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 September 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®

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 November 1, 2019, 107,943,076 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
September 30, 2019 (Unaudited) and December 31, 2018

(In millions, except share and per share data)

	September 30, 2019	December 31, 2018
Assets		
Investments:		
Fixed maturity securities available-for-sale, at estimated fair value (amortized cost: $63,115 and $60,920, respectively)	$ 70,723	$ 62,608
Equity securities, at estimated fair value	148	140
Mortgage loans (net of valuation allowances of $64 and $57, respectively)	15,359	13,694
Policy loans	1,332	1,421
Real estate limited partnerships and limited liability companies	458	451
Other limited partnership interests	1,895	1,840
Short-term investments, principally at estimated fair value	1,985	—
Other invested assets, principally at estimated fair value	4,734	3,027
Total investments	96,634	83,181
Cash and cash equivalents	4,289	4,145
Accrued investment income	732	724
Premiums, reinsurance and other receivables	14,385	13,697
Deferred policy acquisition costs and value of business acquired	5,317	5,717
Current income tax recoverable	14	1
Other assets	577	573
Separate account assets	103,928	98,256
Total assets	$ 225,876	$ 206,294
Liabilities and Equity		
Liabilities		
Future policy benefits	$ 39,846	$ 36,209
Policyholder account balances	44,919	40,054
Other policy-related balances	3,079	3,000
Payables for collateral under securities loaned and other transactions	5,291	5,057
Long-term debt	4,365	3,963
Current income tax payable	—	15
Deferred income tax liability	1,749	972
Other liabilities	4,939	4,285
Separate account liabilities	103,928	98,256
Total liabilities	208,116	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 September 30, 2019	—	—
Common stock, par value $0.01 per share; 1,000,000,000 shares authorized; 120,614,815 and 120,448,018 shares issued, respectively; 109,264,305 and 117,532,336 shares outstanding, respectively	1	1
Additional paid-in capital	12,897	12,473
Retained earnings (deficit)	1,662	1,346
Treasury stock, at cost; 11,350,510 and 2,915,682 shares, respectively	(432)	(118)
Accumulated other comprehensive income (loss)	3,567	716
Total Brighthouse Financial, Inc.'s stockholders' equity	17,695	14,418
Noncontrolling interests	65	65
Total equity	17,760	14,483
Total liabilities and equity	$ 225,876	$ 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 Nine Months Ended September 30, 2019 and 2018 (Unaudited)

(In millions, except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Revenues				
Premiums	$ 214	$ 225	$ 673	$ 677
Universal life and investment-type product policy fees	867	972	2,630	2,936
Net investment income	928	853	2,681	2,476
Other revenues	94	105	282	308
Net investment gains (losses)	27	(42)	79	(121)
Net derivative gains (losses)	1,057	(691)	(97)	(1,337)
Total revenues	3,187	1,422	6,248	4,939
Expenses				
Policyholder benefits and claims	1,319	822	2,936	2,373
Interest credited to policyholder account balances	272	273	795	809
Amortization of deferred policy acquisition costs and value of business acquired	181	30	373	581
Other expenses	611	665	1,824	1,974
Total expenses	2,383	1,790	5,928	5,737
Income (loss) before provision for income tax	804	(368)	320	(798)
Provision for income tax expense (benefit)	119	(99)	(14)	(226)
Net income (loss)	685	(269)	334	(572)
Less: Net income (loss) attributable to noncontrolling interests	2	2	4	5
Net income (loss) attributable to Brighthouse Financial, Inc.	683	(271)	330	(577)
Less: Preferred stock dividends	7	—	14	—
Net income (loss) available to Brighthouse Financial, Inc.'s common shareholders	$ 676	$ (271)	$ 316	$ (577)
Comprehensive income (loss)	$ 1,550	$ (532)	$ 3,185	$ (1,617)
Less: Comprehensive income (loss) attributable to noncontrolling interests	2	2	4	5
Comprehensive income (loss) attributable to Brighthouse Financial, Inc.	$ 1,548	$ (534)	$ 3,181	$ (1,622)
Earnings per common share				
Basic	$ 6.09	$ (2.26)	$ 2.77	$ (4.82)
Diluted	$ 6.06	$ (2.26)	$ 2.75	$ (4.82)

See accompanying notes to the interim condensed consolidated financial statements.

Brighthouse Financial, Inc.

Interim Condensed Consolidated Statements of Equity
For the Three Months and Nine Months Ended September 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					(188)		(188)		(188)
Share-based compensation			8				8		8
Dividends on preferred stock				(7)			(7)		(7)
Change in noncontrolling interests							—	(2)	(2)
Net income (loss)				(353)			(353)	2	(351)
Other comprehensive income (loss), net of income tax						1,986	1,986		1,986
Balance at June 30, 2019	—	1	12,893	986	(306)	2,702	16,276	65	16,341
Treasury stock acquired in connection with share repurchases					(126)		(126)		(126)
Share-based compensation			4				4		4
Dividends on preferred stock				(7)			(7)		(7)
Change in noncontrolling interests							—	(2)	(2)
Net income (loss)				683			683	2	685
Other comprehensive income (loss), net of income tax						865	865		865
Balance at September 30, 2019	$ —	$ 1	$ 12,897	$ 1,662	$ (432)	$ 3,567	$ 17,695	$ 65	$ 17,760

	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
Share-based compensation			12				12		12
Change in noncontrolling interests							—	(3)	(3)
Net income (loss)				(306)			(306)	3	(303)
Other comprehensive income (loss), net of income tax						(782)	(782)		(782)
Balance at June 30, 2018	—	1	12,444	175	—	815	13,435	65	13,500
Treasury stock acquired in connection with share repurchase					(42)		(42)		(42)
Share-based compensation			25				25		25
Change in noncontrolling interests							—	(2)	(2)
Net income (loss)				(271)			(271)	2	(269)
Other comprehensive income (loss), net of income tax						(263)	(263)		(263)
Balance at September 30, 2018	$ —	$ 1	$ 12,469	$ (96)	$ (42)	$ 552	$ 12,884	$ 65	$ 12,949

See accompanying notes to the interim condensed consolidated financial statements.

Brighthouse Financial, Inc.

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

(In millions)

	Nine Months Ended September 30,	
	2019	**2018**
Net cash provided by (used in) operating activities	$ 1,322	$ 1,496
Cash flows from investing activities		
Sales, maturities and repayments of:		
Fixed maturity securities	11,888	11,680
Equity securities	29	15
Mortgage loans	933	446
Real estate limited partnerships and limited liability companies	2	87
Other limited partnership interests	203	137
Purchases of:		
Fixed maturity securities	(13,412)	(12,005)
Equity securities	(3)	(1)
Mortgage loans	(2,625)	(2,771)
Real estate limited partnerships and limited liability companies	(13)	(31)
Other limited partnership interests	(308)	(194)
Cash received in connection with freestanding derivatives	1,179	1,142
Cash paid in connection with freestanding derivatives	(1,705)	(2,286)
Net change in policy loans	89	81
Net change in short-term investments	(1,977)	196
Net change in other invested assets	21	35
Net cash provided by (used in) investing activities	(5,699)	(3,469)
Cash flows from financing activities		
Policyholder account balances:		
Deposits	5,689	4,704
Withdrawals	(2,021)	(2,199)
Net change in payables for collateral under securities loaned and other transactions	234	(126)
Long-term debt issued	1,000	375
Long-term debt repaid	(601)	(9)
Preferred stock issued, net of issuance costs	412	—
Dividends on preferred stock	(14)	—
Treasury stock acquired in connection with share repurchases	(314)	(42)
Financing element on certain derivative instruments and other derivative related transactions, net	179	(386)
Other, net	(43)	(57)
Net cash provided by (used in) financing activities	4,521	2,260
Change in cash, cash equivalents and restricted cash	144	287
Cash, cash equivalents and restricted cash, beginning of period	4,145	1,857
Cash, cash equivalents and restricted cash, end of period	$ 4,289	$ 2,144
Supplemental disclosures of cash flow information		
Net cash paid (received) for:		
Interest	$ 108	$ 83
Income tax	$ 8	$ 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 that had a material impact on the Company's financial statements.

ASUs issued but not yet adopted as of September 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, resulting in changes to the timing of the costs' recognition. 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)	Effective January 1, 2020, the Company will adopt this guidance using the prospective method. As a result, no transition impact will be recognized on adoption.
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 were originally effective on January 1, 2021. On October 16, 2019, the FASB voted to change the effective date of the ASU 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 expects to reduce retained earnings upon adoption due to an increase in its allowance for credit losses; the amount is not expected to be material.

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 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)

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.

Set forth in the tables below are the operating results with respect to the Company's segments, as well as Corporate & Other, for the three months and nine months ended September 30, 2019 and 2018.

	Operating Results				
Three Months Ended September 30, 2019	**Annuities**	**Life**	**Run-off**	**Corporate & Other**	**Total**
			(In millions)		
Pre-tax adjusted earnings	$ 255	$ 91	$ (543)	$ (67)	$ (264)
Provision for income tax expense (benefit)	52	18	(117)	(57)	(104)
Post-tax adjusted earnings	203	73	(426)	(10)	(160)
Less: Net income (loss) attributable to noncontrolling interests and preferred stock dividends	—	—	—	9	9
Adjusted earnings	$ 203	$ 73	$ (426)	$ (19)	(169)
Adjustments for:					
Net investment gains (losses)					27
Net derivative gains (losses)					1,057
Other adjustments to net income					(16)
Provision for income tax (expense) benefit					(223)
Net income (loss) available to Brighthouse Financial, Inc.'s common shareholders					$ 676
Interest revenue	$ 461	$ 117	$ 327	$ 23	
Interest expense	$ —	$ —	$ —	$ 49	

Brighthouse Financial, Inc.

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

2. Segment Information (continued)

	Operating Results				
Three Months Ended September 30, 2018	**Annuities**	**Life**	**Run-off**	**Corporate & Other**	**Total**
			(In millions)		
Pre-tax adjusted earnings	$ 487	$ 78	$ (134)	$ (117)	$ 314
Provision for income tax expense (benefit)	86	17	(29)	(32)	42
Post-tax adjusted earnings	401	61	(105)	(85)	272
Less: Net income (loss) attributable to noncontrolling interests and preferred stock dividends	—	—	—	2	2
Adjusted earnings	$ 401	$ 61	$ (105)	$ (87)	270
Adjustments for:					
Net investment gains (losses)					(42)
Net derivative gains (losses)					(691)
Other adjustments to net income					51
Provision for income tax (expense) benefit					141
Net income (loss) available to Brighthouse Financial, Inc.’s common shareholders					$ (271)
Interest revenue	$ 399	$ 115	$ 322	$ 16	
Interest expense	$ —	$ —	$ —	$ 39	

	Operating Results				
Nine Months Ended September 30, 2019	**Annuities**	**Life**	**Run-off**	**Corporate & Other**	**Total**
			(In millions)		
Pre-tax adjusted earnings	$ 939	$ 194	$ (587)	$ (224)	$ 322
Provision for income tax expense (benefit)	176	38	(127)	(100)	(13)
Post-tax adjusted earnings	763	156	(460)	(124)	335
Less: Net income (loss) attributable to noncontrolling interests and preferred stock dividends	—	—	—	18	18
Adjusted earnings	$ 763	$ 156	$ (460)	$ (142)	317
Adjustments for:					
Net investment gains (losses)					79
Net derivative gains (losses)					(97)
Other adjustments to net income					16
Provision for income tax (expense) benefit					1
Net income (loss) available to Brighthouse Financial, Inc.’s common shareholders					$ 316
Interest revenue	$ 1,352	$ 330	$ 942	$ 57	
Interest expense	$ —	$ —	$ —	$ 144	

Brighthouse Financial, Inc.

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

2. Segment Information (continued)

	Operating Results				
Nine Months Ended September 30, 2018	Annuities	Life	Run-off	Corporate & Other	Total
	(In millions)				
Pre-tax adjusted earnings	$ 1,025	$ 205	$ (79)	$ (327)	$ 824
Provision for income tax expense (benefit)	177	41	(18)	(87)	113
Post-tax adjusted earnings	848	164	(61)	(240)	711
Less: Net income (loss) attributable to noncontrolling interests and preferred stock dividends	—	—	—	5	5
Adjusted earnings	$ 848	$ 164	$ (61)	$ (245)	706
Adjustments for:					
Net investment gains (losses)					(121)
Net derivative gains (losses)					(1,337)
Other adjustments to net income					(164)
Provision for income tax (expense) benefit					339
Net income (loss) available to Brighthouse Financial, Inc.’s common shareholders					$ (577)
Interest revenue	$ 1,138	$ 334	$ 979	$ 38	
Interest expense	$ —	$ —	$ —	$ 113	

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
	(In millions)			
Annuities	$ 1,184	$ 1,160	$ 3,495	$ 3,453
Life	320	346	953	1,054
Run-off	484	536	1,487	1,594
Corporate & Other	47	47	132	112
Adjustments	1,152	(667)	181	(1,274)
Total	$ 3,187	$ 1,422	$ 6,248	$ 4,939

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

	September 30, 2019	December 31, 2018
	(In millions)	
Annuities	$ 154,811	$ 141,489
Life	20,954	20,449
Run-off	36,080	32,393
Corporate & Other	14,031	11,963
Total	$ 225,876	$ 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:

	September 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)	$ 101,594	$ 58,572	$ 96,865	$ 55,967
Separate account value	$ 96,645	$ 57,390	$ 91,837	$ 54,731
Net amount at risk	$ 7,393 (4)	$ 5,003 (5)	$ 11,073 (4)	$ 4,128 (5)
Average attained age of contract holders	68 years	68 years	68 years	68 years

	September 30, 2019	December 31, 2018
	Secondary Guarantees	
	(Dollars in millions)	
Universal Life Contracts		
Total account value (3)	$ 6,000	$ 6,099
Net amount at risk (6)	$ 71,641	$ 73,131
Average attained age of policyholders	66 years	65 years
Variable Life Contracts		
Total account value (3)	$ 3,387	$ 3,230
Net amount at risk (6)	$ 21,763	$ 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.

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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:

	September 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:										
U.S. corporate	$ 27,968	$ 3,011	$ 77	$ —	$ 30,902	$ 24,312	$ 830	$ 669	$ —	$ 24,473
U.S. government and agency	5,518	2,229	1	—	7,746	7,944	1,263	112	—	9,095
RMBS	8,712	511	13	(5)	9,215	8,428	246	129	(2)	8,547
Foreign corporate	9,089	679	118	—	9,650	8,183	159	316	—	8,026
CMBS	5,241	341	3	—	5,579	5,292	43	88	(1)	5,248
State and political subdivision	3,209	780	—	—	3,989	3,200	412	15	—	3,597
ABS	1,899	28	10	—	1,917	2,135	13	22	—	2,126
Foreign government	1,479	251	5	—	1,725	1,426	102	32	—	1,496
Total fixed maturity securities	$ 63,115	$ 7,830	$ 227	$ (5)	$ 70,723	$ 60,920	$ 3,068	$ 1,383	$ (3)	$ 62,608

(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.

The Company held no non-income producing fixed maturity securities at September 30, 2019. The Company held non-income producing fixed maturity securities with an estimated fair value of less than $1 million at December 31, 2018.

Maturities of Fixed Maturity Securities

The amortized cost and estimated fair value of fixed maturity securities, by contractual maturity date, were as follows at September 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 (1)	Total Fixed Maturity Securities
	(In millions)					
Amortized cost	$ 1,957	$ 6,764	$ 12,584	$ 25,958	$ 15,852	$ 63,115
Estimated fair value	$ 1,963	$ 6,959	$ 13,422	$ 31,668	$ 16,711	$ 70,723

(1) Structured securities include residential mortgage-backed securities ("RMBS"), commercial mortgage-backed securities ("CMBS") and asset-backed securities ("ABS") (collectively, "Structured Securities").

Brighthouse Financial, Inc.

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

4. Investments (continued)

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:

	September 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	$ 1,621	$ 43	$ 414	$ 34	$ 10,584	$ 470	$ 2,328	$ 199
U.S. government and agency	106	1	—	—	412	8	1,543	104
RMBS	536	3	453	5	1,627	26	2,611	101
Foreign corporate	832	28	642	90	3,982	203	774	113
CMBS	102	1	190	2	2,317	53	803	34
State and political subdivision	15	—	8	—	346	7	158	8
ABS	449	3	504	7	1,422	21	70	1
Foreign government	52	5	—	—	521	26	132	6
Total fixed maturity securities	$ 3,713	$ 84	$ 2,211	$ 138	$ 21,211	$ 814	$ 8,419	$ 566
Total number of securities in an unrealized loss position	693		320		3,027		1,028	

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.

4. Investments (continued)

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 September 30, 2019.

Gross unrealized losses on fixed maturity securities decreased $1.2 billion during the nine months ended September 30, 2019 to $222 million. The decrease in gross unrealized losses for the nine months ended September 30, 2019 was primarily attributable to decreasing longer-term interest rates and narrowing credit spreads.

At September 30, 2019, $11 million of the total $222 million of gross unrealized losses were from eleven fixed maturity securities with an unrealized loss position of 20% or more of amortized cost for six months or greater.

Mortgage Loans

Mortgage Loans by Portfolio Segment

Mortgage loans are summarized as follows at:

	September 30, 2019		December 31, 2018	
	Carrying Value	% of Total	Carrying Value	% of Total
	(Dollars in millions)			
Mortgage loans:				
Commercial	$ 9,473	61.7 %	$ 8,529	62.3 %
Agricultural	3,291	21.4	2,946	21.5
Residential	2,659	17.3	2,276	16.6
Subtotal (1)	15,423	100.4	13,751	100.4
Valuation allowances (2)	(64)	(0.4)	(57)	(0.4)
Total mortgage loans, net	$ 15,359	100.0 %	$ 13,694	100.0 %

(1) Purchases of mortgage loans from third parties were $159 million and $722 million for the three months and nine months ended September 30, 2019, respectively, and $816 million and $1.4 billion for the three months and nine months ended September 30, 2018, respectively, and were primarily comprised of residential mortgage loans.

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

4. Investments (continued)

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.

Credit Quality of Commercial Mortgage Loans

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

	Recorded Investment						
	Debt Service Coverage Ratios					Estimated Fair Value	% of Total
	> 1.20x	1.00x - 1.20x	< 1.00x	Total	% of Total		
	(Dollars in millions)						
September 30, 2019							
Loan-to-value ratios:							
Less than 65%	$ 8,355	$ 128	$ 141	$ 8,624	91.0%	$ 9,111	91.2%
65% to 75%	684	18	—	702	7.4	729	7.3
76% to 80%	138	—	9	147	1.6	146	1.5
Total	$ 9,177	$ 146	$ 150	$ 9,473	100.0%	$ 9,986	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:

	September 30, 2019		December 31, 2018	
	Recorded Investment	% of Total	Recorded Investment	% of Total
	(Dollars in millions)			
Loan-to-value ratios:				
Less than 65%	$ 3,046	92.6%	$ 2,623	89.0%
65% to 75%	243	7.3	322	10.9
76% to 80%	2	0.1	1	0.1
Total	$ 3,291	100.0%	$ 2,946	100.0%

4. Investments (continued)

The estimated fair value of agricultural mortgage loans was $3.4 billion and $2.9 billion at September 30, 2019 and December 31, 2018, respectively.

Credit Quality of Residential Mortgage Loans

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

	September 30, 2019		December 31, 2018	
	Recorded Investment	% of Total	Recorded Investment	% of Total
	(Dollars in millions)			
Performance indicators:				
Performing	$ 2,621	98.6%	$ 2,240	98.4%
Nonperforming	38	1.4	36	1.6
Total	$ 2,659	100.0%	$ 2,276	100.0%

The estimated fair value of residential mortgage loans was $2.7 billion and $2.3 billion at September 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 September 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 September 30, 2019 or December 31, 2018. Agricultural mortgage loans past due totaled $7 million and less than $1 million at September 30, 2019 and December 31, 2018, respectively. The Company had no agricultural mortgage loans in nonaccrual status at either September 30, 2019 or December 31, 2018. Residential mortgage loans past due and in nonaccrual status totaled $38 million and $36 million at September 30, 2019 and December 31, 2018, respectively. During the three months and nine months ended September 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.

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.

4. Investments (continued)

The components of net unrealized investment gains (losses), included in AOCI, were as follows:

	September 30, 2019	December 31, 2018
	(In millions)	
Fixed maturity securities	$ 7,608	$ 1,691
Derivatives	416	264
Other	(14)	(13)
Subtotal	8,010	1,942
Amounts allocated from:		
Future policy benefits	(3,050)	(886)
DAC, VOBA and DSI	(386)	(90)
Subtotal	(3,436)	(976)
Deferred income tax benefit (expense)	(961)	(203)
Net unrealized investment gains (losses)	$ 3,613	$ 763

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

	Nine Months Ended September 30, 2019
	(In millions)
Balance, December 31, 2018	$ 763
Unrealized investment gains (losses) during the period	6,068
Unrealized investment gains (losses) relating to:	
Future policy benefits	(2,164)
DAC, VOBA and DSI	(296)
Deferred income tax benefit (expense)	(758)
Balance, September 30, 2019	$ 3,613
Change in net unrealized investment gains (losses)	$ 2,850

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 September 30, 2019 and December 31, 2018.

Securities Lending

Elements of the securities lending program are presented below at:

	September 30, 2019	December 31, 2018
	(In millions)	
Securities on loan: (1)		
Amortized cost	$ 2,055	$ 3,056
Estimated fair value	$ 3,214	$ 3,628
Cash collateral received from counterparties (2)	$ 3,244	$ 3,646
Security collateral received from counterparties (3)	$ 35	$ 55
Reinvestment portfolio — estimated fair value	$ 3,354	$ 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:

	September 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	$ 1,561	$ 1,283	$ 400	$ 3,244	$ 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.

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 September 30, 2019 was $1.5 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 September 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:

	September 30, 2019	December 31, 2018
	(In millions)	
Invested assets on deposit (regulatory deposits) (1)	$ 9,443	$ 8,176
Invested assets held in trust (reinsurance agreements) (2)	4,429	3,455
Invested assets pledged as collateral (3)	3,471	3,341
Total invested assets on deposit, held in trust and pledged as collateral	$ 17,343	$ 14,972

(1) The Company has assets, primarily fixed maturity securities, on deposit with governmental authorities relating to certain policyholder liabilities, of which $75 million and $55 million of the assets on deposit balance represents restricted cash at September 30, 2019 and December 31, 2018, respectively.

(2) The Company has assets, primarily fixed maturity securities, held in trust relating to certain reinsurance transactions. $132 million and $87 million of the assets held in trust balance represents restricted cash at September 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.

4. Investments (continued)

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 September 30, 2019 or December 31, 2018.

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

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:

	September 30, 2019		December 31, 2018	
	Carrying Amount	Maximum Exposure to Loss	Carrying Amount	Maximum Exposure to Loss
	(In millions)			
Fixed maturity securities	$ 13,361	$ 12,592	$ 13,099	$ 13,099
Limited partnerships and LLCs	1,846	3,067	1,756	3,145
Total	$ 15,207	$ 15,659	$ 14,855	$ 16,244

4. Investments (continued)

Net Investment Income

The components of net investment income were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
	(In millions)			
Investment income:				
Fixed maturity securities	$ 665	$ 641	$ 1,997	$ 1,907
Equity securities	2	1	6	5
Mortgage loans	172	138	507	384
Policy loans	18	17	51	67
Real estate limited partnerships and limited liability companies	12	12	32	36
Other limited partnership interests	67	69	143	159
Cash, cash equivalents and short-term investments	30	8	67	21
Other	12	20	31	42
Subtotal	978	906	2,834	2,621
Less: Investment expenses	50	53	153	145
Net investment income	$ 928	$ 853	$ 2,681	$ 2,476

Net Investment Gains (Losses)

<u>Components of Net Investment Gains (Losses)</u>

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
	(In millions)			
Fixed maturity securities	$ 28	$ (34)	$ 81	$ (138)
Equity securities	3	(1)	14	(5)
Mortgage loans	(1)	(5)	(8)	(12)
Real estate limited partnerships and limited liability companies	—	—	—	42
Other limited partnership interests	(3)	—	(8)	—
Other	—	(2)	—	(8)
Total net investment gains (losses)	$ 27	$ (42)	$ 79	$ (121)

4. Investments (continued)

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 September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
	(In millions)			
Proceeds	$ 1,628	$ 3,091	$ 8,586	$ 8,428
Gross investment gains	$ 45	$ 58	$ 218	$ 70
Gross investment losses	(17)	(92)	(137)	(208)
Net investment gains (losses)	$ 28	$ (34)	$ 81	$ (138)

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.

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).

5. Derivatives (continued)

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 cash flow and nonqualifying hedging relationships.

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.

5. Derivatives (continued)

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.

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:

		September 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:							
Interest rate forwards	Interest rate	$ 460	$ 51	$ —	$ —	$ —	$ —
Foreign currency swaps	Foreign currency exchange rate	2,737	320	16	2,524	211	30
Total qualifying hedges		3,197	371	16	2,524	211	30
Derivatives Not Designated or Not Qualifying as Hedging Instruments:							
Interest rate swaps	Interest rate	8,731	1,049	32	10,747	528	558
Interest rate caps	Interest rate	3,350	2	—	3,350	21	—
Interest rate futures	Interest rate	—	—	—	54	—	—
Interest rate options	Interest rate	27,250	1,771	375	17,168	168	61
Interest rate forwards	Interest rate	4,143	241	15	—	—	—
Foreign currency swaps	Foreign currency exchange rate	1,078	146	13	1,409	101	18
Foreign currency forwards	Foreign currency exchange rate	118	2	—	125	—	—
Credit default swaps — purchased	Credit	12	—	—	98	3	—
Credit default swaps — written	Credit	1,734	31	—	1,820	14	3
Equity futures	Equity market	—	—	—	169	—	—
Equity index options	Equity market	46,099	766	1,503	45,815	1,372	1,207
Equity variance swaps	Equity market	5,574	95	249	5,574	80	232
Equity total return swaps	Equity market	5,037	41	33	3,920	280	3
Total non-designated or nonqualifying derivatives		103,126	4,144	2,220	90,249	2,567	2,082
Embedded derivatives:							
Ceded guaranteed minimum income benefits	Other	N/A	303	—	N/A	228	—
Direct guaranteed minimum benefits	Other	N/A	—	2,391	N/A	—	1,642
Direct index-linked annuities	Other	N/A	—	1,566	N/A	—	488
Assumed index-linked annuities	Other	N/A	—	316	N/A	—	96
Total embedded derivatives		N/A	303	4,273	N/A	228	2,226
Total		$ 106,323	$ 4,818	$ 6,509	$ 92,773	$ 3,006	$ 4,338

5. Derivatives (continued)

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 September 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 September 30, 2019					
Derivatives Designated as Hedging Instruments:					
Cash flow hedges:					
Interest rate derivatives	$ —	$ —	$ 1	$ —	$ 51
Foreign currency exchange rate derivatives	—	—	9	—	109
Total cash flow hedges	—	—	10	—	160
Derivatives Not Designated or Not Qualifying as Hedging Instruments:					
Interest rate derivatives	1,657	—	—	—	—
Foreign currency exchange rate derivatives	49	(3)	—	—	—
Credit derivatives	2	—	—	—	—
Equity derivatives	(18)	—	—	—	—
Embedded derivatives	(630)	—	—	—	—
Total non-qualifying hedges	1,060	(3)	—	—	—
Total	$ 1,060	$ (3)	$ 10	$ —	$ 160
Three Months Ended September 30, 2018					
Derivatives Designated as Hedging Instruments:					
Fair value hedges:					
Interest rate derivatives	$ (2)	$ 2	$ —	$ —	$ —
Total fair value hedges	(2)	2	—	—	—
Cash flow hedges:					
Interest rate derivatives	46	—	1	—	(3)
Foreign currency exchange rate derivatives	—	—	8	—	(4)
Total cash flow hedges	46	—	9	—	(7)
Derivatives Not Designated or Not Qualifying as Hedging Instruments:					
Interest rate derivatives	(266)	—	—	—	—
Foreign currency exchange rate derivatives	6	(3)	—	—	—
Credit derivatives	11	—	—	—	—
Equity derivatives	(447)	—	—	—	—
Embedded derivatives	(38)	—	—	(2)	—
Total non-qualifying hedges	(734)	(3)	—	(2)	—
Total	$ (690)	$ (1)	$ 9	$ (2)	$ (7)

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)		
Nine Months Ended September 30, 2019					
Derivatives Designated as Hedging Instruments:					
Cash flow hedges:					
Interest rate derivatives	$ 28	$ —	$ 2	$ —	$ 51
Foreign currency exchange rate derivatives	19	(23)	26	—	150
Total cash flow hedges	47	(23)	28	—	201
Derivatives Not Designated or Not Qualifying as Hedging Instruments:					
Interest rate derivatives	2,906	—	—	—	—
Foreign currency exchange rate derivatives	71	(6)	—	—	—
Credit derivatives	32	—	—	—	—
Equity derivatives	(1,808)	—	—	—	—
Embedded derivatives	(1,316)	—	—	—	—
Total non-qualifying hedges	(115)	(6)	—	—	—
Total	$ (68)	$ (29)	$ 28	$ —	$ 201
Nine Months Ended September 30, 2018					
Derivatives Designated as Hedging Instruments:					
Fair value hedges:					
Interest rate derivatives	$ (12)	$ 12	$ 1	$ —	$ —
Total fair value hedges	(12)	12	1	—	—
Cash flow hedges:					
Interest rate derivatives	62	—	4	—	(5)
Foreign currency exchange rate derivatives	(1)	—	19	—	33
Total cash flow hedges	61	—	23	—	28
Derivatives Not Designated or Not Qualifying as Hedging Instruments:					
Interest rate derivatives	(1,190)	—	—	—	—
Foreign currency exchange rate derivatives	29	(4)	—	—	—
Credit derivatives	7	—	—	—	—
Equity derivatives	(904)	—	—	—	—
Embedded derivatives	664	—	—	(4)	—
Total non-qualifying hedges	(1,394)	(4)	—	(4)	—
Total	$ (1,345)	$ 8	$ 24	$ (4)	$ 28

At September 30, 2019 and December 31, 2018, the balance in AOCI associated with cash flow hedges was $416 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)	September 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	$ 9	$ 615	2.4	$ 8	$ 689	2.0
Baa	22	1,119	5.3	3	1,131	5.0
Total	$ 31	$ 1,734	4.3	$ 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)					
September 30, 2019						
Derivative assets	$ 4,575	$ (1,599)	$ (1,851)	$ 1,125	$ (1,089)	$ 36
Derivative liabilities	$ 2,232	$ (1,599)	$ —	$ 633	$ (633)	$ —
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.

	September 30, 2019	December 31, 2018
	(In millions)	
Estimated fair value of derivatives in a net liability position (1)	$ 633	$ 433
Estimated Fair Value of Collateral Provided (2):		
Fixed maturity securities	$ 1,250	$ 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.

Brighthouse Financial, Inc.

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

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.

	September 30, 2019			
	Fair Value Hierarchy			
	Level 1	Level 2	Level 3	Total Estimated Fair Value
	(In millions)			
Assets				
Fixed maturity securities:				
U.S. corporate	$ —	$ 30,466	$ 436	$ 30,902
U.S. government and agency	1,667	6,079	—	7,746
RMBS	—	9,138	77	9,215
Foreign corporate	—	9,260	390	9,650
CMBS	—	5,545	34	5,579
State and political subdivision	—	3,916	73	3,989
ABS	—	1,853	64	1,917
Foreign government	—	1,725	—	1,725
Total fixed maturity securities	1,667	67,982	1,074	70,723
Equity securities	11	133	4	148
Short-term investments	1,299	686	—	1,985
Derivative assets: (1)				
Interest rate	—	3,114	—	3,114
Foreign currency exchange rate	—	455	13	468
Credit	—	22	9	31
Equity market	—	803	99	902
Total derivative assets	—	4,394	121	4,515
Embedded derivatives within asset host contracts (2)	—	—	303	303
Separate account assets	224	103,704	—	103,928
Total assets	$ 3,201	$ 176,899	$ 1,502	$ 181,602
Liabilities				
Derivative liabilities: (1)				
Interest rate	$ —	$ 422	$ —	$ 422
Foreign currency exchange rate	—	28	1	29
Equity market	—	1,534	251	1,785
Total derivative liabilities	—	1,984	252	2,236
Embedded derivatives within liability host contracts (2)	—	—	4,273	4,273
Total liabilities	$ —	$ 1,984	$ 4,525	$ 6,509

Brighthouse Financial, Inc.

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

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.

6. Fair Value (continued)

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 nine months ended September 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	September 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	0.61%	-	2.37%	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 September 30, 2019									
Balance, beginning of period	$ 765	$ 108	$ 74	$ —	$ 4	$ 6	$ (134)	$ (3,121)	$ —
Total realized/unrealized gains (losses) included in net income (loss) (5) (6)	—	—	—	—	—	—	(2)	(630)	—
Total realized/unrealized gains (losses) included in AOCI	—	1	—	—	—	—	3	—	—
Purchases (7)	118	61	—	—	—	—	—	—	—
Sales (7)	(22)	(6)	(1)	—	—	(6)	—	—	—
Issuances (7)	—	—	—	—	—	—	—	—	—
Settlements (7)	—	—	—	—	—	—	—	(219)	—
Transfers into Level 3 (8)	49	29	—	—	—	—	—	—	—
Transfers out of Level 3 (8)	(84)	(18)	—	—	—	—	2	—	—
Balance, end of period	$ 826	$ 175	$ 73	$ —	$ 4	$ —	$ (131)	$ (3,970)	$ —
Three Months Ended September 30, 2018									
Balance, beginning of period	$ 1,872	$ 1,268	$ 8	$ —	$ 120	$ —	$ (284)	$ (1,241)	$ 4
Total realized/unrealized gains (losses) included in net income (loss) (5) (6)	—	10	2	—	(2)	—	(4)	(40)	—
Total realized/unrealized gains (losses) included in AOCI	(44)	(8)	(2)	—	—	—	—	—	—
Purchases (7)	56	287	—	—	—	—	—	—	1
Sales (7)	(51)	(114)	(6)	—	—	—	—	—	—
Issuances (7)	—	—	—	—	—	—	—	—	—
Settlements (7)	—	—	—	—	—	—	—	(154)	—
Transfers into Level 3 (8)	20	3	—	—	9	—	—	—	—
Transfers out of Level 3 (8)	(208)	(172)	(2)	—	(5)	—	—	—	(1)
Balance, end of period	$ 1,645	$ 1,274	$ —	$ —	$ 122	$ —	$ (288)	$ (1,435)	$ 4
Changes in unrealized gains (losses) included in net income (loss) for the instruments still held at September 30, 2019 (9)	$ —	$ —	$ —	$ —	$ —	$ —	$ (2)	$ (705)	$ —
Changes in unrealized gains (losses) included in net income (loss) for the instruments still held at September 30, 2018 (9)	$ —	$ 4	$ —	$ —	$ —	$ —	$ (4)	$ (37)	$ —

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)								
Nine Months Ended September 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)	—	1	—	—	—	—	(10)	(1,316)	—
Total realized/unrealized gains (losses) included in AOCI	11	3	—	—	—	—	5	—	—
Purchases (7)	179	75	—	—	—	—	—	—	—
Sales (7)	(78)	(24)	(1)	—	—	—	—	—	(1)
Issuances (7)	—	—	—	—	—	—	—	—	—
Settlements (7)	—	—	—	—	—	—	—	(656)	—
Transfers into Level 3 (8)	147	92	—	—	1	—	—	—	—
Transfers out of Level 3 (8)	(165)	(145)	—	—	—	—	(4)	—	—
Balance, end of period	$ 826	$ 175	$ 73	$ —	$ 4	$ —	$ (131)	$ (3,970)	$ —
Nine Months Ended September 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)	2	21	—	—	(4)	—	(12)	660	—
Total realized/unrealized gains (losses) included in AOCI	(121)	(10)	—	—	—	—	—	—	—
Purchases (7)	164	339	—	—	—	—	3	—	1
Sales (7)	(184)	(229)	—	—	(3)	(14)	—	—	(1)
Issuances (7)	—	—	—	—	—	—	—	—	—
Settlements (7)	—	—	—	—	—	—	—	(435)	(1)
Transfers into Level 3 (8)	20	—	—	—	10	—	—	—	—
Transfers out of Level 3 (8)	(233)	(77)	—	(5)	(5)	—	—	—	—
Balance, end of period	$ 1,645	$ 1,274	$ —	$ —	$ 122	$ —	$ (288)	$ (1,435)	$ 4
Changes in unrealized gains (losses) included in net income (loss) for the instruments still held at September 30, 2019 (9)	$ —	$ 1	$ —	$ —	$ —	$ —	$ (11)	$ (1,531)	$ —
Changes in unrealized gains (losses) included in net income (loss) for the instruments still held at September 30, 2018 (9)	$ (1)	$ 14	$ —	$ —	$ (4)	$ —	$ (12)	$ 867	$ —

(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:

	September 30, 2019				
		Fair Value Hierarchy			
	Carrying Value	Level 1	Level 2	Level 3	Total Estimated Fair Value
	(In millions)				
Assets					
Mortgage loans	$ 15,359	$ —	$ —	$ 16,073	$ 16,073
Policy loans	$ 1,332	$ —	$ 555	$ 1,094	$ 1,649
Other invested assets	$ 63	$ —	$ 50	$ 13	$ 63
Premiums, reinsurance and other receivables	$ 1,786	$ —	$ 47	$ 2,151	$ 2,198
Liabilities					
Policyholder account balances	$ 15,611	$ —	$ —	$ 15,818	$ 15,818
Long-term debt	$ 4,365	$ —	$ 3,283	$ 1,000	$ 4,283
Other liabilities	$ 862	$ —	$ 640	$ 222	$ 862
Separate account liabilities	$ 1,126	$ —	$ 1,126	$ —	$ 1,126

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, which was paid on June 25, 2019 to stockholders of record as of June 10, 2019. On August 15, 2019, BHF declared a dividend of $412.50 per share, for a total of $7 million, on the Series A Preferred Stock, which was paid on September 25, 2019 to stockholders of record as of September 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 nine months ended September 30, 2019, BHF repurchased 3,401,947 shares and 8,395,371 shares, respectively, of its common stock through open market purchases, pursuant to 10b5-1 plans, for $126 million and $314 million, respectively. At September 30, 2019, BHF had $181 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 September 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, June 30, 2019	$ 2,564	$ 181	$ (20)	$ (23)	$ 2,702
OCI before reclassifications	970	160	(3)	—	1,127
Deferred income tax benefit (expense)	(204)	(33)	—	—	(237)
AOCI before reclassifications, net of income tax	3,330	308	(23)	(23)	3,592
Amounts reclassified from AOCI	(30)	(1)	—	—	(31)
Deferred income tax benefit (expense)	6	—	—	—	6
Amounts reclassified from AOCI, net of income tax	(24)	(1)	—	—	(25)
Balance, September 30, 2019	$ 3,306	$ 307	$ (23)	$ (23)	$ 3,567

	Three Months Ended September 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, June 30, 2018	$ 690	$ 168	$ (19)	$ (24)	$ 815
OCI before reclassifications	(310)	(7)	(7)	—	(324)
Deferred income tax benefit (expense)	66	1	1	—	68
AOCI before reclassifications, net of income tax	446	162	(25)	(24)	559
Amounts reclassified from AOCI	38	(47)	—	—	(9)
Deferred income tax benefit (expense)	(8)	10	—	—	2
Amounts reclassified from AOCI, net of income tax	30	(37)	—	—	(7)
Balance, September 30, 2018	$ 476	$ 125	$ (25)	$ (24)	$ 552

	Nine Months Ended September 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	3,515	201	4	(3)	3,717
Deferred income tax benefit (expense)	(738)	(42)	—	—	(780)
AOCI before reclassifications, net of income tax	3,353	346	(23)	(23)	3,653
Amounts reclassified from AOCI	(59)	(49)	—	—	(108)
Deferred income tax benefit (expense)	12	10	—	—	22
Amounts reclassified from AOCI, net of income tax	(47)	(39)	—	—	(86)
Balance, September 30, 2019	$ 3,306	$ 307	$ (23)	$ (23)	$ 3,567

8. Equity (continued)

	Nine Months Ended September 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	(1,448)	28	(1)	3	(1,418)
Deferred income tax benefit (expense)	325	(6)	—	(1)	318
AOCI before reclassifications, net of income tax	370	176	(25)	(24)	497
Amounts reclassified from AOCI	138	(65)	—	—	73
Deferred income tax benefit (expense)	(32)	14	—	—	(18)
Amounts reclassified from AOCI, net of income tax	106	(51)	—	—	55
Balance, September 30, 2018	$ 476	$ 125	$ (25)	$ (24)	$ 552

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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 September 30,		Nine Months Ended September 30,		
	2019	2018	2019	2018	
	(In millions)				
Net unrealized investment gains (losses):					
Net unrealized investment gains (losses)	$ 31	$ (36)	$ 86	$ (137)	Net investment gains (losses)
Net unrealized investment gains (losses)	—	—	—	1	Net investment income
Net unrealized investment gains (losses)	(1)	(2)	(27)	(2)	Net derivative gains (losses)
Net unrealized investment gains (losses), before income tax	30	(38)	59	(138)	
Income tax (expense) benefit	(6)	8	(12)	32	
Net unrealized investment gains (losses), net of income tax	24	(30)	47	(106)	
Unrealized gains (losses) on derivatives - cash flow hedges:					
Interest rate swaps	—	15	28	31	Net derivative gains (losses)
Interest rate swaps	1	—	2	2	Net investment income
Interest rate forwards	—	31	—	31	Net derivative gains (losses)
Interest rate forwards	—	1	—	2	Net investment income
Foreign currency swaps	—	—	19	(1)	Net derivative gains (losses)
Gains (losses) on cash flow hedges, before income tax	1	47	49	65	
Income tax (expense) benefit	—	(10)	(10)	(14)	
Gains (losses) on cash flow hedges, net of income tax	1	37	39	51	
Total reclassifications, net of income tax	$ 25	$ 7	$ 86	$ (55)	

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 $84 million and $251 million for the three months and nine months ended September 30, 2019, respectively, and $91 million and $275 million for the three months and nine months ended September 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 September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
	(In millions)			
Compensation	$ 76	$ 67	$ 238	$ 220
Contracted services and other labor costs	73	63	185	189
Transition services agreements	64	70	196	215
Establishment costs	13	87	85	190
Premium and other taxes, licenses and fees	15	12	35	55
Separate account fees	123	133	365	401
Volume related costs, excluding compensation, net of DAC capitalization	155	161	472	486
Interest expense on debt	49	39	144	113
Other	43	33	104	105
Total other expenses	$ 611	$ 665	$ 1,824	$ 1,974

10. Earnings Per Common Share

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
	(In millions, except share and per share data)			
Net income (loss) available to Brighthouse Financial, Inc.'s common shareholders	$ 676	$ (271)	$ 316	$ (577)
Weighted average common shares outstanding — basic	110,915,416	119,657,443	114,195,767	119,734,128
Dilutive effect of share-based awards	612,064	—	546,931	—
Weighted average common shares outstanding — diluted	111,527,480	119,657,443	114,742,698	119,734,128
Earnings per common share:				
Basic	$ 6.09	$ (2.26)	$ 2.77	$ (4.82)
Diluted	$ 6.06	$ (2.26)	$ 2.75	$ (4.82)

Basic loss per common share equaled diluted loss per common share for the three months and nine months ended September 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 and nine months ended September 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 and nine months ended September 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 September 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 September 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 $235 million and $492 million at September 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 September 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 $122 million, with a cumulative maximum of $128 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 September 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 September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
	(In millions)			
Income (1)	$ —	$ —	$ —	$ (182)
Expense (2)	$ —	$ —	$ —	$ 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; (iv) our Quarterly Report on Form 10-Q for the quarter ended June 30, 2019 (the “Second Quarter Form 10-Q”) filed with the SEC on August 6, 2019; and (v) 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 BHF 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 September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
	(In millions)			
Net income (loss) available to shareholders before provision for income tax	$ 795	$ (370)	$ 302	$ (803)
Less: Provision for income tax expense (benefit)	119	(99)	(14)	(226)
Net income (loss) available to shareholders (1)	$ 676	$ (271)	$ 316	$ (577)
Pre-tax adjusted earnings, less net income attributable to noncontrolling interests and preferred stock dividends	$ (273)	$ 312	$ 304	$ 819
Less: Provision for income tax expense (benefit)	(104)	42	(13)	113
Adjusted earnings	$ (169)	$ 270	$ 317	$ 706

(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 September 30, 2019, we had net income available to shareholders of $676 million and adjusted earnings were a loss of $169 million, compared to a net loss available to shareholders of $271 million and adjusted earnings of $270 million for the three months ended September 30, 2018. The net income available to shareholders for the three months ended September 30, 2019 was driven primarily by declining long-term interest rates which resulted in favorable comparative changes in the estimated fair value of the universal life with secondary guarantees ("ULSG") hedging program and net favorable changes in guaranteed minimum living benefits ("GMLB") riders ("GMLB Riders"), partially offset by an unfavorable impact from our annual actuarial review ("AAR") which is reflected in the adjusted earnings loss. For the nine months ended September 30, 2019, we had net income available to shareholders of $316 million and adjusted earnings of $317 million, compared to a net loss available to shareholders of $577 million and adjusted earnings of $706 million for the nine months ended September 30, 2018. The net income available to shareholders for the nine months ended September 30, 2019 was driven by favorable comparative changes in the estimated fair value of the ULSG hedging program due to declining long-term interest rates and net investment gains, partially offset by lower adjusted earnings, which included an unfavorable impact from the AAR and net unfavorable results in GMLB Riders as impacts from higher equity markets more than offset the impacts from declining long-term interest rates.

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 and the Second 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, as well as environmental and unclaimed property laws and regulations. See “Business — Regulation,” as well as “Risk Factors — Regulatory and Legal Risks” included in our 2018 Annual Report, as amended or supplemented herein and in our Second Quarter Form 10-Q under the heading “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Industry Trends — Regulatory Developments”.

Standard of Conduct Regulation

As a result of overlapping efforts by the Department of Labor (the “DOL”), the National Association of Insurance Commissioners (the “NAIC”), individual states, and the SEC to impose fiduciary-like requirements in connection with the sale of annuities, life insurance policies and securities, 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. While we manufacture 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. Earlier this year, the DOL indicated that it may issue a new proposed rule on fiduciary investment advice under ERISA in 2019. At this time, we cannot predict the content or form of any such rule or its impact on our business, results of operations and financial condition. See “Business — Regulation — Standard of Conduct Regulation — Department of Labor Fiduciary Rule” 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.

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 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.

<u>Adjusted Net Investment Income</u>

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

Annual Actuarial Review

Generally, in the third quarter of each year we conduct an AAR. The most significant impact from the 2019 AAR reflected the change in the long-term general account earned rate for GAAP, which lowered the base 10-year U.S. Treasury rate from 4.25% to 3.75%, which had the largest impact to our ULSG business in the Run-off segment. For our variable annuity business, in addition to the update in the long-term general account earned rate, we updated assumptions regarding separate account fund allocations and volatility, as well as maintenance expenses. In our life business, we updated assumptions related to mortality and expenses.

As a result of the 2018 AAR, our variable annuity business reflected the alignment to the statutory variable annuity capital reform framework. These changes included lower lapse and utilization assumptions (consistent with updated Brighthouse policyholder experience and industry participants), as well as updates to the equity market scenario generator, as reflected in the framework. We also updated the tax rate to reflect the statutory tax rate change due to the 2017 tax reform. In our life business, we updated assumptions related to market returns, policyholder behavior and expenses.

The following table presents the impact on pre-tax adjusted earnings and net income (loss) before provision for income tax from the AAR for the nine months ended September 30, 2019 and 2018. The impact related to GMLBs is included in net income (loss), but is not included in pre-tax adjusted earnings. See "— Non-GAAP and Other Financial Disclosures."

	Nine Months Ended September 30,	
	2019	2018
	(In millions)	
GMLBs	$ 84	$ (226)
Included in pre-tax adjusted earnings:		
Other annuity business	(38)	195
Life business	24	15
Run-off	(545)	(24)
Total included in pre-tax adjusted earnings	(559)	186
Total impact on net income (loss) available to shareholders before provision for income tax	$ (475)	$ (40)

Consolidated Results for the Three Months and Nine Months Ended September 30, 2019 and 2018

Business Overview. Annuity sales increased 28% compared to the first nine months of 2018 driven by higher sales of our suite of structured annuities consisting of products marketed under various names (collectively, "Shield Annuities" or "Shield"), 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 September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
	(In millions)			
Revenues				
Premiums	$ 214	$ 225	$ 673	$ 677
Universal life and investment-type product policy fees	867	972	2,630	2,936
Net investment income	928	853	2,681	2,476
Other revenues	94	105	282	308
Net investment gains (losses)	27	(42)	79	(121)
Net derivative gains (losses)	1,057	(691)	(97)	(1,337)
Total revenues	3,187	1,422	6,248	4,939
Expenses				
Policyholder benefits and claims	1,319	822	2,936	2,373
Interest credited to policyholder account balances	272	273	795	809
Capitalization of DAC	(93)	(83)	(274)	(235)
Amortization of DAC and VOBA	181	30	373	581
Interest expense on debt	49	43	144	113
Other expenses	655	705	1,954	2,096
Total expenses	2,383	1,790	5,928	5,737
Income (loss) before provision for income tax	804	(368)	320	(798)
Provision for income tax expense (benefit)	119	(99)	(14)	(226)
Net income (loss)	685	(269)	334	(572)
Less: Net income (loss) attributable to noncontrolling interests	2	2	4	5
Net income (loss) attributable to Brighthouse Financial, Inc.	683	(271)	330	(577)
Less: Preferred stock dividends	7	—	14	—
Net income (loss) available to Brighthouse Financial, Inc.'s common shareholders	$ 676	$ (271)	$ 316	$ (577)

The following table presents the components of net income (loss) available to shareholders.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
	(In millions)			
GMLB Riders	$ 419	$ (585)	(1,144)	$ (1,008)
Other derivative instruments	636	(60)	1,116	(539)
Net investment gains (losses)	27	(42)	79	(121)
Other adjustments	(14)	5	(53)	46
Pre-tax adjusted earnings, less net income attributable to noncontrolling interests and preferred stock dividends	(273)	312	304	819
Net income (loss) available to shareholders before provision for income tax	795	(370)	302	(803)
Provision for income tax expense (benefit)	119	(99)	(14)	(226)
Net income (loss) available to shareholders	$ 676	$ (271)	$ 316	$ (577)

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

Net income available to shareholders before provision for income tax was $795 million ($676 million, net of income tax) an increase of $1.2 billion ($947 million, net of income tax) from a loss before provision for income tax of $370 million ($271 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:

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

The increase in income before provision for income tax was partially offset by lower adjusted earnings discussed in greater detail below.

The provision for income tax in the current period led to an effective tax rate of 15%, compared to 27% 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.

Nine Months Ended September 30, 2019 Compared with the Nine Months Ended September 30, 2018

Net income available to shareholders before provision for income tax was $302 million ($316 million, net of income tax), an increase of $1.1 billion ($893 million, net of income tax) from a loss before provision for income tax of $803 million ($577 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 hedging program from declining long-term interest rates;
- the change in net investment gains (losses) 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 joint ventures.

The increase in income before provision for income tax was partially offset by the following key unfavorable items:

- lower adjusted earnings, discussed in greater detail below;
- higher losses from GMLB Riders, discussed in greater detail in "— GMLB Riders for the Three Months and Nine Months Ended September 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.

Certain one-time tax adjustments recognized in the current period, primarily due to a revaluation of certain Separation-related liabilities, resulted in an unusually low effective tax rate of 5%, compared to 28% in the prior period. In addition to such one-time tax adjustments, our effective tax rate differs from the statutory tax rate due to the ongoing impacts of the dividends received deductions and tax credits.

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

Three Months Ended September 30, 2019

	Annuities	Life	Run-off	Corporate & Other	Total
			(In millions)		
Net income (loss) available to shareholders	$ 576	$ 92	$ 234	$ (226)	$ 676
Add: Provision for income tax expense (benefit)	52	18	(116)	165	119
Net income (loss) available to shareholders before provision for income tax	628	110	118	(61)	795
Less: GMLB Riders	419	—	—	—	419
Less: Other derivative instruments	(43)	1	678	—	636
Less: Net investment gains (losses)	(2)	18	(4)	15	27
Less: Other adjustments	(1)	—	(13)	—	(14)
Pre-tax adjusted earnings, less net income attributable to noncontrolling interests and preferred stock dividends	255	91	(543)	(76)	(273)
Less: Provision for income tax expense (benefit)	52	18	(117)	(57)	(104)
Adjusted earnings	$ 203	$ 73	$ (426)	$ (19)	$ (169)

Three Months Ended September 30, 2018

	Annuities	Life	Run-off	Corporate & Other	Total
			(In millions)		
Net income (loss) available to shareholders	$ (196)	$ 46	$ (51)	$ (70)	$ (271)
Add: Provision for income tax expense (benefit)	62	18	(125)	(54)	(99)
Net income (loss) available to shareholders before provision for income tax	(134)	64	(176)	(124)	(370)
Less: GMLB Riders	(585)	—	—	—	(585)
Less: Other derivative instruments	12	5	(77)	—	(60)
Less: Net investment gains (losses)	(48)	(18)	28	(4)	(42)
Less: Other adjustments	—	(1)	7	(1)	5
Pre-tax adjusted earnings, less net income attributable to noncontrolling interests and preferred stock dividends	487	78	(134)	(119)	312
Less: Provision for income tax expense (benefit)	86	17	(29)	(32)	42
Adjusted earnings	$ 401	$ 61	$ (105)	$ (87)	$ 270

Nine Months Ended September 30, 2019

	Annuities	Life	Run-off	Corporate & Other	Total
			(In millions)		
Net income (loss) available to shareholders	$ (434)	$ 186	$ 924	$ (360)	$ 316
Add: Provision for income tax expense (benefit)	165	38	(305)	88	(14)
Net income (loss) available to shareholders before provision for income tax	(269)	224	619	(272)	302
Less: GMLB Riders	(1,144)	—	—	—	(1,144)
Less: Other derivative instruments	(78)	22	1,173	(1)	1,116
Less: Net investment gains (losses)	15	8	85	(29)	79
Less: Other adjustments	(1)	—	(52)	—	(53)
Pre-tax adjusted earnings, less net income attributable to noncontrolling interests and preferred stock dividends	939	194	(587)	(242)	304
Less: Provision for income tax expense (benefit)	176	38	(127)	(100)	(13)
Adjusted earnings	$ 763	$ 156	$ (460)	$ (142)	$ 317

Nine Months Ended September 30, 2018

	Annuities	Life	Run-off	Corporate & Other	Total
			(In millions)		
Net income (loss) available to shareholders	$ (245)	$ 132	$ (309)	$ (155)	$ (577)
Add: Provision for income tax expense (benefit)	146	53	(241)	(184)	(226)
Net income (loss) available to shareholders before provision for income tax	(99)	185	(550)	(339)	(803)
Less: GMLB Riders	(1,008)	—	—	—	(1,008)
Less: Other derivative instruments	26	(8)	(556)	(1)	(539)
Less: Net investment gains (losses)	(144)	(11)	40	(6)	(121)
Less: Other adjustments	2	(1)	45	—	46
Pre-tax adjusted earnings, less net income attributable to noncontrolling interests and preferred stock dividends	1,025	205	(79)	(332)	819
Less: Provision for income tax expense (benefit)	177	41	(18)	(87)	113
Adjusted earnings	$ 848	$ 164	$ (61)	$ (245)	$ 706

Consolidated Results for the Three Months and Nine Months Ended September 30, 2019 and 2018 — Adjusted Earnings

The following table presents the components of adjusted earnings:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
	(In millions)			
Fee income	$ 893	$ 1,014	$ 2,713	$ 3,040
Net investment spread	433	363	1,227	1,037
Insurance-related activities	(796)	(349)	(1,361)	(899)
Amortization of DAC and VOBA	(183)	(53)	(433)	(380)
Other expenses, net of DAC capitalization	(611)	(661)	(1,824)	(1,974)
Less: Net income (loss) attributable to noncontrolling interests and preferred stock dividends	9	2	18	5
Pre-tax adjusted earnings, less net income attributable to noncontrolling interests and preferred stock dividends	(273)	312	304	819
Provision for income tax expense (benefit)	(104)	42	(13)	113
Adjusted earnings	$ (169)	$ 270	$ 317	$ 706

<u>Three Months Ended September 30, 2019 Compared with the Three Months Ended September 30, 2018</u>

Adjusted earnings were a loss of $169 million, a decrease of $439 million.

Key net unfavorable impacts were:

- higher costs associated with insurance-related activities due to:
  - an increase in liability balances resulting from changes in connection with the AAR in our Run-off and Annuities segments,

  partially offset by

  - a decrease in liability balances, primarily in our Run-off segment, from the net impact of recapture transactions in the prior period;
- higher amortization of DAC and VOBA, primarily in our Annuities segment, driven by:
  - an unfavorable impact in the current period in connection with the AAR; and
  - less favorable equity market performance in the current period;
- lower fee income due to:
  - higher ceded cost of insurance fees on certain ULSG business driven by the aging in-force; and
  - lower asset-based fees resulting from lower average separate account balances, a portion of which are offset in other expenses.

The decrease in adjusted earnings was partially offset by higher net investment spread and lower other expenses from lower establishment costs in the current period related to planned technology expenses.

The provision for income tax in the current period led to an effective tax rate of 38%, compared to 13% 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.

<u>Nine Months Ended September 30, 2019 Compared with the Nine Months Ended September 30, 2018</u>

Adjusted earnings were $317 million, a decrease of $389 million.

Key net unfavorable impacts were:

- higher costs associated with insurance-related activities due to:
  - an increase in liability balances resulting from changes in connection with the AAR in our Run-off and Annuities segments,

  partially offset by

   - a decrease in liability balances, primarily in our Run-off segment, from the net impact of recapture transactions in the prior period;
- 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
   - lower fee income in our ULSG business due to the net reimbursement of fees for recapture transactions in the prior period;
- higher amortization of DAC and VOBA driven by an unfavorable net impact in the current period in connection with the AAR.

The decrease in adjusted earnings was partially offset by:

- higher net investment spread reflecting:
   - higher average invested assets from positive net flows; and
   - the repositioning of the investment portfolio out of U.S. Treasuries into higher yielding assets;
- 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, a portion of which are offset in fee income.

Certain one-time tax adjustments recognized in the current period, primarily due to a revaluation of certain Separation-related liabilities, resulted in an unusually low effective tax rate of 4%, compared to 14% in the prior period. In addition to such one-time tax adjustments, our effective tax rate differs from the statutory tax rate due to the ongoing impacts of the dividends received deductions and tax credits.

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

Annuities

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
	(In millions)			
Fee income	$ 675	$ 715	$ 1,977	$ 2,166
Net investment spread	268	204	789	565
Insurance-related activities	(60)	17	(179)	(157)
Amortization of DAC and VOBA	(211)	(40)	(421)	(307)
Other expenses, net of DAC capitalization	(417)	(409)	(1,227)	(1,242)
Pre-tax adjusted earnings	255	487	939	1,025
Provision for income tax expense (benefit)	52	86	176	177
Adjusted earnings	$ 203	$ 401	$ 763	$ 848

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 decreased for the three months ended September 30, 2019 and increased for the nine months ended September 30, 2019. The three month decrease was driven by negative net flows and policy charges, partially offset by positive equity market performance. The nine month increase was driven by positive equity market performance, partially offset by negative net flows and policy charges.

	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2019
	(In millions)	
Balance, beginning of period	$ 99,013	$ 91,923
Deposits	322	959
Withdrawals, surrenders and contract benefits	(2,430)	(7,212)
Net flows	(2,108)	(6,253)
Investment performance	594	13,150
Policy charges	(658)	(1,855)
Net transfers from (to) general account	(89)	(213)
Balance, end of period	$ 96,752	$ 96,752
Average balance	$ 97,813	$ 97,488

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

Adjusted earnings were $203 million for the current period, a decrease of $198 million.

Key net unfavorable impacts were:

- higher amortization of DAC and VOBA driven by:
  - an unfavorable impact in the current period resulting primarily from changes in the long-term general account earned rate assumptions made in connection with the AAR; and
  - less favorable equity market performance in the current period;
- higher net costs associated with insurance-related activities driven by an increase in net guaranteed minimum death benefit (“GMDB”) costs resulting from favorable prior period changes in mortality and withdrawal assumptions made in connection with the AAR; and
- lower asset-based fees resulting from lower average separate account balances, a portion of which are offset in other expenses.

The decrease in adjusted earnings was partially offset by higher net investment spread from higher average invested assets due to positive net flows in the general account and the repositioning of the investment portfolio out of U.S. Treasuries into higher yielding assets.

The provision for income tax in the current period led to an effective tax rate of 20%, compared to 18% 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.

Nine Months Ended September 30, 2019 Compared with the Nine Months Ended September 30, 2018

Adjusted earnings were $763 million for the current period, a decrease of $85 million.

Key unfavorable impacts were:

- lower asset-based fees from lower average separate account balances, a portion of which is offset in other expenses;
- higher amortization of DAC and VOBA resulting primarily from changes in the long-term general account earned rate assumptions made in connection with the AAR; and
- higher costs associated with insurance-related activities due to:
  - higher paid claims, net of reinsurance; and

    - an increase in net GMDB costs resulting from favorable prior period changes in mortality and withdrawal assumptions made in connection with the AAR.

Key net favorable impacts were:

- higher net investment spread driven by:
    - higher average invested assets resulting due to positive net flows in the general account;
    - higher investment income due to the repositioning of the investment portfolio out of U.S. Treasuries into higher yielding assets; and
    - higher returns on other limited partnership interests;
- lower other expenses due to:
    - lower asset-based variable annuity expenses resulting from lower average separate account balances, a portion of which are offset in fee income; and
    - the exit of various transition service agreements with MetLife;

  partially offset by

    - an increase in the allocation of corporate expenses in the current period.

The provision for income tax in the current period led to an effective tax rate of 19%, 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 September 30,		Nine Months Ended September 30,	
	2019	**2018**	**2019**	**2018**
		(In millions)		
Fee income	$ 60	$ 79	$ 185	$ 259
Net investment spread	52	56	155	154
Insurance-related activities	(1)	13	5	51
Amortization of DAC and VOBA	31	(8)	(1)	(60)
Other expenses, net of DAC capitalization	(51)	(62)	(150)	(199)
Pre-tax adjusted earnings	91	78	194	205
Provision for income tax expense (benefit)	18	17	38	41
Adjusted earnings	$ 73	$ 61	$ 156	$ 164

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

Adjusted earnings were $73 million for the current period, an increase of $12 million.

Key net favorable impacts were:

- lower amortization of DAC and VOBA primarily from changes in expense and mortality assumptions made in connection with the AAR; and
- a decrease in the allocation of corporate expenses in the current period.

The increase in adjusted earnings was partially offset by:

- lower unearned revenue amortization from changes in expense and mortality assumptions made in connection with the AAR; and
- higher paid claims, net of reinsurance.

The provision for income tax in the current period led to an effective tax rate of 20%, compared to 22% 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.

Nine Months Ended September 30, 2019 Compared with the Nine Months Ended September 30, 2018

Adjusted earnings were $156 million for the current period, a decrease of $8 million.

Key net unfavorable impacts were:

- lower fee income due to:
  - lower unearned revenue amortization from changes in expense and mortality assumptions made in connection with the AAR; and
  - the reimbursement of fees for recaptured universal life business in the prior period;
- 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 amortization of DAC and VOBA primarily from changes in expense and mortality assumptions made in connection with the AAR; and
- a decrease in the allocation of corporate expenses in the current period.

The provision for income tax led to an effective tax rate of 20% 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 September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
	(In millions)			
Fee income	$ 157	$ 214	$ 544	$ 616
Net investment spread	90	87	226	280
Insurance-related activities	(740)	(389)	(1,210)	(820)
Amortization of DAC and VOBA	—	—	—	—
Other expenses, net of DAC capitalization	(50)	(46)	(147)	(155)
Pre-tax adjusted earnings	(543)	(134)	(587)	(79)
Provision for income tax expense (benefit)	(117)	(29)	(127)	(18)
Adjusted earnings	$ (426)	$ (105)	$ (460)	$ (61)

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

Adjusted earnings were a loss of $426 million for the current period, a higher loss of $321 million.

Key net unfavorable impacts were:

- higher costs associated with insurance-related activities, primarily in our ULSG business, due to:
  - an increase in liability balances resulting from changes in the long-term general account earned rate assumptions made in connection with the AAR,

  partially offset by
  - a decrease in liability balances from the net impact of recapture transactions in the prior period;
- lower fee income due to higher ceded cost of insurance fees on certain ULSG business driven by the aging in-force.

The decrease in adjusted earnings was partially offset by:

- an increase in the net investment spread due to:
  - higher average invested assets resulting from positive net flows; and

◦ higher investment income due to the repositioning of the investment portfolio out of U.S. Treasuries into higher yielding assets.

The provision for income tax led to an effective tax rate of 22% 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.

Nine Months Ended September 30, 2019 Compared with the Nine Months Ended September 30, 2018

Adjusted earnings were a loss of $460 million for the current period, a higher loss of $399 million.

Key net unfavorable impacts were:

- higher costs associated with insurance-related activities, primarily in our ULSG business due to:
  - an increase in liability balances resulting from changes in the long-term general account earned rate assumptions made in connection with the AAR; and
  - unfavorable mortality due to higher claim severity and lower reinsurance recoveries in the current period,

  partially offset by
  - a decrease in liability balances from the net impact of recapture transactions in the prior period;
- lower fee income in our ULSG business due to the net reimbursement of fees for recapture transactions in the prior period; and
- lower net investment spread due to:
  - lower returns on other limited partnership interests driven by lower equity market performance compared to prior period; and
  - lower income on interest rate derivatives.

The provision for income tax in the current period led to an effective tax rate of 22%, compared to 23% 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 September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
	(In millions)			
Fee income	$ 1	$ 6	$ 7	$ (1)
Net investment spread	23	16	57	38
Insurance-related activities	5	10	23	27
Amortization of DAC and VOBA	(3)	(5)	(11)	(13)
Other expenses, net of DAC capitalization	(93)	(144)	(300)	(378)
Less: Net income (loss) attributable to noncontrolling interests and preferred stock dividends	9	2	18	5
Pre-tax adjusted earnings, less net income attributable to noncontrolling interests and preferred stock dividends	(76)	(119)	(242)	(332)
Provision for income tax expense (benefit)	(57)	(32)	(100)	(87)
Adjusted earnings	$ (19)	$ (87)	$ (142)	$ (245)

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

Adjusted earnings were a loss of $19 million, an improvement of $68 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,

  partially offset by

  - ◦ interest expense recorded in the current period on a prior period tax liability associated with the Separation;

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

partially offset by

- a benefit in the prior period related to Separation-related tax agreements with MetLife, which was recognized in other revenue.

Certain one-time tax adjustments recognized in the current period, primarily due to a revaluation of certain Separation-related liabilities, resulted in an unusually high effective tax rate of 75%, compared to 27% in the prior period, for which both rates represent a tax benefit. In addition to such one-time tax adjustments, our effective tax rate primarily differs from the statutory tax rate due to the ongoing impacts of the dividends received deductions and tax credits. We believe the effective tax rate for Corporate & Other is not generally meaningful, neither on a standalone basis nor for comparison to prior periods, since taxes for Corporate & Other are derived from the difference between the overall consolidated effective tax rate and total taxes for the combined operating segments.

Nine Months Ended September 30, 2019 Compared with the Nine Months Ended September 30, 2018

Adjusted earnings were a loss of $142 million, an improvement of $103 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 that was issued in both the first quarter of 2019 and the third quarter of 2018;
- higher net investment spread reflecting positive returns on short-term investments; and
- higher fee income due to reimbursement of pension liabilities from MetLife, which was reported in other expenses in the prior period.

Certain one-time tax adjustments recognized in the current period, primarily due to a revaluation of certain Separation-related liabilities, resulted in an unusually high effective tax rate of 41%, compared to 26% in the prior period, for which both rates represent a tax benefit. In addition to such one-time tax adjustments, our effective tax rate primarily differs from the statutory tax rate due to the ongoing impacts of the dividends received deductions and tax credits. We believe the effective tax rate for Corporate & Other is not generally meaningful, neither on a standalone basis nor for comparison to prior periods, since taxes for Corporate & Other are derived from the difference between the overall consolidated effective tax rate and total taxes for the combined operating segments.

GMLB Riders for the Three Months and Nine Months Ended September 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 September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
	(In millions)			
Liabilities (1)	$ (810)	$ (220)	$ (1,856)	$ 92
Hedging program	948	(591)	(51)	(1,472)
Ceded reinsurance	50	(17)	75	(61)
Fees (2)	228	222	628	641
GMLB DAC	3	21	60	(208)
Total GMLB Riders	$ 419	$ (585)	$ (1,144)	$ (1,008)

(1) Includes changes in estimated fair value of the Shield Annuities embedded derivatives of ($15) million and ($918) million for the three months and nine months ended September 30, 2019, respectively, and ($462) million and ($531) million for the three months and nine months ended September 30, 2018, respectively.

(2) Excludes living benefit fees, included as a component of adjusted earnings of $16 million and $48 million for the three months and nine months ended September 30, 2019, respectively, and $18 million and $53 million for the three months and nine months ended September 30, 2018, respectively.

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

Comparative results from GMLB Riders were favorable by $1.0 billion, primarily driven by:

- net favorable changes in the GMLB hedging program in excess of increases to the variable annuity liability reserves primarily due to lower interest rates in the current period; and
- favorable changes in the estimated fair value of the Shield liability reserves.

Favorable changes in the GMLB hedging program resulted primarily from current period market factors which included lower interest rates, reduced market volatility and lower relative equity markets.

Favorable changes in Shield liability reserves were primarily due to a charge recognized in the prior period in connection with the AAR and lower relative equity markets in the current period.

Nine Months Ended September 30, 2019 Compared with the Nine Months Ended September 30, 2018

Comparative results from GMLB Riders were unfavorable by $136 million, primarily driven by:

- a net unfavorable change in the estimated fair value of variable annuity liability reserves; and
- unfavorable changes in Shield liability reserves,

partially offset by:

- a net favorable change in the GMLB hedging program;
- favorable changes in GMLB DAC; and
- favorable changes in the ceded reinsurance.

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

- unfavorable changes to the estimated fair value of freestanding derivatives in our GMLB hedging program;
- unfavorable changes to the estimated fair value of the Shield liability reserves, net of favorable changes to the estimated fair value of the related hedges; and
- unfavorable changes in GMLB DAC,

partially offset by

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

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

- favorable changes to the estimated fair value of freestanding derivatives in our GMLB hedging program;
- favorable changes to GMLB DAC; and
- favorable changes in ceded reinsurance,

partially offset by

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

The AAR resulted in favorable changes in the current period primarily due to higher reserves recognized in the prior period, net of a corresponding decrease in GMLB DAC relative 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 non-U.S. dollar 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 Management, LLC (“MIM,” formerly known as MetLife Investment Advisors, LLC) managed our investment portfolio pursuant to several investment management agreements. On February 5, 2019, we terminated several existing investment management agreements with MIM and entered into a new investment management agreement (as amended, the “Investment Management Agreement”) with MIM, pursuant to which MIM, on a sub-advisory basis, manages the investment of the assets comprising a portion of 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 MIM, 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 MIM 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 September 30,				Nine Months Ended September 30,			
	2019		2018		2019		2018	
	Yield%	Amount	Yield%	Amount	Yield%	Amount	Yield%	Amount
	(Dollars in millions)							
Investment income (1)	4.62 %	$ 951	4.67 %	$ 883	4.56 %	$ 2,757	4.62 %	$ 2,576
Investment fees and expenses (2)	(0.10)	(23)	(0.17)	(31)	(0.12)	(76)	(0.16)	(87)
Adjusted net investment income (3), (4)	4.52 %	$ 928	4.50 %	$ 852	4.44 %	$ 2,681	4.46 %	$ 2,489

(1) Investment income 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) Investment fee and expense yields are calculated as investment fees and expenses as a percent of average quarterly asset estimated fair values. Asset estimated fair values exclude collateral received in connection with our securities lending program, freestanding derivative assets and collateral received from derivative counterparties.

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

(4) 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 September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
	(In millions)			
Net investment income	$ 928	$ 853	$ 2,681	$ 2,476
Less: Investment hedge adjustments	—	(2)	—	(13)
Less: Other incremental net investment income	—	3	—	—
Adjusted net investment income — in the above yield table	$ 928	$ 852	$ 2,681	$ 2,489

See "— Results of Operations — Consolidated Results for the Three Months and Nine Months Ended September 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:

	September 30, 2019			December 31, 2018		
	Estimated Fair Value		% of Total	Estimated Fair Value		% of Total
	(Dollars in millions)					
Fixed maturity securities						
Publicly-traded	$	58,097	82.1%	$	51,939	83.0%
Privately-placed		12,626	17.9		10,669	17.0
Total fixed maturity securities	$	70,723	100.0%	$	62,608	100.0%
Percentage of cash and invested assets		70.1%			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.

<u>Fixed Maturity Securities AFS</u>

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.

<u>Fixed Maturity Securities Credit Quality — Ratings</u>

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:

		September 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	$	40,592	$	6,000	$	46,592	65.9%	$	40,218	$	1,954	$	42,172	67.4%
2	Baa		19,599		1,552		21,151	29.9		17,656		(122)		17,534	28.0
Subtotal investment grade			60,191		7,552		67,743	95.8		57,874		1,832		59,706	95.4
3	Ba		2,065		52		2,117	3.0		2,160		(87)		2,073	3.3
4	B		784		11		795	1.1		787		(48)		739	1.2
5	Caa and lower		75		(7)		68	0.1		99		(9)		90	0.1
6	In or near default		—		—		—	—		—		—		—	—
Subtotal below investment grade			2,924		56		2,980	4.2		3,046		(144)		2,902	4.6
Total fixed maturity securities		$	63,115	$	7,608	$	70,723	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)						
September 30, 2019							
U.S. corporate	$ 15,087	$ 13,669	$ 1,486	$ 637	$ 23	$ —	$ 30,902
U.S. government and agency	7,674	72	—	—	—	—	7,746
RMBS	9,093	65	32	4	21	—	9,215
Foreign corporate	3,059	6,000	481	99	11	—	9,650
CMBS	5,484	95	—	—	—	—	5,579
State and political subdivision	3,810	170	—	—	9	—	3,989
ABS	1,645	253	19	—	—	—	1,917
Foreign government	740	827	99	55	4	—	1,725
Total fixed maturity securities	$ 46,592	$ 21,151	$ 2,117	$ 795	$ 68	$ —	$ 70,723
Percentage of total	65.9%	29.9%	3.0%	1.1%	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 September 30, 2019 and December 31, 2018. The tables below present our U.S. and foreign corporate securities holdings by industry at:

	September 30, 2019		December 31, 2018	
	Estimated Fair Value	% of Total	Estimated Fair Value	% of Total
	(Dollars in millions)			
Industrial	$ 12,453	30.7%	$ 9,896	30.4%
Consumer	9,737	24.0	8,290	25.5
Finance	9,315	23.0	7,209	22.2
Utility	6,159	15.2	4,770	14.7
Communications	2,888	7.1	2,334	7.2
Total	$ 40,552	100.0%	$ 32,499	100.0%

Structured Securities

We held $16.7 billion and $15.9 billion of Structured Securities, at estimated fair value, at September 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:

	September 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	$ 5,027	54.6%	$ 439	$ 4,885	57.2%	$ 174
Pass-through securities	4,188	45.4	64	3,662	42.8	(55)
Total RMBS	$ 9,215	100.0%	$ 503	$ 8,547	100.0%	$ 119
By risk profile:						
Agency	$ 7,183	78.0%	$ 319	$ 6,396	74.8%	$ (23)
Prime	207	2.2	12	296	3.5	10
Alt-A	910	9.9	103	938	11.0	79
Sub-prime	915	9.9	69	917	10.7	53
Total RMBS	$ 9,215	100.0%	$ 503	$ 8,547	100.0%	$ 119
Ratings profile:						
Rated Aaa	$ 7,289	79.1%		$ 6,529	76.4%	
Designated NAIC 1	$ 9,093	98.7%		$ 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 September 30, 2019 and December 31, 2018, with unrealized gains (losses) of $65 million and $50 million at September 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:

	September 30, 2019		December 31, 2018	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
	(Dollars in millions)			
2003 - 2010	$ 110	$ 126	$ 177	$ 177
2011	234	234	297	293
2012	139	142	263	262
2013	199	207	290	290
2014	333	352	526	519
2015	942	996	1,076	1,059
2016	488	511	582	568
2017	643	688	696	686
2018	1,583	1,733	1,385	1,394
2019	570	590	—	—
Total	$ 5,241	$ 5,579	$ 5,292	$ 5,248

CMBS rated Aaa using rating agency ratings were $4.1 billion, or 73.9% of total CMBS, and designated NAIC 1 were $5.5 billion, or 98.3% of total CMBS, at September 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:

	September 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	$ 1,023	53.4%	$ (8)	$ 1,010	47.5%	$ (18)
Automobile loans	135	7.0	3	199	9.4	—
Consumer loans	175	9.1	3	193	9.1	1
Student loans	195	10.2	6	186	8.7	3
Credit card loans	62	3.2	4	136	6.4	2
Other loans	327	17.1	10	402	18.9	3
Total	$ 1,917	100.0%	$ 18	$ 2,126	100.0%	$ (9)
Ratings profile:						
Rated Aaa	$ 835	43.6%		$ 956	45.0%	
Designated NAIC 1	$ 1,645	85.8%		$ 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:

	September 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	$ 9,473	61.4%	$ 47	0.3%	$ 8,529	62.0%	$ 42	0.5%
Agricultural	3,291	21.4%	10	0.6%	2,946	21.4%	9	0.3%
Residential	2,659	17.2%	7	0.5%	2,276	16.6%	6	0.3%
Total	$ 15,423	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 September 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:

	September 30, 2019	December 31, 2018
State		
California	24%	26%
New York	13%	14%
Texas	8%	8%

Additionally, we manage risk when originating commercial and agricultural mortgage loans by generally lending up to 75% of the estimated fair value of the underlying real estate collateral.

We manage our residential mortgage loan portfolio in a similar manner to reduce risk of concentration. All residential mortgage loans were collateralized by properties located in the U.S. at both September 30, 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:

	September 30, 2019	December 31, 2018
State		
California	37%	36%
Florida	9%	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:

	September 30, 2019		December 31, 2018	
	Amount	% of Total	Amount	% of Total
	(Dollars in millions)			
Region				
Pacific	$ 2,592	27.4%	$ 2,550	29.9%
Middle Atlantic	1,840	19.4	1,867	21.9
South Atlantic	1,704	18.0	1,316	15.5
West South Central	793	8.4	801	9.4
Mountain	699	7.4	404	4.7
East North Central	530	5.6	473	5.5
International	486	5.1	389	4.5
New England	474	5.0	397	4.7
West North Central	125	1.3	127	1.5
East South Central	85	0.9	59	0.7
Multi-Region and Other	145	1.5	146	1.7
Total recorded investment	9,473	100.0%	8,529	100.0%
Less: valuation allowances	47		42	
Carrying value, net of valuation allowances	$ 9,426		$ 8,487	
Property Type				
Office	$ 3,903	41.2%	$ 3,810	44.6%
Retail	2,168	22.9	2,064	24.2
Apartment	1,976	20.9	1,480	17.4
Hotel	914	9.6	744	8.7
Industrial	482	5.1	400	4.7
Other	30	0.3	31	0.4
Total recorded investment	9,473	100.0%	8,529	100.0%
Less: valuation allowances	47		42	
Carrying value, net of valuation allowances	$ 9,426		$ 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 September 30, 2019 and December 31, 2018, and our average debt service coverage ratio was 2.2x at both September 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 September 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 nine months ended September 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 $570 million and $572 million at September 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 $1.9 billion and $1.8 billion at September 30, 2019 and December 31, 2018, respectively, which included $35 million and $98 million of hedge funds at September 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:

	September 30, 2019		December 31, 2018	
	Carrying Value	% of Total	Carrying Value	% of Total
	(Dollars in millions)			
Freestanding derivatives with positive estimated fair values	$ 4,515	95.4%	$ 2,778	91.8%
Tax credit and renewable energy partnerships	92	1.9	95	3.1
Leveraged leases, net of non-recourse debt	65	1.4	65	2.1
FHLB Stock	50	1.1	64	2.1
Other	12	0.2	25	0.9
Total	$ 4,734	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 September 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 nine months ended September 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 hedging 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 September 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:

Credit Default Swaps	September 30, 2019 Gross Notional Amount	September 30, 2019 Estimated Fair Value	December 31, 2018 Gross Notional Amount	December 31, 2018 Estimated Fair Value
	(In millions)			
Written	$ 1,734	$ 31	$ 1,820	$ 11
Purchased	12	—	98	3
Total	$ 1,746	$ 31	$ 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 $35 million and $55 million at estimated fair value at September 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 $1.3 billion and $145 million at September 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:

	September 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	$ 40,143	$ 2,673	$ 4,982	46.5%	$ 38,682	$ 4,064	$ 4,115	42.6%
GMIB Max w/ Enhanced DB	11,720	2,854	18	1.9%	10,961	3,775	11	1.3%
GMIB Max w/o Enhanced DB	6,709	2	3	0.6%	6,324	87	2	0.42%
GMWB4L (FlexChoice[SM])	3,725	7	25	15.2%	2,819	100	15	12.5%
GMAB	645	2	2	3.9%	600	17	16	27.3%
GMWB	2,722	47	14	9.6%	2,672	143	85	31.3%
GMWB4L	14,641	96	607	28.5%	14,596	558	505	27.8%
EDB Only	3,661	715	—	N/A	3,434	955	—	N/A
GMDB Only (Other than EDB)	17,628	997	—	N/A	16,777	1,374	—	N/A
Total	$ 101,594	$ 7,393	$ 5,651		$ 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 September 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 $2.4 billion at September 30, 2019, are accounted for at estimated 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 $1.6 billion at September 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					
	September 30, 2019			December 31, 2018		
	Future Policy Benefits	Policyholder Account Balances	Total Reserves	Future Policy Benefits	Policyholder Account Balances	Total Reserves
	(In millions)					
GMDB	$ 1,334	$ —	$ 1,334	$ 1,305	$ —	$ 1,305
GMIB	2,687	2,277	4,964	2,565	1,603	4,168
GMIB Max	528	95	623	507	14	521
GMAB	—	(10)	(10)	—	(8)	(8)
GMWB	—	14	14	—	16	16
GMWB4L	266	14	280	261	17	278
GMWB4L (FlexChoice[SM])	—	2	2	—	—	—
Total	$ 4,815	$ 2,392	$ 7,207	$ 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:

		September 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	$ 7,419	$ 959	$ 32	$ 7,928	$ 470	$ 29
	Interest rate futures	—	—	—	54	—	—
	Interest rate options	25,450	1,584	375	10,500	94	—
Equity Market	Equity futures	—	—	—	170	—	—
	Equity index options	43,074	730	1,484	43,985	1,365	1,202
	Equity variance swaps	5,574	95	249	5,574	80	232
	Equity total return swaps	5,037	41	33	3,920	280	3
	Total	$ 86,554	$ 3,409	$ 2,173	$ 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 $3.1 billion and $2.2 billion at September 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 $42.9 billion and $36.5 billion at September 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 September 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:

	Nine Months Ended September 30,	
	2019	2018
	(In millions)	
Sources:		
Operating activities, net	$ 1,322	$ 1,496
Changes in policyholder account balances, net	3,668	2,505
Changes in payables for collateral under securities loaned and other transactions, net	234	—
Long-term debt issued	1,000	375
Preferred stock issued, net of issuance costs	412	—
Financing element on certain derivative instruments and other derivative related transactions, net	179	—
Total sources	6,815	4,376
Uses:		
Investing activities, net	5,699	3,469
Changes in payables for collateral under securities loaned and other transactions, net	—	126
Long-term debt repaid	601	9
Dividends on preferred stock	14	—
Treasury stock acquired in connection with share repurchases	314	42
Financing element on certain derivative instruments and other derivative related transactions, net	—	386
Other, net	43	57
Total uses	6,671	4,089
Net increase (decrease) in cash and cash equivalents	$ 144	$ 287

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 September 30, 2019 and December 31, 2018, Brighthouse Life Insurance Company had obligations outstanding under funding agreements with certain FHLBs of $595 million. During the nine months ended September 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 September 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 September 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 September 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 September 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 September 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:

	September 30, 2019	December 31, 2018
	(In millions)	
Senior notes (1)	$ 2,970	$ 2,968
Term loan	1,000	600
Junior subordinated debentures (1)	362	361
Other long-term debt (2)	33	34
Total long-term debt	$ 4,365	$ 3,963

(1) Includes unamortized debt issuance costs and debt discount totaling $43 million and $46 million at September 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 September 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 nine months ended September 30, 2019 and 2018, we repurchased 8,395,371 shares and 982,057 shares, respectively, of our common stock through open market purchases, pursuant to 10b5-1 plans, for $314 million and $42 million, respectively.

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, which was paid on June 25, 2019 to stockholders of record as of June 10, 2019. On August 15, 2019, BHF declared a dividend of $412.50 per share, for a total of $7 million, on the Series A Preferred Stock, which was paid on September 25, 2019 to stockholders of record as of September 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 nine months ended September 30, 2019 and 2018, general account surrenders and withdrawals totaled $1.7 billion and $1.8 billion, respectively, of which $1.5 billion and $1.3 billion, respectively, 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 September 30, 2019 and December 31, 2018, counterparties were obligated to return cash collateral pledged by us of $0 and $64 million, respectively. At September 30, 2019 and December 31, 2018, we were obligated to return cash collateral pledged to us by counterparties of $2.0 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 $3.2 billion and $3.6 billion at September 30, 2019 and December 31, 2018, respectively. Of these amounts, $1.6 billion and $1.5 billion at September 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 September 30, 2019 was $1.5 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 September 30, 2019 and December 31, 2018, BHF and certain of its non-insurance subsidiaries had short-term liquidity of $773 million and $520 million, respectively. Short-term liquidity is comprised of cash and cash equivalents and short-term investments.

At September 30, 2019 and December 31, 2018, BHF and certain of its non-insurance subsidiaries had liquid assets of $817 million and $752 million, respectively, of which $782 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 nine months ended September 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 $208 million, 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 nine months ended September 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 September 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 nine months ended September 30, 2019 and 2018, BHF borrowed $736 million and $178 million, respectively, from certain of its non-insurance subsidiaries under short-term intercompany loan agreements and repaid $837 million and $311 million, respectively, to certain of its non-insurance company subsidiaries under short-term intercompany loan agreements. At September 30, 2019 and December 31, 2018, BHF had total obligations outstanding of $202 million and $303 million, respectively, under such agreements.

Intercompany Liquidity Facilities

As of September 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 nine months ended September 30, 2018, BHF borrowed and repaid $40 million under intercompany liquidity facilities and, at both September 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 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 filings with the SEC. 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 estimated 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 estimated 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, with the exception of sensitivity to changes in interest rates. Sensitivity to a 100 basis point rise in interest rates increased by $2.5 billion or 43%, to $8.3 billion as of September 30, 2019 from $5.8 billion as of December 31, 2018, primarily as a result of lower interest rates increasing the estimated fair value of both interest rate derivative contracts and fixed maturity securities, in line with management expectations.

Item 4. Controls and Procedures

Management, with the participation of the Chief Executive Officer and the 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 the Chief Financial Officer have concluded that these disclosure controls and procedures were effective as of September 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 September 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 September 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)
July 1 — July 31, 2019	1,159,220	$ 37.42	1,159,220	$ 264
August 1 — August 31, 2019	1,195,757	$ 35.30	1,195,757	$ 221
September 1 — September 30, 2019	1,047,072	$ 38.52	1,046,970	$ 181
Total	3,402,049		3,401,947	

(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 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#	Brighthouse Services, LLC Blue Relocation Policy, revised July 1, 2019 is incorporated by reference to Exhibit 10.3 to our Quarterly Report on Form 10-Q, filed August 6, 2019 (File No. 001-37905).
10.2	First Amended and Restated Investment Management Agreement, dated as of July 17, 2019, by and between Brighthouse Services, LLC and MetLife Investment Management, LLC is incorporated by reference to Exhibit 10.4 to our Quarterly Report on Form 10-Q, filed August 6, 2019 (File No. 001-37905).
10.3#	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 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 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 September 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/ Edward A. Spehar
	Name:	Edward A. Spehar
	Title:	Executive Vice President and Chief Financial Officer (Authorized Signatory and Principal Financial Officer)

Date: November 5, 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: November 5, 2019

/s/ Eric T. Steigerwalt

Eric T. Steigerwalt
President and Chief Executive Officer

Exhibit 31.2

CERTIFICATIONS

I, Edward A. Spehar, 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: November 5, 2019

/s/ Edward A. Spehar

Edward A. Spehar

Executive Vice President and 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 September 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: November 5, 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, Edward A. Spehar, certify that, to my knowledge, (i) Brighthouse Financial, Inc.'s Quarterly Report on Form 10-Q for the quarter ended September 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: November 5, 2019

/s/ Edward A. Spehar

Edward A. Spehar

Executive Vice President and 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.