stops.
- Housecleaning, maid, or debris removal service at either the old or new home.
- Removal or installation of wall-to-wall carpeting, draperies and/or rods, electrical fixtures, water softeners, or similar items.
- Packing or transportation of boats, trailers, airplanes, household pets, plants, building materials, wood, or any perishable item.
- Transportation of flammable items such as paints, household cleaners, etc.
- Swing sets, portable swimming pools, waterbeds, hot tubs, utility sheds, fencing, or items of similar nature.
- Firearms and/or ammunition.
- Valuable items, such as jewelry, precious stones, art, or collectibles (coins, sports memorabilia, etc.).

iii. Replacement Value Protection of Household Goods

Replacement value protection will be provided through the selected moving company based on a dollar value per pound, multiplied by the total weight of the shipment (excluding automobiles). Discuss valuation coverage based on the pre-move survey with your Relocation Consultant or the moving company representative. If coverage is not adequate, additional coverage may be procured. Any items lost or damaged while in the carrier's custody, will be either repaired or replaced with a similar kind or the carrier will pay the replacement value of such items. High value items must be listed on a separate inventory form and are not covered by Brighthouse Services, LLC. Brighthouse Services, LLC cannot replace (nor will shippers agree to handle) high value items like securities, cash, art, heirlooms or precious jewelry. We recommend that you pack and transport these items yourself, or that you hire (at your own expense) a specialized carrier to do so.

The costs associated with your household goods shipment will be included in your taxable wages reported on your Form W-2. The value of these expenses will be grossed-up for taxes via a gross up payment as described in the Taxes section below.

h. Automobile Shipping

Your automobiles will be handled by the same carrier who handles your household goods or in some cases, a dedicated automobile carrier. Brighthouse Services, LLC will pay the cost of shipping for up to two cars if the distance of your move is 500 miles or more. Brighthouse Services, LLC is paying for the standard shipping of both vehicles. It will not pay extra costs associated with shipping an antique or collectible car. In order to ensure that the van lines can transport the automobile(s), arrangements should be made at least six weeks before packing day. The costs incurred to ship your automobile(s) are taxable, and will be included in your taxable wages reported on your Form W-2. The value of these expenses will be grossed-up income taxes via a gross up payment as described in the Taxes section below.

i. Moving Day and Final Trip

Brighthouse Services, LLC will reimburse eligible en route expenses from the departure location to the destination location incurred by you and your family members. You must book all travel through the Company's designated travel booking tool and in accordance with the Company's travel policy. Expenses include:

- ◦ Airfare
  - Transportation to and from the terminal
  - Airline luggage charges (one bag per person)
- ◦ Lodging

        - Up to three days/two nights
    - Meals
        - $40 per diem per family member age 13 and older
        - $20 per diem per family member age 12 and younger
        - Receipts will not be required
    - Mileage
        - Reimbursed at the current IRS business rate for up to two automobiles
        - Brighthouse Services, LLC covers up to a total of two automobiles, whether by shipping, mileage reimbursement or a combination of both.
    - Parking and tolls

Your trip must be made by the most direct route—no vacation, extended trips, personal side trips, or leisure travel will be covered.

Once you have submitted all the documents required for reimbursement, Brighthouse Services, LLC will reimburse the expenses as soon as practicable, but not later than the last day of the calendar year following the calendar year in which the expenses were incurred.

Lodging, airfare, meals, parking, tolls and mileage expenses are taxable, and will be included in your taxable wages reported on your Form W-2. The value of these expenses will be grossed-up for taxes via a gross up payment as described in the Taxes section below.

j. Career Assistance Services

Brighthouse Services, LLC offers your spouse or domestic partner career guidance to help with a job search in the new area through the Impact Group. A Career Counselor will develop or give input on resume or curriculum vitae, cover letters, letters of introduction, etc. The Career Counselor will provide the job seeker with information regarding local industry, salary range, licensing and/or certification, and contact information for pertinent associations. They will provide a listing of resources to assist in the job search. The Career Counselor can administer career assistance tools such as Strong Interest Inventory, Self-Directed Search, Myers Briggs Inventory, and other assessments to help in the job search.

Career Assistance services are taxable, and will be included in your taxable wages reported on your Form W-2. The value of the career assistance services will be grossed-up for taxes via a gross up payment as described in the Taxes section.

k. Community Assistance Services

Brighthouse Services, LLC provides assistance to you and your household members with gathering information regarding the new communities. The research is conducted at the time of the need and customized to your specific needs. A Community Counselor will provide detailed information to enable you and your household members to make educated decisions about daycare, schools, activities, or whatever they need to resume their lifestyles in the new community.

Research topics can include, but are not limited to: public and private schools, day care, preschool, child care, recreational interests, pet boarding and veterinary services, elder care needs, medical resources, shopping, places of worship, volunteer opportunities, and cultural and professional sports venues. The information requested is treated as confidential and the research information is provided only to you and your household members.

Community assistance services are taxable, and will be included in your taxable wages reported on your Form W-2. The value of the community assistance services will be grossed-up for taxes via a gross up payment as described in the Taxes section below.

VIII. TAXES

The tax effects of relocation transactions can only be determined on an individual basis. It is important that you talk to a tax professional to find out how certain kinds of assistance may affect your own tax situation. Keep in mind that Brighthouse Services, LLC will not reimburse tax preparation or tax counseling expenses.

The current tax law and Internal Revenue Service (IRS) regulations require that Brighthouse Services, LLC report as wages all relocation expense reimbursements made to you, or paid on your behalf that are not excludable expenses.

Brighthouse Services, LLC will include all taxable reimbursed relocation expenses as wages on your W-2 form in the year in which they are paid. You will also receive a statement called the Relocation Tax Report from SIRVA detailing the relocation expenses related to your move including all lump-sum payments paid to you and money paid to tax authorities on your behalf to help offset the tax liability from this additional income. This money paid to tax authorities to help offset the tax liability is called a tax gross-up.

A tax gross-up is a payment made on your behalf by Brighthouse Services, LLC with respect to your Social Security and Medicare taxes, and the federal, state and local income taxes that would be due on the relocation expenses reported as wages to you. The taxes paid by the Company are also additional wages to you. The company will pay the tax on the additional wages resulting from the payment of taxes. This tax on the tax paid by the company is known as a gross-up. All gross-up payments are included in the wages and taxes reported on your W-2 form.

The tax gross-up calculation will be based on the following factors:

- Your tax filing status.

- Your tax rates based on your compensation from Brighthouse Services, LLC. Compensation from Brighthouse Services, LLC is defined to only include your annualized base salary and relocation expenses. Any bonus and stock options, etc. are excluded. Brighthouse Services, LLC will not include any spousal income, even if you are filing jointly.
- The higher of the standard deduction or estimated itemized deduction of the respective taxing authorities.
- Your destination state.

Nothing in this Policy should be construed as providing, directly or indirectly, income tax advice. For more information about moving expenses, we suggest that you retain the services of a professional tax advisor/preparer.

An expense reimbursement or allowance will not be subject to a gross-up payment unless this Policy specifically states otherwise.

For your convenience, the following table summarizes how Brighthouse Services, LLC withholds taxes and the relocation allowance under this Policy.

Relocation Expense	Taxable Taxable	Gross-Up Calculation	Payment Deadline
Rental/House Hunting Trip	Yes	At individual’s tax rate	Deadline for reimbursement[2]
Miscellaneous Allowance Lump Sum (including any additional Miscellaneous Allowance Lump Sum)	Yes	At individual’s tax rate	Deadline for allowances[1]
Temporary Housing Assistance	Yes	At individual’s tax rate	Deadline for reimbursement[2]
Final Move meals, mileage, airfare, lodging, tolls, parking	Yes	At individual’s tax rate	Deadline for reimbursement[2]
Transportation of Household Goods	Yes	At individual’s tax rate	Employer will generally be billed directly by moving company. If employee pays moving company’s bill, deadline for reimbursement[2]
Storage of Household Goods	Yes	At individual’s tax rate	Employer will generally be billed directly by moving company. If employee pays storage company’s bill, deadline for reimbursement[2]
New Home Closing Costs (No Closing Cost Loan program)	No	No closing cost, as such, nothing to include in employee’s income	N/A
New Home Closing Costs (reimbursement if home not eligible for Home Purchase Assistance)	Yes	At individual’s tax rate	Deadline for reimbursement[2]
New Home Closing Costs (if rented or did not own a home in the originating location)	Yes	At individual’s tax rate	Deadline for reimbursement[2]

Relocation Expense	Taxable Taxable	Gross-Up Calculation	Payment Deadline
New Home Closing Costs (when employee chooses a lender other than SIRVA Mortgage)	Yes	No	Deadline for reimbursement[2]
Finder or Broker's Fee for New Rental Home	Yes	At individual's tax rate	Deadline for reimburseent[2]
Home Sale through SIRVA	No	No – not included in employee income	N/A
Home Sale – Direct Reimbursement for Excluded Primary Homes and Coops	Yes	At individual's tax rate	Deadline for reimbursement[2]
Loss on Sale	Yes	At individual's tax rate	Generally, on the first or second pay day following the date that all necessary documents are submitted to SIRVA, but not later than March 1 following the calendar year in which the closing of the sale of your house occurs.
Lease Cancellation	Yes	At individual's tax rate	Deadline for reimbursement[2]
Career/Community Assistance	Yes	At individual's tax rate	N/A – employer will pay provider directly
Automobile Shipping	Yes	At individual's tax rate	Employer will generally be billed directly by moving company. If employee pays moving company's bill, deadline for reimbursement[2]
Home Inspection Costs	Yes	At individual's tax rate	Deadline for reimbursement[2]

[1] These items are considered allowances. Allowance will be paid no later than the March 1 following the calendar year in which you signed your Repayment Agreement.

[2] These items are considered expense reimbursements. Assuming all documents required by the Company have been submitted by the due date established by the Company for such claims for reimbursement, expense reimbursements will be paid not later than the last day of the calendar year following the calendar in which the expense was incurred.

IX. CONDITIONS FOR RECEIVING BENEFITS

To receive payment of allowances and reimbursements or to receive services under this Policy, on the day such allowances or reimbursements are paid or services provided, you (i) must be actively employed by the Company, (ii) are not under investigation by Human Resources or by any governmental authority for any criminal activity or otherwise, or (iii) must be in good standing with the Company. Further, if your employment terminates for any reason before you incur reimbursable expenses, prior to an event that is required to occur before an allowance can become payable (including, without limitation, your execution of a Repayment Agreement), or before you use any services under this Policy, you will not be entitled to the reimbursement, allowance, services, or other benefits under this Policy.

X. CLAIMS AND APPEAL PROCEDURES

If you wish to challenge an adverse benefit determination, payment amount or plan interpretation relating to benefits under this Policy, you must file a claim. In order to be considered a “claim” under this Policy, your challenge must be made in writing via email and sent to your SIRVA Relocation Consultant in a timely manner as determined by Brighthouse Services, LLC or its delegate, in its sole discretion. You should note that a question or inquiry you may make to your manager or a member of human resources concerning or questioning your benefits will not be treated as a "claim" under these rules unless these procedures are followed. Further, any advice or interpretation regarding the Policy that you may receive from a manager or a human resources representative is not authoritative or binding.

Claims will be responded to within 30 days.

If your claim has been denied, you will receive a written explanation for the reason for the denial. If you receive a denial you will have 60 days from the date on the letter to appeal if you disagree with the determination. After that period, no further administrative appeals can be made. Appeals must be made in writing and sent to:

Administrator – Brighthouse Relocation Policy
Attention: Appeals
11225 North Community House Road
Charlotte, NC 28277

If you appeal, you may submit written comments, documents, records and other information relating to the claim as part of the review. The review by the administrator or his or her designee will consider all comments, documents, records and other information submitted by you at the time of the appeal. The initial adverse decision will not receive any deference in the appeal decision making process. The administrator will review the appeal and decide within 60 days.

If the administrator needs additional information to reach a determination, the Policy administrator will notify you, in writing, before the end of the 60-day review period, that the deadline for responding to the appeal has been extended for another 60 days.

All appeal decisions are final and are not open to further administrative appeal. The administrator or his or her designee has full discretion in making all required determinations. If you wish to pursue your claim further, a civil suit challenging a denial of benefits under this Policy must be filed not later than six months after the date of the denial of the final appeal.

XI. EXCLUSION OF PAYMENTS FOR PURPOSES OF BENEFITS OR STATUTORY SEVERANCE

Payments or benefits made under this Policy are not part of your salary for the purpose of benefit determinations and are not considered benefit eligible compensation or salary for the purpose of calculating benefits under any retirement plan, both pension or 401(k) plan, if applicable, insurance, or other benefit program of Brighthouse Services, LLC. Additionally, to the extent allowable under local law, payments or benefits made under this Policy shall not be used for the purposes of calculating your severance, whether statutory or otherwise.

FIRST AMENDED AND RESTATED

INVESTMENT MANAGEMENT AGREEMENT

BETWEEN

BRIGHTHOUSE SERVICES, LLC

AND

METLIFE INVESTMENT MANAGEMENT, LLC

This First Amended and Restated Investment Management Agreement (the "Agreement"), by and between Brighthouse Services, LLC, an entity organized and existing under the laws of Delaware ("Services"), and **METLIFE INVESTMENT MANAGEMENT, LLC** ("MIM" or "Investment Adviser"), is effective as of July 17, 2019 (the "Effective Date").

WHEREAS, Investment Adviser (formerly known as MetLife Investment Advisors, LLC) and Services entered into the Investment Management Agreement effective as of February 5, 2019 (the "Existing Agreement").

WHEREAS, Investment Adviser and Services now desire to make certain amendments to the Existing Agreement as hereinafter set forth.

WHEREAS, Services is an entity formed to, among other things, provide services to its affiliates, which include Brighthouse Financial, Inc. and its subsidiaries.

WHEREAS, pursuant to investment management agreements (the "IMAs") by and between Services and its affiliates, Brighthouse Life Insurance Company ("BLIC"), Brighthouse Life Insurance Company of NY ("BLICNY"), New England Life Insurance Company ("NELICO"), Brighthouse Financial, Inc. ("BHF"), Brighthouse Reinsurance Company of Delaware ("BRCD"), and Brighthouse Securities, LLC ("BHS") (including Services, each a "Company" and, together, the "Companies"), Services manages and supervises the investment and reinvestment of the general account and separate account (if any) assets of each Company, and is authorized to appoint one or more third-party sub-investment managers to provide investment management services with respect to some, or all, of the general account and separate account (if any) assets of the Companies.

WHEREAS, to assist Services in performing investment management services for the Companies, Services desires to appoint and retain the Investment Adviser as a sub-investment manager with respect to the investment of certain assets of the Companies and as investment manager with respect to certain of Services assets;

WHEREAS, MIM and each of the Companies individually had separate investment management agreements; and

WHEREAS, the Investment Adviser is willing to accept the duties and the responsibilities of a sub-investment manager with respect to the Companies' assets and investment manager with respect to Services' assets.

NOW, THEREFORE, in consideration of the premises and mutual considerations provided in this Agreement, and intending to be legally bound, Services and the Investment Adviser agree that the Existing Agreement shall be amended and restated in its entirety as follows:

1. Appointment; Accounts.

On January 1, 2017, MIM entered into investment management agreements with each of BLIC, BLICNY, NELICO, BHF, Services and BHS to provide investment management services with respect to all of the general account and separate account assets of those Companies (the "Legacy Agreements"). On (i) April 28, 2017, MIM entered into an investment management agreement with BRCD to provide investment management services with respect to all of the assets of BRCD ("Legacy BRCD Agreement"), and (ii) on November 1, 2017, Services and MIM entered into an investment management agreement with respect certain retirement plans of NELICO (the "OCIO Agreements"). On February 5, 2019, each of the Companies and MIM agreed to terminate the Legacy Agreements pursuant to that certain letter agreement dated February 5, 2019. On July 17, 2019, BRCD and MIM agreed to terminate the Legacy BRCD Agreement pursuant to that certain letter agreement dated July 17, 2019. Certain provisions in the Legacy Agreements and Legacy BRCD Agreement were intended to survive termination. Accordingly, nothing contained in this Agreement is intended to (i) waive the rights or liabilities of any party under the Legacy Agreements, the Legacy BRCD Agreement, or the OCIO Agreements, (ii) modify, amend or terminate the OCIO Agreements, or (iii) waive any claims any party may have under the Legacy Agreements, the Legacy BRCD Agreement, or the OCIO Agreements.

The Investment Adviser will act as an investment manager with respect to the assets of the Companies specified in writing to the Investment Adviser by Services from time to time and, except as otherwise provided herein, the proceeds of the investments thereof and accretions and additions thereto (collectively, the "Assets"), and the Investment Adviser will, in exchange for the fees set forth herein and with full investment authority, furnish continuously an investment program with respect to the Assets. The Investment Adviser accepts such appointment and agrees that at all times, the Investment Adviser shall manage the cash, securities, and other investments that comprise the Assets of each Company in one or more accounts (each an "Account" and together the "Accounts") designated in the name of such Company and established and maintained at one or more custodians designated by Services.

Services may add Assets to or remove Assets from the Accounts at any time and from time to time by written notice to the Investment Adviser and may post Assets to third parties as collateral or margin, which shall include the transfer of money, securities or other property from time to time. Services may terminate this Agreement with respect to all or any portion of the Assets in accordance with Section 14 of this Agreement.

In addition to the Accounts, Services may establish trust accounts from time to time in connection with certain reinsurance trust agreements involving the Companies ("Trust Accounts"). The Investment Adviser shall only make substitutions or withdrawals of Assets from such Trust Accounts as directed by Services. The Investment Adviser shall ensure that all investments deposited in each Trust Account by Investment Adviser are in accordance with the Investment Guidelines for such Trust Account; provided, however, that the Investment Adviser shall have no duty or obligation, among other things, to ensure that such investments are "eligible assets" as such term is defined in the applicable reinsurance trust agreement, or that the duties and obligations of the Companies under such reinsurance trust agreement have been complied with; provided that, with respect to any private placement notes allocated to a Trust Account, Investment Adviser shall deliver the original physical note, along with an executed, blank instrument of transfer and an executed incumbency certificate to the relevant trustee at the address provided by Services, or as otherwise reasonably requested by Services from time to time. For the avoidance of doubt, the Investment Adviser will not be obligated to take instructions from or have any liability to the trustees or beneficiaries under such reinsurance trust agreements and such parties shall not be deemed to be third party beneficiaries under this Agreement.

All amounts in this Agreement are expressed as United States dollars.

2. Fees. ü In consideration of the services performed by the Investment Adviser hereunder, Services agrees to pay fees to the Investment Adviser at the times and in the amounts set forth in Exhibit A hereto.

(a) Any valuation of the Assets by the Investment Adviser shall be in accordance with the Investment Adviser's internal valuation policies and/or methodologies, copies of which have previously been provided to Services. The Investment Adviser agrees to promptly furnish Services with a description of any changes to such valuation policies and/or methodologies made after the Effective Date. The Investment Adviser shall be entitled to reasonably rely on the price and value information ("Valuation Information") provided by brokers and Custodians, sub-advisers (including, without limitation, the sponsor) of any underlying investment in which any Company invests or any third party pricing services selected by the Investment Adviser (collectively, the "Pricing Sources").

(b) All valuations of Assets in the Accounts for all calculations of fees contemplated by this Agreement, shall be performed by the Investment Adviser, and the Investment Adviser will provide to Services, at the times and in the manner reasonably required by it, documentation showing the sources for determining such valuations. In the event that Services disputes any valuation or calculation, it shall notify the Investment Adviser, and the two parties shall work together in good faith to determine a valuation or fee mutually acceptable to them. Notwithstanding any other provision of this Agreement, when the nature or amount of such fee is the subject of dispute between the parties, the lower fee calculated by either Services or the Investment Adviser, as applicable, shall be payable by Services in accordance with the terms set forth in Exhibit A, and the remainder, if any, shall be payable at the time that such dispute is resolved.

3. Authority of the Investment Adviser. ü Subject to the provisions of Section 4 herein and to the investment objectives, policies, restrictions, and guidelines set out in Exhibit C, as may be amended from time to time in accordance with this Section 3 (the "Investment Guidelines"), the Investment Adviser shall have the discretionary authority to manage and control the Assets (which consist of general account assets of the Companies and separate account assets (if any) of the Companies), including the power to acquire and dispose of the Assets. At all times, the Assets held in each Company's Account(s) shall be invested in accordance with the Investment Guidelines applicable to that Account. Exhibit C sets forth the guidelines applicable to the Companies. Services shall have the right to ü waive any breach of the Investment Guidelines by written notice to the Investment Adviser and ü change the Investment Guidelines at any time and from time to time by giving at least five (5) days' prior written notice to the Investment Adviser, provided that Services may not make any of the following changes to the Investment Guidelines without the prior consent of Investment Adviser: (1) the addition of a new asset class, investment type or strategy not already covered by this Agreement on the Effective Date, (2) changes that Investment Adviser reasonably determines it cannot accommodate due to market capacity or operational constraints, (3) impact any co-investment obligation of the Investment Adviser's affiliates or the terms pertaining to the investments on which such affiliates may be obligated to invest or (4) cause Investment Adviser to incur material additional expense. Notwithstanding the foregoing, the Investment Adviser shall have a reasonable amount of time to effectuate any changes to the Investment Guidelines (including changes to the guidelines being monitored by Investment Adviser under the Legacy Agreements which on the Effective Date became part of the Investment Guidelines hereunder). Notwithstanding the foregoing and without limiting the Investment Adviser's authority hereunder, from time to time, Services may direct the Investment Adviser to make a particular investment on behalf of a Company (a "Client Directed Investment") by sending written instruction to Investment Adviser. Such written instruction must explicitly state that it is the intention of Services to treat such investment as a Client Directed Investment hereunder. With respect to each Client Directed Investment, Services shall bear the sole responsibility, and Investment Adviser shall bear no liability, for (x) conducting due diligence on and underwriting on such Client Directed Investment, (y) ensuring that, at the time of investment, such Client Directed Investment is in compliance with the Investment Guidelines and (z) the review, and negotiation of all legal and other documentation related to such Client Directed Investment.

(a) Income distributions in respect of any investment of an Account received in cash shall be considered Assets in such Account.

(b) The Investment Adviser shall have the authority to instruct the custodian(s) of the Assets designated by Services, and notified to Investment Adviser, from time to time (the "Custodian") to (i) pay cash for securities and other assets purchased on behalf of the Accounts, (ii) deliver, upon receipt of payment, securities and other assets sold on behalf of the Accounts, (iii) accept delivery of securities and other assets purchased on behalf of the Accounts, and (iv) deliver securities or other assets in connection with the Investment Adviser's Securities Lending Activities (defined below) on behalf of the Accounts; provided that, in each of clauses (i), (ii), (iii), or (iv) above, such payment, delivery, acceptance of delivery, or Securities Lending Activity otherwise complies with the terms of this Agreement. The Investment

Adviser shall not have the authority to (i) instruct the Custodian to deposit or post margin or collateral into or from the Accounts or (ii) cause Services or the Custodian to deliver securities or other property, or pay cash to the Investment Adviser.

(c) With respect to each Public Asset, Services agrees that, notwithstanding any notices or instructions it may provide to the Investment Adviser regarding contributions of assets Services intends to make to the Accounts, the Investment Adviser shall not commence effecting trades with respect to such Public Asset until the Investment Adviser has confirmed with the Custodian that the Accounts have received such assets. With respect to the acquisition of each Private Asset, Investment Adviser will provide Services with a funding notice indicating the funding date of the investment and the amount due thereon. It shall be the sole responsibility of Services to ensure that all such amounts are deposited in the Accounts in a timely fashion in order to allow Investment Adviser to satisfy such funding obligations on behalf of Services. Investment Adviser shall have no liability for Services failure to do so or any resulting losses, default payments or interest that results from any missed funding as a result thereof.

(d) Investment Adviser shall also provide to Services the following additional services in accordance with the Investment Guidelines:

(i) Managing the run off of capital markets activities/transactions that were in existence as of the Effective Date;

(ii) Securities lending and repurchase transactions, including without limitation, acting as lending agent, selecting lending agents, and managing and reinvesting cash collateral received in respect of such transactions in accordance with the terms of the relevant agreements (collectively, "<u>Securities Lending Activities</u>"); and

(iii) Completing the re-registration of physical notes and other securities and revision of applicable administrative details forms and purchaser schedules to reflect the name change of certain Companies in connection with their disaffiliation from MetLife.

4. <u>Investment Limitations and Guidelines</u>. ü The Investment Adviser shall manage the Assets in accordance with the Investment Guidelines and the investment objectives, policies, and restrictions set out in this Agreement or otherwise agreed from time to time by the parties.

(a) The Investment Adviser shall not:

(i) deviate from or breach the Investment Guidelines. Notwithstanding the foregoing, in the event of an inadvertent deviation from or breach of the Investment Guidelines, Services may, in its sole discretion, consent in writing to such breach or deviation.

(ii) invest the Assets (x) in any security identified as a restricted security or restricted issuer in the Investment Guidelines, or (y) in any other security, if Services has previously notified the Investment Adviser in writing that a Company is prohibited from investing in such security. In certain circumstances, Services may only provide Investment Adviser with the name of the ultimate parent of the issuers that a Company is prohibited from investing in. In each such instance, Investment Adviser will use reasonable efforts to ascertain all underlying issuers and securities that should also be restricted. In any case where the Investment Adviser is uncertain as to the meaning of a restricted security or restricted issuer in the Investment Guidelines, the Investment Adviser shall request written clarification or instruction.

(iii) except as specifically permitted by the Investment Guidelines, borrow money on behalf of or in respect of an Account; or

(iv) invest any Account or any portion thereof in any collective investment vehicle for which the Investment Adviser or any of its affiliates serves as investment manager or investment adviser if such investment would require such Account to pay a separate management fee, incentive fee or any similar fee to the Investment Adviser or any such affiliates, unless the Investment Adviser reduces its fees payable by Services in the amount of, or otherwise completely offsets, such separate management fee, incentive fee or similar fee.

5. Brokerage. ü In the selection of brokers or dealers and the placing of orders for the Accounts, the Investment Adviser shall use its best efforts to seek to obtain the most favorable price and execution available and to seek to obtain prompt and good delivery of the appropriate securities or cash, except to the extent it may be permitted to pay higher commissions for brokerage and research services as described below. In selecting a broker or dealer for any transaction or series of transactions, the Investment Adviser may consider a number of factors consistent with its best execution policy. Notwithstanding the foregoing, Services may direct the Investment Adviser to use or not use a particular broker in connection with a transaction or series of transactions; provided, that Services may only direct the use of a particular broker if (i) such broker is on the Investment Adviser's approved broker list, (ii) documentation is in place to execute the trade with such broker and (iii) use of such broker does not violate any applicable law. Any such direction must be communicated to the Investment Adviser in writing and shall not be deemed received by the Investment Adviser until acknowledged in writing. Services acknowledges and agrees that to the extent the Investment Adviser is directed to use a specified broker, the transaction or series of transactions may be subject to higher commissions or transaction costs and may receive less favorable net prices than would otherwise be the case if the Investment Adviser used another broker. For the avoidance of doubt, Services and the Investment Adviser agree that to the extent Services directs the Investment Adviser to use particular brokers(s) to execute some or all trades for Services, while the Investment Adviser will seek to execute on the most favorable overall terms then available from such brokers, the Investment Adviser is relieved of any obligation to achieve best execution for such transactions.

To the extent permitted by law, the Investment Adviser may, but shall be under no obligation to, bunch or aggregate orders occurring at approximately the same time for an Account with those of other applicable accounts managed by the Investment Adviser or its affiliates. Services acknowledges and agrees that the effect of aggregation may work on some occasions in relation to a particular order to the disadvantage of the Accounts. In the event of an aggregated order, the allocation of Assets so purchased or sold, as well as the expenses incurred in such transaction, shall be made by Investment Adviser in accordance with the Investment Adviser's allocation policies. Further information regarding the Investment Adviser's order aggregation practices is available in Part 2A of the Investment Adviser's Form ADV.

The Investment Adviser shall not receive any "soft-dollar" benefits other than research benefits consistent with Section 28(e) of the Securities Exchange Act of 1934, as amended, and SEC guidance thereunder. Accordingly, the Investment Adviser shall receive "soft-dollar" benefits only on agency transactions and certain riskless principal transactions that are reported under FINRA trade reporting rules. No "soft-dollar" benefits shall be received in connection with securities that are not executed on an agency basis, "regular" principal trades, or other instruments traded net with no explicit commissions. To the extent orders do result in any "soft-dollar" research benefits, the Accounts shall participate in all such benefits.

Prior to relying on Section 28(e) of the Securities Exchange Act of 1934, as amended, with respect to the investment management services provided under this Agreement, the Investment Adviser will provide Services with a copy of its soft dollar policy. Additionally, if applicable, the Investment Adviser shall at least annually or at any other time requested by Services provide to Services any information regarding its receipt of "soft dollar" services, including without limitation (i) the amount of all Account transactions entered with brokers or dealers who provided research services to the Investment Adviser, (ii) the brokers or dealers through whom such transactions were executed, (iii) the amount of commissions or other amounts paid with respect to the execution of such transactions and (iv) with respect to any research services received from independent or "third-party" research firms, the amount of commissions or other amounts paid with respect to such transactions in consideration for, in anticipation of, or otherwise with respect to the receipt of those research services.

(a) The Investment Adviser shall notify Services if the Investment Adviser or any affiliate of the Investment Adviser acts (or receiving fees, commissions, compensation, or other payments for acting) as a broker, dealer, or principal with respect to any transaction relating to the Assets. The reporting requirement established in the preceding sentence shall include reporting of actions taken through any affiliate, and the report shall be designed in such a manner as to disclose any possibility of self-dealing or conflict of interest.

(b) Without limiting Section 3(a), Services hereby delegates to the Investment Adviser the authority and discretion to act as agent and attorney-in-fact to negotiate and execute confirmations and other transactional documentation and agreements related to underlying securities or other investments that are held on behalf of one or more of the Companies in the Accounts. The Investment Adviser shall provide to Services and to the Custodian or other designated agent(s) of the Companies, in a manner reasonably acceptable to Services and such Custodian(s) or agent(s), all information in the possession or control of the Investment Adviser or any of its affiliates engaged by the Investment Adviser in connection with providing services under this Agreement reasonably requested by Services or such Custodian(s) or agent(s), as the case may be, to effect all purchases, sales, and settlements of or relating to the investment of the Assets and to collect and receive all dividends, interest payments, and other distributions or payments of any kind on account of or with respect to any investment of the Assets, to use commercially reasonable efforts, at the request of Services, to assist Services in avoiding or minimizing, as the case may be, any foreign or domestic withholding or other taxes of any kind with respect to such purchases, sales, settlements, dividends, payments, or distributions to take advantage of rights or warrant offerings and other corporate actions by issuers of investments held in the Accounts, to settle transactions, and to invest cash balances. The Investment Adviser will use commercially reasonable efforts to:

(i) avoid purchasing or otherwise acquiring for the benefit of any Company an investment that creates a permanent establishment for tax purposes in any jurisdiction outside of the U.S., and

(ii) not engage, on behalf of any Company, in any activity that would cause any Company to be required to file a net income based tax return in any non-US jurisdiction without the prior consent of Services, other than with respect to those non-US jurisdictions previously approved by Services and listed on Exhibit B.

In the event that Investment Adviser determines that it has caused a Company to be deemed to be engaged in any activity that would cause such Company to be required to file a net income based tax return in any non-US jurisdiction, Investment Adviser shall use commercially reasonable efforts to cooperate with such Company, the custodian and any other service provider identified by Services in order to provide such Company with all relevant tax-related information concerning the source, character and amount of such income required for such Company to make required tax filings that Investment Adviser may have in its possession. The Investment Adviser will work with the Custodian to reconcile accounting, transaction and asset-summary data reports and resolve any significant discrepancies following such reconciliation.

(c) Without the prior written consent of Services, no Assets shall be sold or otherwise directly or indirectly transferred between the Accounts or, to the knowledge of the Investment Adviser, to any other account managed or advised by the Investment Adviser or by any partner, principal, employee or other affiliate of the Investment Adviser or to any client of the Investment Adviser or of any partner, principal, employee or other affiliate of the Investment Adviser and, without the prior written consent of Services, no Assets shall be purchased or otherwise directly or indirectly acquired by an Account from another Account or, to the knowledge of the Investment Adviser, from any other account managed or advised by the Investment Adviser or by any partner, principal, employee or other affiliate of the Investment Adviser or any client of the Investment Adviser or of any partner, principal, employee or other affiliate of the Investment Adviser. The consent requirements established in this paragraph shall include consent with respect to purchases or sales or transfers to or from any account or client managed or advised by any affiliate, related company, partnership, joint venture and/or entity wherein the Investment Adviser or any partner, principal, employee or other affiliate of the Investment Adviser has an economic interest.

6. Reports.

(a) The Investment Adviser will provide to Services at its own expense the reports and information, and in such formats and frequencies, as are set forth in Exhibit D.

(b) In the event Services terminates this Agreement with respect to commercial real estate mortgage debt or agricultural mortgage debt, Investment Adviser shall continue to provide those reports listed on Exhibit D (or portions thereof) pertaining to outstanding loan participations in the Accounts until the earlier of the date on which (x) the entire indebtedness represented by all of the loans underlying such Account's outstanding loan participations have been paid and/or the disposition of all properties/assets acquired upon foreclosure and (y) such Account no longer holds any loan participations originated by the Investment Adviser's affiliates.

7. Representations and Warranties of the Investment Adviser. The Investment Adviser hereby represents and warrants to Services on the Effective Date as follows, which representations and warranties in that case of Sections 7(a)-(g), 7(i) and 7(m)-(p) shall be deemed repeated at and as of all times during the term of this Agreement:

(a) Organization and Authority. The Investment Adviser is a limited liability company, duly organized, validly existing, and in good standing under the laws of Delaware, and has full power and authority to carry on its business as it has been and is conducted. The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby are within the power and authority of the Investment Adviser and have been duly authorized by all necessary corporate and other action, and constitute legal, valid and binding obligations enforceable against the Investment Adviser in accordance with their respective terms.

(b) No Breach. Neither the execution and delivery of this Agreement nor the consummation of the transactions contemplated herein will violate (i) any agreement to which the Investment Adviser is a party or by which it is bound, or any law, statute, regulation, rule, vote, order, injunction or approval of any government or political subdivision or any agency, central bank or other instrumentality of either, or any court, tribunal, arbitrator or self-regulatory organization, in each case whether domestic, foreign or international, with jurisdiction over the Investment Adviser (any of such being defined herein as "Law"), or (ii) any provision of the Investment Adviser's organizational documents, or any indenture, agreement or instrument to which the Investment Adviser is a party or by which any of its assets or properties is bound, or conflict with, result in a breach of, or constitute (with due notice or lapse of time or both) a default under any such indenture, agreement or instrument; in either (i) or (ii) the violation of which might reasonably be expected to adversely affect its ability to comply with and perform its obligations under this Agreement.

(c) No Violations of Law. Within the past ten years, neither the Investment Adviser nor any of its managers, members, directors, officers, employees or affiliates, in each case, who are responsible for the provision of services hereunder, has been charged with or convicted of or plead guilty or nolo contendere to (i) any misdemeanor involving fraud, false statements or omissions, wrongful taking of property, bribery, forgery, counterfeiting, extortion, or a conspiracy to commit any of these offenses, or (ii) a violation of any Law (1) governing transactions in securities, the provision of investment advisory services, or otherwise regulating any financial service or (2) that is a felony.

(d) Licenses, Approvals, etc. The Investment Adviser has obtained all necessary licenses, approvals, and authorizations from all appropriate federal, state, local and (where relevant) foreign governmental authorities for the performance of its obligations under this Agreement. Without limiting the foregoing, the Investment Adviser is duly registered with the Securities and Exchange Commission ("SEC") as an investment adviser under the Investment Advisers Act of 1940, as amended ("Advisers Act"), and will, as required by Law, maintain such registration throughout the term of this Agreement and, further, the Investment Adviser represents and warrants that it and each of its managers, members, principals, directors, and officers, and those employees responsible for the provision of services hereunder have materially complied with the requirements of, and have materially performed all acts mandated by, any United States state, United States federal or foreign government in order for it or them to act under the terms and conditions of this Agreement and that it and they will continue so to comply with such requirements and to perform such acts throughout the term of this Agreement.

(e) Insurance. The Investment Adviser has in place insurance adequate in light of its obligations and potential liabilities under this Agreement. All such policies or binders of insurance are valid and enforceable in accordance with their terms and are in full force and effect, and include a professional liability policy with limits of at least $150 million. There have been no impairment of limits of any such insurance policy or binder by the insurer or by any exhaustion or claim payment, and the Investment Adviser has not received notice of cancellation or non-renewal of any such policy or binder. The Investment Adviser will, upon request, provide Services with a list and brief description of the nature, amount and name(s) of carrier(s) of all such insurance or with copies of certificates of insurance evidencing such insurance policies or other additional information as may be appropriate. The Investment Adviser will promptly notify Services in writing in the event that any such coverage is canceled or otherwise terminated without replacement, or modified in a materially adverse manner.

(f) Accuracy of Documents. Each representation or warranty contained in this Agreement and each written statement, certificate, or document furnished or to be furnished to Services by or on behalf of the Investment Adviser pursuant to this Agreement is or will be, as the case may be, true, accurate and complete and contain no material misstatement or omission.

(g) Capacity. The person or persons executing and delivering this Agreement on behalf of the Investment Adviser have all requisite power, authority, and capacity to so execute and deliver them.

(h) No Material Adverse Change. Since the date of its last financial statement, there has not been, occurred, or arisen any material adverse change in the financial condition or in the business of the Investment Adviser or any event, condition or state of facts which materially and adversely affects, or to its knowledge threatens to materially affect, the ability of the Investment Adviser to comply with and perform its obligations under this Agreement.

(i) Compliance. The Investment Adviser has reasonably designed policies and procedures to procure and ensure it is in material compliance with:

(i) all applicable laws, rules and regulations, including all applicable laws, rules and regulations related to investments, directly or through either a domestic or foreign subsidiary, in countries outside of the United States of America, related to laws and regulations which seek to prohibit or limit business activities which pose the potential for supporting or advancing terrorist related activities, particularly business activities in sanctioned or sensitive foreign countries (as identified by the U.S. federal government, the Department of Treasury, the Department of State or the SEC); and

(ii) the regulations, orders or directives of the Office of Foreign Assets Control ("OFAC") of the U.S. Department of the Treasury (including any country sanctions programs or Specially Designated and Blocked Persons List administered and enforced by OFAC), and any statute, executive order (including the September 24, 2001, Executive Order Blocking Property and Prohibiting Transactions with Persons Who Commit, Threaten to Commit, or Support Terrorism), or other governmental action relating thereto.

(j) Anti-Corruption. Each of the Investment Adviser and its officers, partners, members, managers, and directors and, to its knowledge, those employees, or affiliates engaged by the Investment Adviser for the provision of services under this Agreement (i) has not been charged with violating applicable anti-corruption laws, including without limitation the Foreign Corrupt Practices Act ("FCPA"), or the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions ("OECD Convention"), (ii) has not directly or indirectly, given or offered anything of value, including, but not limited to, cash, contributions, gifts, or entertainment, to foreign or domestic government officials or to any private commercial person or entity for the purpose of gaining an improper business advantage in violation of any such applicable anti-corruption law and (iii) has established sufficient internal controls and procedures to ensure compliance with applicable anti-corruption laws, including, but not limited to, the FCPA and the OECD Convention.

(k) Investigations. Except as has been disclosed in writing to Services (including through delivery of the Investment Adviser's Form ADV), none of the Investment Adviser nor any of its officers, partners, members, managers, directors, employees, representatives, agents, or affiliates, in each case, who will be responsible for carrying out the terms of this Agreement in connection with investment management responsibilities, (i) have knowledge, or have received notice, that they are the subject of any formal investigation for violation of any applicable investment-related law, rule or regulation or (ii) are subject to any prohibition or suspension of trading or other privileges on any securities exchange, board of trade, or other organized market.

(l) No Litigation. No material litigation, proceeding or formal investigation of or before any court, arbitrator or government authority, including, without limitation, the SEC or state securities regulatory authority is pending or, to the knowledge of the Investment Adviser, threatened in writing (a) asserting the invalidity or unenforceability of this Agreement, (b) seeking to prevent the consummation of any transactions contemplated by this Agreement or (c) seeking any determination or ruling that would reasonably be expected to have an adverse effect on the ability of the Investment Adviser to perform its obligations under this Agreement.

To the Investment Adviser's knowledge, no material litigation or proceeding before any court, arbitrator or government authority is pending or threatened claiming or alleging the violation of any applicable investment-related law, rule or regulation or the breach of applicable fiduciary duties (a "Material Action") by the Investment Adviser or any of its officers, partners, members, managers, directors, employees, or affiliates, in each case, who will be responsible for carrying out the terms of this Agreement in connection with investment management responsibilities, except any such Material Actions that has been disclosed to Services. Neither the Investment Adviser nor, to the Investment Adviser's knowledge, any of its officers, partners, members, managers, directors, employees, or affiliates in each case, who will be responsible for carrying out the terms of this Agreement in connection with investment management responsibilities, has been convicted or found guilty in connection with any Material Action in the last ten (10) years.

(m) Business Continuity Plan. The Investment Adviser has in place a business continuity plan, which may be updated from time to time, that governs Investment Adviser's treatment of (i) material data processed by Investment Adviser's computer systems in the performance of its duties hereunder, and the retrieval of any such material data from Investment Adviser's back-up facilities, and (ii) the performance of its duties under this Agreement relating to contingency planning, disaster recovery, back-up processing, recovery time objective, resumption operating capacities, escalation, activation and crisis management procedures, and cyber-security and such business continuity plan is subject to regular review and testing and is appropriate in light of Investment Adviser's business and its obligations hereunder.

(n) Delivery of Documents. The Investment Adviser has delivered to Services a copy of its most recent Part 2 of the Investment Adviser's Form ADV, as amended either prior to or at the time of execution of this Agreement.

(o) Policies and Procedures. The Investment Adviser has adopted and implemented written policies and procedures, as required by Rule 206(4)-7 under the Advisers Act, which are reasonably designed to prevent violations of federal securities laws by the Investment Adviser and its supervised persons. The Investment Adviser has provided Services with its compliance policies and procedures (or summaries thereof) applicable to the performance of the investment management services, including those related to best execution, cross-trades and allocation of investments, and agrees to provide copies (or summaries) of any material amendments to such policies and procedures from time to time.

(p) Personnel and Facilities. The Investment Adviser has sufficient and sufficiently qualified and knowledgeable personnel and sufficient facilities to perform its duties under this Agreement.

(q) Cybersecurity Program. Without limiting any other obligations hereunder, Investment Adviser has implemented and will maintain an information security program that includes reasonable and appropriate physical, technical and administrative measures to safeguard information it obtains under this Agreement, including but not limited to:

(i) Written information security policies and procedures;

(ii) Industry standard access controls to limit access to the information and systems containing the information only to those who need such access to perform the services hereunder, including requiring the use of multi-factor authentication for any remote access to the information or systems with access to the information;

(iii) User identification and password standards, including length and configuration attributes (character composition, expiration term, no sharing of accounts, separate privileged user accounts from non-privileged user accounts, etc.);

(iv) Industry accepted methods of secure encryption of the information in transit over public networks and, where applicable to Investment Adviser's services, of data storage and backups of information at rest;

(v) Where applicable to Investment Adviser's services, maintaining regular data backup and recovery systems of the information and any other data or systems used to perform the services;

(vi) Secure logging of all access and changes to the information;

(vii) Regular vulnerability scans and a managed patch management process to redress any identified vulnerabilities; and

(viii) Maintaining and updating all systems, hardware and software for which Investment Adviser is responsible in the performance of any services such that they remain under support by the applicable manufacturer or provider.

8. Covenants of the Investment Adviser. The Investment Adviser covenants with Services as follows:

(a) Compliance with Laws. The Investment Adviser:

1) shall comply and cause each of its officers, partners, members, managers, directors, employees, and affiliates engaged by the Investment Adviser for the provision of services under this Agreement to comply, with all governmental, regulatory and exchange licenses, registrations, and approvals required by law as may be necessary to perform its obligations under this Agreement and to perform such acts throughout the term of this Agreement;

2) shall comply with all Laws applicable to it in its capacity as an investment adviser and in its performance of this Agreement;

3) shall ensure that it will be in compliance with all applicable United States federal anti-terrorism and anti-terrorist financing laws and regulations related to investments, including, if applicable, the Uniting and Strengthening of America by Providing the Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001, as amended;

4) shall, and shall cause each of its officers, partners, members, managers, directors, employees, or affiliates engaged by the Investment Adviser for the provision of services under this Agreement to (i) use funds for lawful purposes, (ii) not violate applicable anticorruption laws, including without limitation the FCPA and the OECD Convention, (iii) not, directly or indirectly, give or offer anything of value, including, but not limited to, cash, contributions, gifts, or entertainment, to foreign or domestic government officials or to any private commercial person or entity for the purpose of gaining an improper business advantage in violation of any such applicable anticorruption laws and (iv) establish sufficient internal controls and procedures to ensure compliance with applicable anticorruption laws, including, but not limited to, the FCPA, the UK Bribery Act, and the OECD Convention;

5) shall comply with all applicable federal laws and regulations related to investments, directly or through either a domestic or foreign subsidiary, in countries outside of the United States of America, related to laws and regulations which seek to prohibit or limit business activities which pose the potential for supporting or advancing terrorist related activities, particularly business activities in sanctioned or sensitive foreign countries (as identified by the U.S. federal government, the Department of Treasury, or the SEC);

6) shall, to the extent permitted by applicable law, promptly notify Services in writing (a) if the representation in Section 7(h) herein ceases to be true or (b) if there occurs or has arisen any material adverse change in the financial condition or in the business of the Investment Adviser or any event, condition, or state of facts which materially adversely affects, or to its knowledge threatens to affect, the Investment Adviser's ability to manage the Accounts.

(b) Duty of Care. The Investment Adviser (i) shall fully and faithfully discharge all of its obligations, duties, and responsibilities pursuant to this Agreement with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person in like capacity and acting in accordance with this Agreement would use in like situations and (ii) acknowledges that it is a fiduciary with respect to the Assets, and assumes the duties, responsibilities and obligations of a fiduciary.

(c) Confidentiality. The Investment Adviser shall implement and maintain written administrative, physical and technical safeguards reasonably and appropriately designed to protect the confidentiality, integrity and availability of the information it obtains under this Agreement. The Investment Adviser shall retain as strictly confidential the transactions contemplated hereunder, including without limitation allocations of the Assets (as defined herein) and the identity and composition of the investments in which the Assets (as defined herein)are invested, as well as all information about Services and the Companies and each of their affiliates received in performing services contemplated by this Agreement, except (i) as among the parties and their affiliates, agents, or service providers in their ordinary course of business who need to know such information to perform their duties in connection with this

Agreement or the Accounts or in connection with any verification of the Investment Adviser's track record (provided the name of the Companies is not disclosed) or for any other accounting, reporting or auditing purposes, (ii) to the extent that disclosure thereof is or may be appropriate, to trade counterparties in relation to transactions undertaken for the Accounts, and to the Custodian, in order to assist or enable the proper performance of its services, (iii) as may be required by applicable state or federal Laws, or applicable regulations, regulatory request or court order, (iv) to the extent that such information has been publicly disclosed other than in violation of this Agreement or any other agreement of which the Investment Adviser has knowledge, (v) in connection with the potential provision of additional services to Services or the Companies or their affiliates by the Investment Adviser or its affiliates; provided any information provided by the Investment Adviser or its affiliates in connection with this clause (v) to unaffiliated third parties shall not include individual holdings level information or (vi) except to the extent that such disclosure may be authorized in advance by Services in writing. The obligations of confidentiality contained herein shall not apply to the federal tax structure or federal tax treatment of the investments advised by the Investment Adviser. The preceding sentence is intended to cause the relationship between the Investment Adviser and Services to be treated as not having been offered under the conditions of confidentiality for purposes of Section 1.6011-4(b)(3) (or any successor provision) of the Treasury Regulations promulgated under Section 6011 of the Internal Revenue Code of 1986, as amended (the "Code") and Section 6111 of the Code and the Treasury Regulations promulgated thereunder, and shall be construed in a manner consistent with such purpose. The Investment Adviser shall not use any information obtained under this Agreement for any reason other than as necessary to perform its duties under this Agreement and as otherwise permitted herein. The Investment Adviser acknowledges and agrees that all information and data relating to Services, any Company or any affiliate of either Services or a Company that is obtained by the Investment Adviser from Services, any Company or any affiliate of either Services or a Company under this Agreement is and remains at all times the property of Services, the applicable Company or applicable affiliate, provided, that Investment Adviser may retain a copy of such information and data for recordkeeping purposes.

(d) Use of Name, etc. Except when required by applicable law or regulatory authority, without the prior written consent of Services, the Investment Adviser shall not, and shall cause its affiliates, partners, officers, directors, employees, members, and agents not to, (i) disclose to any third party, the public, or otherwise any information regarding Services' engagement of the Investment Adviser as investment manager pursuant to this Agreement, including, without limitation, the name or identity of Services or the Companies or any of their affiliates, the fact that it has entered into this Agreement with Services, or any information regarding the Assets or the Accounts, except as reasonably necessary to perform its responsibilities under this Agreement and as otherwise provided herein; (ii) represent, directly or indirectly, whether orally or in writing, that any product or service provided by the Investment Adviser or any of its affiliates has been approved or endorsed by Services or a Company or any of their affiliates or (iii) use, or permit the use of, whether orally or in writing, the name of Services or the Companies or any of their affiliates or any derivative of any of them in any logos, trademarks, trade name, trade device, service mark, symbol or any abbreviation, contraction or simulation thereof owned by Services or a Company or any of their affiliates for any promotional purpose or any other activities, including in any marketing materials, publications, advertising or press releases.

(e) Examinations, etc. If the Investment Adviser is subject to any non-routine examination, inspection, or other similar process, excluding sweeps and other general requests for information, which involves or relates to the investment advisory activities of any of the Investment Adviser, its affiliates, principals, partners, or employees engaged by the Investment Adviser for the provision of services under this Agreement, by any regulatory authority, including without limitation the SEC, to the extent not prohibited by applicable confidentiality restrictions, applicable law or regulatory instruction, the Investment Adviser shall promptly notify Services. The Investment Adviser shall provide to Services a description of any findings or deficiencies by regulatory authorities upon the conclusion of any non-routine examination, inspection, or similar process described in this clause (e) to the extent not prohibited by applicable confidentiality restrictions, applicable law or regulatory instruction.

(f) Notice of Material Action. To the extent permitted by applicable law or regulatory authority, the Investment Adviser shall promptly notify Services in writing if any of the representations contained in Sections 7(b), (c), (h), (j), (k) or (l) cease to be materially true and will furnish Services with a description of such matters to the extent not prohibited by applicable confidentiality restrictions, applicable law or regulatory instruction.

(g) Filings and Registrations. The Investment Adviser shall maintain during the term of this Agreement, all filings and registrations with governmental and regulatory authorities necessary or required in order to perform its obligations hereunder.

(h) Required Regulatory Reports. The Investment Adviser shall, upon request by Services, provide Services with such data in its possession as Services may reasonably request in order to assist Services in Services' preparation and filing, with appropriate federal and state regulatory and administrative authorities, all reports required to be filed by Services or a Company in connection with the services provided under this Agreement with those authorities under then current applicable laws, rules and regulations.

(i) Change in Management. The Investment Adviser shall notify Services in writing of any change in the identity of any of the individuals principally responsible for the management of an Account promptly upon the Investment Adviser learning of such change.

(j) Investment Guidelines.

(a) If the Investment Adviser invests the Assets in violation of the Investment Guidelines or the Investment Guidelines are violated in any other way, the Investment Adviser will promptly notify Services in writing of such violation. If the Investment Adviser makes an operational or process error with respect to the investment of the Assets, the Investment Adviser will include such error in the reports contained in Exhibit D.

(b) The Investment Adviser does not guarantee the future performance of the Accounts or any specific level of performance, the success of any investment decision or strategy that the Investment Adviser may use, the success of the Investment Adviser's overall management of the Accounts or that any investment objective, investment performance, expectations, risk or return targets stated in the Agreement, including without limitation the Investment Guidelines, will be achieved. Services understands that investments made for the Accounts are at Services' sole risk, are subject to various market, currency, economic, political and business risks and will not always be profitable. The Investment Adviser will manage only the securities, cash and other investments held in the Accounts and in making investment decisions for the Accounts, the Investment Adviser will not consider any other securities, cash or other investments owned or managed by Services.

(k) Material Non-Public Information. If the Investment Adviser at any time intends to disclose to an employee or agent of Services or its affiliate any "Material Non-Public Information" (as such term is interpreted under the federal securities laws) relating to one or more securities or issuers, the Investment Adviser shall, prior to such disclosure, notify in writing the Investments Compliance unit of Services ("Investments Compliance") at gainvestmentscompliance@brighthousefinancial.com of the identity of the employee(s) who will receive the information and the name of the issuer and/or securities that the Investment Adviser has restricted as a result of such Material Non-Public Information, but without disclosing to Investments Compliance the substance of the information. The Investment Adviser shall notify Investments Compliance in writing at gainvestmentscompliance@brighthousefinancial.com upon the Investment Adviser's subsequent removal of such restriction from Investment Adviser's restricted list.

(l) Delivery of Amended Form ADV. It will promptly furnish Services with copies of any material amendments to its Form ADV.

(m) Delivery of System and Organization Controls Reports. It will deliver to Services no less frequently than annually a copy of any System and Organization Controls report, including any SOC 1 or SOC 2 report (or any report that is created pursuant to an auditing standard that succeeds Statement on Standards for Attestation Engagements 18 promulgated by the American Institute of Certified Public Accountants) that is created for the Investment Adviser from time to time and that relates to any of the services that the Investment Adviser provides to Services or any related controls.

(n) Books and Records. The Investment Adviser shall keep and maintain complete and accurate books and records relating to the investment advisory services provided under this Agreement, including each transaction concerning the Assets. All such records shall be kept in accordance with applicable laws and regulations, including, as applicable, the Advisers Act and the rules promulgated thereunder. Without limiting the foregoing, the Investment Adviser covenants to retain all historical financial information relating to any Asset for a period of seven years from the date Investment Adviser no longer manages such Asset. Investment Adviser acknowledges that all books and records provided for pursuant to this Section 8(n) shall be the property of Services and shall be made available to Services, its accountants, auditors or other representatives for inspection and/or copying in such format as may be reasonably requested by Services (at the expense of Services) upon written request and with reasonable notice to the Investment Adviser, during regular business hours; provided, that Investment Adviser may retain a copy of such books and records for recordkeeping purposes. In addition, the Investment Adviser (i) will provide any materials, reasonably related to the services provided under this Agreement and in its possession, as may be reasonably requested in writing by Services or as may be required by any state or federal insurance regulator or regulatory or quasi-regulatory authority having jurisdiction over Services or a Company and (ii) will timely provide to Services for review and comment any transactional documents or materials relating to the Assets as may be reasonably requested by Services. Services may audit all records and documents relating to the investment advisory services provided under this Agreement, at the expense of Services, upon reasonable written notice to the Investment Adviser, during regular business hours, to ensure that controls and procedures relating to the services provided under this Agreement are in place; *provided, however*, that nothing herein will allow Services to review data pertaining to other clients of the Investment Adviser or clients of its investment advisory affiliates.

(o) Notices of Votes or Consents. Investment Adviser will, on a quarterly basis, notify Services of any right to vote or request to consent in relation to the Assets (other than public equity Assets) to Services, which (i) negatively affects the tax outcomes of the relevant transaction or an Asset, (ii) Investment Adviser reasonably considers, in its sole discretion, could have a material adverse effect on an Asset, or (iii) covers any of the matters covered on Exhibit G; provided, that such notice shall be for informational purposes only and shall not preclude Investment Adviser from exercising its discretionary voting or consent rights subject to the terms of this Agreement; provided, that with respect to residential whole loans, Investment Adviser, on a quarterly basis, will provide Services with a high level overview of the percentage of the portfolio by delinquency status and a detailed summary of all loans that are non-performing/in default/in bankruptcy/in foreclosure and a detailed summary of all loan modifications (principal reductions, changes to interest rates, maturities, etc). Notwithstanding the foregoing, Investment Adviser shall seek the consent of Services with respect to (x) votes or consents pertaining to forgiveness of principal of any Asset (other than in connection with the residential whole loans) or (y) votes or consents pertaining to prepayment of principal of any loan underlying any loan participation interest acquired by a Company from an affiliate of the Investment Adviser.

(p) Notice of Security Incident. Investment Adviser shall notify Services within twenty-four (24) hours of Investment Adviser becoming aware of or reasonably suspecting any unauthorized access, disclosure, acquisition, or use of information it obtains under this Agreement ("Security Incident") and provide full details on the same as soon as possible thereafter. Investment Adviser shall cooperate with Services in every reasonable way to investigate the Security Incident and shall terminate any unauthorized access to affected information, remediate the Security Incident and take steps to prevent the reoccurrence thereof, including by developing a plan of remediation that is subject to Services' reasonable input. Where applicable, Investment Adviser shall provide reasonable assistance to Services to regain possession of the affected information. Investment Adviser shall reasonably cooperate with Services in the conduct of any investigation of, or litigation involving, third parties related to the Security Incident. Investment Adviser shall discharge all responsibilities set forth in this paragraph at its expense.

9. Representations and Warranties of Services. Services hereby represents and warrants to the Investment Adviser on the Effective Date as follows, which representations and warranties shall be deemed repeated at and as of all times during the terms of this Agreement:

(a) Services has been appointed by each of the Companies, respectively, to provide investment management and investment supervisory services, pursuant to the terms and conditions of each respective IMA, and has full power and authority to appoint the Investment Adviser as a sub-investment manager with respect to the Assets and investment manager with respect to Services' Assets, including the authority to specify and make changes to the Investment Guidelines.

(b) Neither the execution and delivery of this Agreement nor the consummation of the transactions contemplated herein will violate (i) any agreement to which Services is a party or by which it is bound, or any law, statute, regulation, rule, vote, order, injunction or approval of any government or political subdivision or any agency, central bank or other instrumentality of either, or any court, tribunal, arbitrator or self-regulatory organization, in each case whether domestic, foreign or international, with jurisdiction over Services, or (ii) any provision of Services' organizational documents, or any indenture, agreement or instrument to which Services is a party or by which any of its assets or properties is bound, or conflict with, result in a breach of, or constitute (with due notice or lapse of time or both) a default under any such indenture, agreement or instrument; in either (i) or (ii) the violation of which might reasonably be expected to adversely affect its ability to comply with and perform its obligations under this Agreement.

(c) The Agreement has been duly authorized by appropriate action and when so executed and delivered will be binding upon it in accordance with its terms.

(d) All transactions, instruments and obligations set forth in the Investment Guidelines (i) are within each respective Company's power, (ii) are duly authorized by Services and the respective Company, (iii) will not violate constituent documents of, or any law, regulation or rule binding on the respective Company, and (iv) when duly entered into with a counterparty, will be the legal, valid and binding obligations of the respective Company.

(e) It has received a copy of Part 2 of the Investment Adviser's ADV, as amended either prior to or at the time of signing the Agreement.

(f) Services and each Company is aware of the risk of loss inherent in the investment strategies of the Accounts and represents that each Company (i) is and during the term of this Agreement will remain a "qualified purchaser" as defined in Section 2(a)(51) of the Investment Company Act of 1940, as amended (the "Company Act"), a "qualified client" as that term is defined in Rule 205-3(d)(1) of the Advisers Act, an "accredited investor" in accordance with Rule 501 of Regulation D promulgated under the Securities Act, an "eligible contract participant" as defined in Section 1a(12) of the Commodity Exchange Act, as amended, and a “qualified institutional buyer” as defined in Rule 144A under the Securities Act of 1933, as amended (the “Securities Act”); and (ii) other than BHS, is eligible to receive “new issues” because neither it, nor anyone holding a beneficial interest in the Account, is a restricted person as contemplated under the rules of the Financial Industry Regulatory Authority, Inc. Services will promptly notify the Investment Adviser if any of the representations in this clause (f) are no longer accurate.

(g) None of the Companies is an investment company as defined by the Company Act, and registration of the Accounts under the Company Act is not required.

(h) The Assets of the Accounts do not constitute assets of (i) an employee benefit plan, as defined in and subject to Title I of the Employee Retirement Income Security Act of 1974, as amended (“ERISA”); (b) a plan as defined in and subject to Section 4975 of the Code; (c) a governmental, church or non-U.S. plan subject to any Federal, State, local or non-U.S. law substantially similar to Section 406 of ERISA or Section 4975 of the Code (each of the foregoing, a “Plan”), or (d) any entity the assets of which constitute assets of any such Plan by reason of the Plan’s investment in such entity under Section 2510.3-101 of ERISA, as modified by Section 3(42) of ERISA or substantially similar State, local or non-U.S. law.

(i) Neither Services nor any Company is an issuer that would be an investment company as defined in the Company Act, but for Section 3(c)(1) or Section 3(c)(7) of such Act.

(j) Neither Services nor any Company is a commodity pool under Section 1a(10) of the U.S. Commodity Exchange Act, as amended; and the Accounts do not contain assets of any such issuer or pool.

(k) None of the beneficial owners of the Assets in the Accounts are a “government entity” within the meaning of Rule 206(4)-5 under the Advisers Act.

(l) Services and the Companies are each a “U.S. person” as defined in the Securities Act.

(m) On an enterprise basis, BHF has in place an anti-money laundering policy and has established processes designed to comply with the applicable provisions of the: (A) Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (the “PATRIOT Act”), (B) rules implementing the anti-money laundering compliance program requirements of 31 U.S.C.§ 5318(h) including the CIP Rule under Section 326 of the PATRIOT Act effective June 9, 2003, (C) other rules and regulations under the Bank Secrecy Act, and (D) restrictions and prohibitions issued by the US Treasury’s Office of Foreign Assets Control.

(n) Services is a limited liability company, duly organized, validly existing, and in good standing under the laws of Delaware, and has full power and authority to carry on its business as it has been and is conducted. The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby are within the power and authority of Services and have been duly authorized by all necessary corporate and other action, and constitute legal, valid and binding obligations enforceable against Services in accordance with their respective terms.

(o) Each of the Companies (i) are a “domestic” “corporation” under Section 7701 of the Code, (ii) are each eligible to claim benefits under each U.S. income tax treaty listed on Appendix C of the Investment Guidelines and (iii) are the respective U.S. federal income tax owners assets under this Agreement.

10. Limitation of Liability; Indemnification.

(a) Neither the Investment Adviser, nor its members, partners, officers, managers, directors, agents, employees and affiliates (the “Investment Adviser Parties”), shall be liable to the Brighthouse Parties (as defined below) for (i) any acts or omissions, or any error of judgment or for any loss suffered by Services or the Companies in connection with the management of the Assets, except those losses resulting from (x) the willful misfeasance, fraud, bad faith or negligence of any of the Investment Adviser Parties, (y) a material breach of applicable law or material breach of this Agreement by any of the Investment Adviser Parties, or (z) a violation of the Investment Guidelines or operational or process errors that has not been waived by Services; provided, that if the Investment Adviser remedies any such violation or error, all losses with respect to this clause (z) shall be limited to actual monetary losses incurred in connection with the Investment Adviser bringing the portfolio back into compliance with the Investment Guidelines, (ii) the Investment Adviser’s reliance on Client Data, (iii) Service’s use of any third party pricing or valuation information provided by Investment Adviser as provided in Section 2(b), (iv) any Custodian’s actions or omissions, and (v) any acts or omissions of any broker or agent, provided that Investment Adviser has acted in good faith and with due diligence consistent with its fiduciary obligations in the selection, use and monitoring of such third parties; *provided*, that the Investment Adviser’s liability arising from Securities Lending Activities shall be limited as set forth in Section 10(m) below; *provided*, *further*, that the Investment Adviser shall have no liability for RSAT Program breaches caused by (i) Services’ failure to implement an RSAT strategy or trade recommended by Investment Adviser or (ii) actions taken by Services or another manager with respect to the RSAT Program without consultation and agreement by Investment Adviser.

(b) The Investment Adviser shall indemnify and hold harmless Services and its affiliates and the respective directors, affiliates, officers, agents, and employees of any of them (the “Brighthouse Parties”), from and against any and all losses, claims, demands, actions, or liability of any nature, including but not limited to reasonable attorneys’ fees, expenses, and court costs, directly or indirectly arising or resulting from (x) the willful misfeasance, fraud, bad faith or negligence of any of the Investment Adviser Parties, (y) a material breach of applicable law or material breach of this Agreement by any of the Investment Adviser Parties, or (z) a violation of the Investment Guidelines or operational or process errors that has not been waived by Services; provided, that if the Investment Adviser remedies any such violation or error, all losses with respect to this clause (z) shall be limited to actual monetary losses incurred in connection with the Investment Adviser bringing the portfolio back into compliance with the Investment Guidelines; *provided*, that the Investment Adviser’s liability arising from Securities

Lending Activities shall be limited as set forth in Section 10(m) below; *provided*, *further*, that the Investment Adviser shall have no liability for RSAT Program breaches caused by (i) Services' failure to implement an RSAT strategy or trade recommended by Investment Adviser or (ii) actions taken by Services or another manager with respect to the RSAT Program without consultation and agreement by Investment Adviser.

(c) Services shall indemnify and hold harmless the Investment Adviser Parties, from and against any and all losses, claims, demands, actions, or liability of any nature, including but not limited to reasonable attorneys' fees, expenses, and court costs, directly or indirectly arising or resulting from (x) the willful misfeasance, fraud, bad faith or negligence of any of the Brighthouse Parties, or (y) a material breach of applicable law or material breach of this Agreement by any of the Brighthouse Parties; provided, however, that this indemnity shall not extend to losses for which the Investment Adviser shall be liable under Section 10(a).

(ii) The Investment Adviser shall enter into no settlement of any claim against a Brighthouse Party without the express written approval of each affected Brighthouse Party. Services shall not enter into a settlement of any claim against an Investment Adviser Party without the express written approval of each affected Investment Adviser Party. Any settlement of any claim by a Brighthouse Party or an Investment Adviser Party shall not constitute a waiver of any rights of that party under this Section 10 of this Agreement or an admission of any liability under this Section 10 of this Agreement.

(d) Nothing in this Section 10 shall create in either party any right to assume the defense of any claim against the other party.

(e) Each Company shall be subrogated to, and succeed to, all rights of Services against the Investment Adviser appointed under this Agreement.

(f) The availability to a Brighthouse Party of the indemnification provided in this Section 10 shall not preclude the exercise of any other rights, at law or in equity, which such Brighthouse Party may have against the Investment Adviser or an Investment Adviser Party. The availability to an Investment Adviser Party of the indemnification provided in this Section 10 shall not prevent the exercise of any other rights, at law or in equity, which such Investment Adviser Party may have against Services or a Brighthouse Party.

(g) The Investment Adviser shall not be deemed to have breached this Agreement or the Investment Guidelines in connection with fluctuations arising from market movements or credit downgrades by nationally recognized statistical rating organizations or the movement of Assets out of or into the Accounts by Services; provided that, in each case, Investment Adviser promptly notifies Services in writing of such event and works in good faith with Services to either cure or waive such breach.

(h) The Investment Adviser shall not be liable to Services in respect of the default, fraud, act or omission, negligence or willful misconduct of any market counterparty through or with whom transactions are effected for the Accounts. Notwithstanding the foregoing, Investment Adviser will act in good faith and with due diligence consistent with its fiduciary obligations in the selection, use and monitoring of third parties.

(i) Notwithstanding anything contained in this Section, (i) the Investment Adviser shall not incur any liability for any indirect, special or consequential loss of any kind (even if the Investment Adviser knows of the possibility of such losses or damages and regardless of the type of action in which any claim may be brought) and (ii) Services shall not incur any liability for any indirect, special or consequential loss of any kind (even if Services knows of the possibility of such losses or damages and regardless of the type of action in which any claim may be brought).

(j) Notwithstanding anything contained in this Section, (i) the Investment Adviser shall not incur any liability for any loss of goodwill or business (in either case, either direct or indirect) that may be incurred by any Brighthouse Party and (ii) Services shall not incur any liability for any loss of goodwill or business (in either case, either direct or indirect) that may be incurred by any Investment Adviser Party. Further, with respect to Securities Lending Activities, the Investment Adviser does not assume any market or investment risk of loss associated with any investment or change of investments, including any cash collateral reinvestments with respect to the reinvestment portfolio.

(k) While the Investment Adviser will seek to fulfill its obligations to Services, exceptional circumstances may occur from time to time where, for reasons beyond the Investment Adviser's control, the Investment Adviser may be, or may reasonably believe that it is, unable to do so without considerable expense (as a result of an act of God or force majeure, including environmental incidents and terrorist activity), and in such circumstances, after providing written notice to Services, the Investment Adviser shall not be liable for any losses suffered as a result of the non-fulfillment of any such obligations.

(l) If at the time of a default by a borrower with respect to a securities lending transaction ("Borrower"), some or all of the loaned securities (the "Loaned Securities") under such securities lending transaction have not been returned by the Borrower, then, subject to the terms of this Agreement, Investment Adviser shall indemnify the Brighthouse Parties against the default of the Borrower as follows:

(i) Investment Adviser shall purchase a number of replacement securities equal to the number of unreturned Loaned Securities (the "Replacement Securities"), to the extent that such Replacement Securities are available on the open market. Such Replacement Securities shall be purchased by applying the proceeds of the collateral with respect to such securities lending transaction to the purchase of such Replacement Securities. If and to the extent that such proceeds are insufficient or the collateral is unavailable, the purchase of such Replacement Securities shall be made at Investment Adviser's expense.

(ii) If Investment Adviser is unable to purchase Replacement Securities pursuant to Section 10(m)(i) hereof, Investment Adviser shall credit to the relevant Account an amount equal to the market value of the unreturned Loaned Securities for which

Replacement Securities are not so purchased, determined as of (i) the last day the collateral continues to be successfully marked to market by the Borrower against the unreturned Loaned Securities (i.e., the last day the Borrower provided additional collateral to Investment Adviser, if required, or excess collateral was returned by the Investment Adviser to the Borrower); or (ii) the next business day following the day referred to in (i) above, if higher.

(iii) In addition to making the purchases or credits required by Sections 10(m)(i) and 10(m)(ii) hereof, Investment Adviser shall credit to such relevant Account the value of all distributions on the Loaned Securities (not otherwise credited to such Account with the Investment Adviser), for record dates which occur before the date that Investment Adviser purchases Replacement Securities pursuant to Section 10(j)(i) or credits such Account pursuant to Section 10(m)(ii).

(iv) Any credits required under Sections 10(m)(ii) and 10(m)(iii) hereof shall be made by application of the proceeds of the collateral, if any, that remains after the purchase of Replacement Securities pursuant to Section 10(m)(i). If and to the extent that the collateral is unavailable or the value of the proceeds of the remaining collateral is less than the value of the sum of credits required to be made under Sections 10(m)(ii) and 10(m)(iii), such credits shall be made at Investment Adviser's expense.

(v) If, after application of Sections 10(m)(i) through 10(m)(iv) hereof, additional collateral remains or any previously unavailable collateral becomes available or any additional amounts owed by the Borrower with respect to such securities lending transaction(s) are received from the Borrower, Investment Adviser shall apply the proceeds of such collateral or such additional amounts first to credit to such relevant Account all other amounts owed by the Borrower to such Account with respect to such securities lending transaction(s), and then to reimburse itself for any amounts expended by Investment Adviser pursuant to Sections 10(m)(i) through 10(m)(iv) above.

(vi) In the event that Investment Adviser incurs any loss or expense under this Section 10(m), Investment Adviser shall to the extent of such payment, loss or expense, be subrogated to, and succeed to, all the rights of Services or the relevant Company against the Borrower with respect to the applicable securities lending transaction(s).

(vii) The provisions of this Section 10(m) shall not apply to losses attributable to war, riot, revolution, acts of government or other causes beyond the reasonable control or apprehension of Investment Adviser. For the avoidance of doubt, the provisions of this Section 10(m) shall apply to, *inter alia*, losses attributable to Borrower defaults.

(m) Services acknowledges and agrees that the Investment Adviser and certain of its investment advisory affiliates that have been delegated certain services hereunder by Investment Adviser, and not any of its or their respective employees, officers, managers or directors ("Met Representative"), is responsible for their respective activities and the provision of the services hereunder, and Services agrees that neither it nor any Company will bring any claim or take any action against any Met Representative in respect of any acts, omissions or events in connection with this Agreement and waives any rights that it may have to do so except where such a claim may not be excluded by law. The Investment Adviser Parties shall not have any liability to Services except as may be provided by law or in this Agreement, and Services' sole recourse shall be to the Investment Adviser and those investment advisory affiliates that have been delegated certain services hereunder by Investment Adviser. Investment Adviser only assumes duties to Services.

(n) In the event that Services agrees to a more favorable indemnity or limitation of liability provision in any material respect with any other asset manager or adviser with regard to the management of the Companies' Private Assets, Services shall offer the same terms to Investment Adviser within 15 business days after the execution of such agreement and Investment Adviser may elect to receive the rights and benefits of such provision within 20 business days after receipt of such provisions. The foregoing shall not apply to any rights or benefits granted to another asset manager or adviser in connection with such asset manager's or adviser's compliance with any law, regulation or policy specifically applicable to such party and not applicable to the Investment Adviser.

11. <u>Custody; Actions for Benefit of Services and the Companies</u>.

(a) The Investment Adviser shall under no circumstances act as custodian of the Assets or otherwise have physical custody or control of the Assets; provided, however, that the Investment Adviser shall be permitted to take custody over the Assets where necessary for the limited purpose of assisting Services with the re-registration of certain notes in connection with Section 3(e)(iii), internal asset transfers directed by Services and Assets acquired or sold in connection with secondary transactions. The physical possession of all securities, funds, and other property which constitute the Assets shall at all times be held, controlled and administered by the Custodian(s), and all such cash, securities, funds, and other property shall be held on the books and records of the Custodian(s) in a manner so as to establish clearly that they are held as part of the Accounts provided for in this Agreement. The Investment Adviser shall not be liable for any act or omission of such Custodian. Notwithstanding the foregoing, Services acknowledges that evidences of ownership of Assets other than custodial Assets may be held in book-entry form, at the offices of the issuer or counterparty or otherwise in a manner consistent with industry practice.

(b) Except as set forth in this Agreement and except with respect to typical compensation arrangements between Investment Adviser and its partners, principals, and employees, neither the Investment Adviser nor any of its partners, principals, employees, agents, or affiliates shall in any manner acquire or become possessed of any income, whether in kind or cash, or proceeds, whether in kind or cash, distributable by reason of selling, holding, or controlling the Assets and shall not, except as otherwise agreed in writing by Services, hold any of the Assets in its, her or his own name or in the name of any nominee of it, her or him.

12. <u>Expenses</u>. The Investment Adviser shall render the services set forth herein at its own operating expense, including, without limitation, the salaries of its officers and employees;

its rent and utilities for offices facilities; other advisory and operating expenses internal to the Investment Adviser; and any expenses of third-party consultants and outside legal counsel as contemplated in Section 16 herein. Expenses incurred by the Companies shall be borne by the Accounts. Expenses incurred by the Investment Adviser that are directly related to an Account's investment activities, including brokerage commission and dealer mark-ups will be billed to such Account. Services shall also be responsible for its proportionate share of (i) fees and expenses incurred in the use of any proxy voting services, (ii) third party expenses incurred in connection with due diligence, legal, servicing and custodial expenses pertaining to potential and closed investments in residential mortgage whole loans, (iii) third party expenses incurred in connection with due diligence and legal expenses pertaining to potential and closed investments in commercial real estate mortgage whole loans, agricultural mortgage whole loans and co-lending arrangements with respect to commercial real estate mortgage loans and/or agricultural mortgage loans, and (iv) third party custodial expenses incurred in connection with any securities (collectively, "Expenses").

13. Proxy Voting and Corporate Actions.

(a) The Investment Adviser shall delegate the power and authority to vote on any matters associated with Assets that are public equity securities for which there is an active trading market to a proxy voting service and shall instruct such proxy voting service to vote all such public equity Assets in accordance with such proxy voting service's benchmark recommendations and guidelines. The Investment Adviser shall have no liability for the acts or omissions of such proxy voting service; provided, that such proxy voting service shall have been selected and monitored by the Investment Adviser with reasonable care.

(b) For all other Assets, the Investment Adviser shall have the authority to make elections with respect to corporate actions, including the authority to exercise rights, options, warrants, conversion privileges, and redemption privileges, and to tender securities pursuant to a tender offer; provided, that Investment Adviser shall not incur any liability as a result of (i) the Investment Adviser not receiving any information required in relation to the exercise of voting rights or in relation to corporate actions or other communications relating to Assets from Services or the Custodian on a timely basis or (ii) votes or consents directed by Services. Services shall instruct the Custodian(s) to forward promptly to the Investment Adviser or its designees copies of all proxies and communications relating to any securities or other instruments held in the Accounts.

14. Termination. The Investment Adviser may terminate this Agreement in whole or in part at any time upon ninety (90) days prior written notice to Services (or mutually agreed shorter period). Services may terminate the Investment Adviser's appointment as an investment manager with respect to all of the Assets at any time upon thirty (30) days prior written notice to the Investment Adviser (or mutually agreed shorter period) with respect to Public Assets and ninety (90) days prior written notice to the Investment Adviser (or mutually agreed shorter period) with respect to Private Assets. Termination of this Agreement shall be without prejudice to the completion of any commitments to purchase or dispose of any

securities or other property made by the Investment Adviser prior to giving or receipt of notice to terminate this Agreement.

Services may terminate the Investment Adviser's appointment as investment manager with respect to any portion of the Assets at any time upon thirty (30) days prior written notice to the Investment Adviser (or mutually agreed shorter period) for Public Assets (and withdraw such Assets from the applicable Account) or ninety (90) days prior written notice to the Investment Adviser (or mutually agreed shorter period) for Private Assets.

In the event of the termination of this Agreement with respect to all or any portion of the Assets, the Investment Adviser shall cooperate in good faith and promptly take all actions reasonably necessary or desirable to transfer all impacted Assets and Accounts and all documents and records regarding or relating to any terminated services to Services or to Services' designee(s) in such format as may be reasonably requested by Services and shall reasonably cooperate with Services and any Services' designee(s) to facilitate the transition of the impacted Assets or Accounts to a successor service provider.

Services acknowledges it will continue to work out additional Account termination details with the Investment Adviser, as needed, upon such notice of termination, and that the Investment Adviser will conduct the Account termination on a best efforts basis.

This provision as well as Section 6(b) (Reports), Sections 8(c) (Confidentiality), 8(d) (Use of Name), 8(o) (Books and Records), 10 (Limitation of Liability; Indemnification), 24 (Governing Law), 25 (Arbitration), shall survive any termination of this Agreement.

For purposes of this Section, the "Termination Date" shall mean the date that the Investment Adviser is no longer providing any services under this Agreement, and shall not mean the date on which the notice of termination is delivered. On the Termination Date, Services will pay and/or reimburse the Investment Adviser for any: (a) accrued and unpaid fees pursuant to Section 2 prorated to the Termination Date; provided, that with respect to RSAT services, only the quarterly installment owed with respect to the current quarter (and not the remainder of the annual fee) shall be due, (b) reasonable expenses incurred by the Investment Adviser in transferring all documents and records regarding or relating to the Assets or services to Services or Services' designee(s) in such format as may be reasonably requested by Services and reasonably cooperating with Services and any Services' designee(s) to facilitate the transition of Assets and services to a successor service provider; provided that this clause (b) shall not apply to any documents or records pertaining to assets or services under the Legacy Agreements, (c) accrued and unpaid Expenses under Section 13 (if any) and (d) reasonable fees, including but not limited to breakage or termination fees, realized in concluding any outstanding transactions.

Termination of this Agreement or any portion thereof will not in any event affect accrued rights or existing commitments, or contractual provisions intended to survive termination including outstanding transactions. For the avoidance of doubt, the termination of this Agreement in whole or in part will not cause the termination and closeout of any outstanding loan participations, and Services shall remain obligated to pay the fee under Section 2 with respect to all outstanding loan participations issued by the Investment Adviser's affiliates and held by the Companies until the earlier of the date on which (x) the entire indebtedness represented by all of the loans underlying the Companies' outstanding loan participations has been paid and/or the disposition of all properties acquired upon foreclosure and (y) none of the Companies continue to hold any loan participations issued by the Investment Adviser's affiliates.

15. Authorized Persons. Services shall, at the request of the Investment Adviser, provide the Investment Adviser with any authority necessary to enable the Investment Adviser to fulfill its obligations under this Agreement. Services shall provide the Investment Adviser with a list and description of authorized persons as set forth in Exhibit E hereto who are authorized to act on behalf of Services as set forth in Exhibit E, and deliver to the Investment Adviser instructions in connection with this Agreement, including instructions to amend the Investment Guidelines in accordance with Section 3 and to agree to any modifications of the Exhibits in accordance with the terms of this Agreement. Services is responsible for informing the Investment Adviser in writing of all changes in authorized persons and for providing specimen signatures for all and any new authorized persons. For the avoidance of doubt, the Investment Adviser shall have no liability for any expenses, losses, damages, liabilities, charges and claims of any kind or nature whatsoever incurred by or threatened against the Investment Adviser as the result of any actions it takes consistent with instructions it receives from authorized persons of Services listed on Exhibit E and reasonably believed by the Investment Adviser to be genuine.

16. No Assignment. None of the parties may assign this Agreement or delegate its responsibilities hereunder without the prior written consent of the other party hereto; provided, however, that (i) Services may assign this Agreement to an entity that controls, is controlled by or is under common control with Services upon prior written notice to the Investment Adviser and (ii) the Investment Adviser may delegate any responsibilities under this Agreement to an entity that controls, is controlled by or is under common control with the Investment Adviser. Notwithstanding any delegation in accordance with clause (ii) above, Investment Adviser shall always remain liable to Services and the Companies for its obligations hereunder. In addition, the Investment Adviser may, where reasonable and at no additional cost to Services, employ third party agents (including, without limitation, any third party bank, clearing organization, administrative agent, loan servicer, intermediary or nominee) to perform any administrative or ancillary services in connection with the Investment Adviser providing the services hereunder, provided that Investment Adviser will act in good faith and with due diligence consistent with its fiduciary obligations in the selection, use and monitoring of such third parties.

17. Change in Control of Investment Adviser; Sale.

(a) To the extent permitted by applicable law or regulation, the Investment Adviser shall promptly notify Services in writing in the event of any material change in control or material business reorganization of the Investment Adviser.

(b) To the extent permitted by applicable law or regulation, the Investment Adviser shall promptly notify Services in writing of any sale or other disposition of any portion of the ownership interest in the Investment Adviser or any successor thereto (excluding equity interest awards of the Investment Adviser's officers, directors or employees) to a person unaffiliated with the Investment Adviser.

18. Time Devotion. The individuals listed on Exhibit F (each a "Key Person") shall devote as much time and attention to the Accounts as is sufficient to ensure the Accounts' proper and successful operation and performance. The Investment Adviser shall notify Services in writing promptly in the event that a Key Person ceases to devote his or her time in accordance with the above. The Investment Adviser shall promptly notify Services in writing in the event that a Key Person is removed from the investment management team primarily responsible for the Accounts.

19. Communications. Any notice, instruction, request, consent, demand, or other communication required or contemplated by this Agreement shall be in writing and may be transmitted by electronic mail, delivered in person, or mailed by United States first class mail, postage prepaid, and, if transmitted by electronic mail, delivered in person, or mailed, shall be made to the following address:

If to Services:

Brighthouse Services, LLC
334 Madison Avenue, 3rd Floor
Morristown, NJ 07960
Attention: Head of Asset Management

With a copy to:
ima.notices@brighthousefinancial.com

If to the Investment Adviser:

MetLife Investment Management, LLC
One MetLife Way
Whippany, NJ 07981
Attention: Joseph Pollaro, Executive Vice President

With a copy to:

MetLife Investment Management, LLC
One MetLife Way
Whippany, NJ 07981
Attention: Chief Counsel – Investments Law

or to such other address (or facsimile number, as the case may be) as a party may furnish to the other by written notice. All notices to either party shall be effective upon receipt.

20. Service to Other Clients. It is understood that the Investment Adviser and its affiliates provide investment management and advisory services for other clients, including other separate accounts, registered and unregistered investment companies, and other pooled investment vehicles. It is further understood that the Investment Adviser or its affiliates may take investment action or give advice on behalf of such other clients that differs from investment action taken or advice given on behalf of the Accounts. If a purchase or sale of securities or other assets for multiple client accounts is deemed by the Investment Adviser or any affiliate to be advisable and is considered at or about the same time, and the Investment Adviser or any affiliate is unable to purchase or sell the amount of securities or other assets in the aggregate amount then contemplated by the Investment Adviser or any of its affiliates on behalf of the client accounts, the transactions in such securities or other assets will be allocated among the client accounts in a manner that is fair and equitable over time, and consistent with the Investment Adviser's allocation policy and Form ADV. The Investment Adviser does not buy or sell securities for its own account. The Investment Adviser's exercise of its duties to buy and sell securities pursuant to this Agreement shall be in accordance with its allocation policy and Investment Adviser shall not give priority to its affiliates in the allocation of such investment opportunities.

21. Class Actions. The Investment Adviser shall have no authority or responsibility to file class actions, search out potential legal claims, monitor class action lawsuits against issuers of any of the Assets or institute a lawsuit or take legal actions on behalf of an Account, Services or a Company; provided that Investment Adviser shall notify Services promptly upon becoming aware of any of the matters listed on Exhibit H. Services shall retain all such rights. The Investment Adviser will reasonably cooperate with Services on issues relating to any such class actions, as reasonably requested by Services, subject to any confidentiality restrictions imposed on the Investment Adviser and conflicts of interest.

22. Defined Terms. Certain terms used in this Agreement have the meanings given them in the following Sections:

Term	Section
AAA	Section 25
Account	Section 1
Advisers Act	Section 7(d)
Assets	Section 1
BHF	Introduction
BHS	Introduction
BLIC	Introduction
BLICNY	Introduction
Borrower	Section 10(m)
BRCD	Introduction
BRCD Agreement	Section 1
Brighthouse Parties	Section 10(b)
Client Directed Investment	Section 3
Code	Section 8(c)

Companies Introduction
Company Act Section 9(f)
Custodian Section 3(c)
Effective Date Introduction
ERISA Section 9(h)
Existing Agreement Introduction
Expenses Section 12
FCPA Section 7(j)
IMAs Introduction
Investment Adviser Introduction
Investment Adviser Parties Section 10(a)
Investment Guidelines Section 3(a)
Investments Compliance Section 8(k)
Key Person Section 18
Law Section 7(b)
Legacy Agreements Section 1
Loaned Securities Section 10(m)
Material Action Section 7(l)
Material Non-Public Information Section 8(k)
Met Representative Section 10(m)
MIM Introduction
NELICO Introduction
OCIO Agreement Section 1
OECD Convention Section 7(j)
OFAC Section 7(i)
PATRIOT Act Section 9(m)
Pricing Sources Section 2(b)
Private Assets Exhibit A
Public Assets Exhibit A
Replacement Securities Section 10(m)(i)
Rules Section 25
SEC Section 7(d)
Securities Act Section 9(f)
Securities Lending Activities Section 3(e)(ii)
Security Incident Section 8(p)
Trust Accounts Section 1
Valuation Information Section 2(b)

23. Modification of Agreement. Except as otherwise provided herein, this Agreement, including the Exhibits, may be amended only by a written instrument signed by Services and the Investment Adviser. For the avoidance of doubt, Exhibit C may be modified in accordance with Section 3 herein.

24. Governing Law. Except as expressly otherwise provided in this Agreement, THIS AGREEMENT WILL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN

ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK EXCLUDING CONFLICT OF LAWS PRINCIPLES.

25. Arbitration. Services and Investment Adviser agree that they will work in good faith to resolve any dispute arising under or in connection with this Agreement. Any unresolved dispute or difference between the parties arising out of or relating to this Agreement, or the breach thereof, shall be finally settled by arbitration before the American Arbitration Association ("AAA") in accordance with the Commercial Arbitration Rules of the AAA ("Rules") then in effect. The arbitration shall be conducted and decided before a panel of three arbitrators, and the cost, including the arbitrators' fees, shall be borne equally by the parties to such arbitration. Unless the parties otherwise agree, the arbitrators shall be active or retired officers of investment management firms and shall be impartial and independent pursuant to the Rules. Each of the parties to the arbitration shall designate one arbitrator, pursuant to the Rules, and the chairperson shall be selected by the party-appointed arbitrators pursuant to the Rules. The written award rendered by the arbitrators shall be a reasoned award and shall be final and binding upon the parties, and judgment upon the award rendered by the arbitrator may be entered in any court having jurisdiction thereof and having jurisdiction over the parties or their assets. The arbitration shall take place in New York.

26. Severability. The invalidity or unenforceability of any provision hereof will in no way affect the validity or enforceability of any and all other provisions hereof.

27. Third-Party Beneficiaries. No party intends for this Agreement to benefit any third party not expressly identified or described in this Agreement, but this Agreement is intended to benefit those third parties who are so identified or described as fully as if those third parties were parties to this Agreement.

28. Counterparts. This Agreement may be signed in any number of counterparts. Any single counterpart or a set of counterparts signed in either case by the parties hereto will constitute a full and original Agreement for all purposes. Facsimile or electronic signatures on this Agreement shall be as effective and binding as original signatures.

29. Entire Agreement. This Agreement constitutes the entire agreement between Services and the Investment Adviser with respect to the subject matter hereof and, subject to Section 1, supersedes all prior agreements and understandings (written or oral) of the parties in connection herewith.

30. Independent Contractors. The Investment Adviser shall for all purposes under this Agreement be deemed to be an independent contractor. The Investment Adviser shall have no power or authority to bind Services or any Company or to assume or create an obligation or responsibility, express or implied, on behalf of Services or any Company, nor shall it represent to anyone that it has such power or authority, except in each case as expressly provided in this Agreement. Nothing in this Agreement shall be deemed to create a partnership between the parties, whether for purposes of taxation or otherwise.

31. Company Data. Services shall be solely responsible for the accuracy, completeness and timeliness of all financial data regarding the Companies, the Assets and the Accounts provided to the Investment Adviser by, or at the direction of, Services pursuant to this Agreement after the Effective Date necessary for Investment Adviser to provide the Services hereunder ("Company Data"). All Company Data shall be provided to the Investment Adviser on a timely basis as reasonably requested by the Investment Adviser from time to time. Services shall have an ongoing obligation to promptly update, or use its reasonable endeavors to procure the prompt update of, all of its Company Data so that such information remains complete and accurate and shall use commercially reasonable efforts to cause its officers, advisors, distributors, legal counsel, independent auditors and accountants, Custodian(s), transfer agents and any other service providers (including other investment managers and sub-advisers) to cooperate with the Investment Adviser and provide the Investment Adviser with such Company Data as may be reasonably requested by the Investment Adviser from time to time on a timely basis (pursuant to a calendar or as otherwise agreed by the parties). Investment Adviser shall be entitled to rely on all Company Data.

32. Services Acknowledgements.

(a) Services acknowledges that (i) the Investment Adviser has not provided, and will not provide, Services or the Companies with any tax, legal, regulatory or accounting advice in relation to the services under this Agreement, and (ii) the Investment Adviser has made no representations as to any tax or accounting consequences or regulatory filings or reporting as a result of it entering into this Agreement or any transaction entered into hereunder. Services has relied and will continue to rely on the advice of its own professional advisers and is fully informed as to the legal, financial, regulatory and tax aspects of the Investment Adviser's provision of the services hereunder. The Investment Adviser is entitled to rely upon information provided by Services to it in regarding to the status, residence and domicile for tax purposes of any of the Companies.

(b) Neither the Investment Adviser nor any of its affiliates is obliged to disclose to Services any information if the disclosure of such information by the Investment Adviser or the affiliate to Services would or might reasonably constitute a breach of duty or confidence to any other person. Subject to the preceding sentence, the parties agree to provide to each other, within a reasonable time, any further information requested by the other party for regulatory or tax considerations.

(c) Services shall, and shall cause each Company to, retain as strictly confidential all information (including, without limitation, credit memos and loan underwriting packages) provided by Investment Adviser to Services or a Company under this Agreement pertaining to (a) all fees charged by the Investment Adviser, (b) the terms of all transactions shown to Services or a Company, and (c) all transactions effected by the Investment Adviser on behalf of the Accounts, except, in each case, (i) as among the parties and their affiliates, agents, or service providers in their ordinary course of business who need to know such information to perform their duties in connection with this Agreement, (ii) as may be required by applicable state or federal laws, or applicable regulations, regulatory request or court order, (iii) to the extent that such information has been publicly disclosed or is generally known to the public other than in violation of this Agreement or any other agreement of which Services or the Companies has knowledge, or (iv) to the extent that Services or a Company receives such information from a source other than Investment Adviser, provided that such source is not known by Services or a Company to be bound by a confidentiality agreement with the Investment Adviser, (v) to the extent that such information is already in Service or a Company's possession prior to the receipt from Investment Adviser, (vi) to the extent such information is independently developed by Services, or (vii) except to the extent that such disclosure may be authorized in advance by the Investment Adviser in writing.

(d) Services acknowledges and agrees that with respect to any Assets attributable to any separate account on the Effective Date, the Investment Adviser shall not (i) be required to manage such Assets to the diversification regulations of Section 817(h) of the Code, as in effect from time to time, or any regulations thereunder or have any liability for any such Assets failing to comply with such diversification requirements, (ii) be required to monitor or have any liability for any investments made in any company that is characterized as a "passive foreign investment company" within the meaning of Section 1297 of the Code, or (iii) be required to monitor or have any liability for causing any Company to participate in a "listed transaction" as defined in Treasury Regulation § 1.6011-4(b)(2) or any successor provision. The parties agree that in the event Services establishes a new Account after the Effective Date for Investment Adviser to manage that contains the entirety of a separate account's assets, Services may require in the Investment Guidelines for such separate account that the Investment Adviser to (i) manage such assets to the diversification regulations of Section 817(h) of the Code, as in effect from time to time, or any regulations thereunder, (ii) monitor for any investments made in any company that is characterized as a "passive foreign investment company" within the meaning of Section 1297 of the Code, and (iii) monitor for causing the separate account to participate in a "listed transaction" as defined in Treasury Regulation § 1.6011-4(b)(2) or any successor provision.

[*SIGNATURE PAGE TO FOLLOW*]

IN WITNESS WHEREOF, Services and the Investment Adviser have executed this Agreement as of the day and the year written above.

BRIGHTHOUSE SERVICES, LLC

By: /s/ James Wiviott

Name: James Wiviott

Title: Vice President

Date: July 17, 2019

METLIFE INVESTMENT MANAGEMENT, LLC

By: /s/ Scott Isley

Name: Scott Isley

Title: Vice President

Date: July 17, 2019

Exhibit 31.1

CERTIFICATIONS

I, Eric T. Steigerwalt, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Brighthouse Financial, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 6, 2019

/s/ Eric T. Steigerwalt

Eric T. Steigerwalt
President and Chief Executive Officer

Exhibit 31.2

CERTIFICATIONS

I, Conor E. Murphy, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Brighthouse Financial, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 6, 2019

/s/ Conor E. Murphy

Conor E. Murphy

Executive Vice President, Chief Operating Officer and Interim Chief Financial Officer

Exhibit 32.1

SECTION 906 CERTIFICATION

CERTIFICATION PURSUANT TO SECTION 1350 OF CHAPTER 63 OF TITLE 18 OF THE UNITED STATES CODE

I, Eric T. Steigerwalt, certify that, to my knowledge, (i) Brighthouse Financial, Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2019 (the "Form 10-Q") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and (ii) the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of Brighthouse Financial, Inc.

Date: August 6, 2019

/s/ Eric T. Steigerwalt

Eric T. Steigerwalt
President and Chief Executive Officer

This certification accompanies this Quarterly Report on Form 10-Q pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by such Act, be deemed filed by Brighthouse Financial, Inc. (the "Company") for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Such certification will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except to the extent that the Company specifically incorporates it by reference.

Exhibit 32.2

SECTION 906 CERTIFICATION

CERTIFICATION PURSUANT TO SECTION 1350 OF CHAPTER 63 OF TITLE 18 OF THE UNITED STATES CODE

I, Conor E. Murphy, certify that, to my knowledge, (i) Brighthouse Financial, Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2019 (the "Form 10-Q") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and (ii) the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of Brighthouse Financial, Inc.

Date: August 6, 2019

/s/ Conor E. Murphy

Conor E. Murphy

Executive Vice President, Chief Operating Officer and Interim Chief Financial Officer

This certification accompanies this Quarterly Report on Form 10-Q pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by such Act, be deemed filed by Brighthouse Financial, Inc. (the "Company") for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Such certification will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except to the extent that the Company specifically incorporates it by reference.