

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 March 31, 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



(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

11225 North Community House Road, Charlotte, North Carolina

(Address of principal executive offices)

81-3846992

(I.R.S. Employer Identification No.)

28277

(Zip Code)

(980) 365-7100

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes 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

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

<u>Title of each class</u>	<u>Trading symbol(s)</u>	<u>Name of each exchange on which registered</u>
Common Stock, par value \$0.01 per share	BHF	The Nasdaq Stock Market LLC
Depository 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

As of May 3, 2019, 115,809,697 shares of the registrant's common stock were outstanding.

Table of Contents

Page

Part I — Financial Information

Item 1.	Consolidated Financial Statements (at March 31, 2019 (Unaudited) and December 31, 2018 and for the Three Months Ended March 31, 2019 and 2018 (Unaudited)):	
	Interim Condensed Consolidated Balance Sheets	2
	Interim Condensed Consolidated Statements of Operations and Comprehensive Income (Loss)	3
	Interim Condensed Consolidated Statements of Equity	4
	Interim Condensed Consolidated Statements of Cash Flows	5
	Notes to the Interim Condensed Consolidated Financial Statements (Unaudited):	
	Note 1 — Business, Basis of Presentation and Summary of Significant Accounting Policies	6
	Note 2 — Segment Information	8
	Note 3 — Insurance	11
	Note 4 — Investments	12
	Note 5 — Derivatives	21
	Note 6 — Fair Value	31
	Note 7 — Long-term Debt	39
	Note 8 — Equity	39
	Note 9 — Other Revenues and Other Expenses	41
	Note 10 — Earnings Per Common Share	42
	Note 11 — Contingencies, Commitments and Guarantees	43
	Note 12 — Related Party Transactions	45
	Note 13 — Subsequent Events	45
Item 2.	Management’s Discussion and Analysis of Financial Condition and Results of Operations	46
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	84
Item 4.	Controls and Procedures	84
<u>Part II — Other Information</u>		
Item 1.	Legal Proceedings	85
Item 1A.	Risk Factors	85
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	85
Item 5.	Other Information	86
Item 6.	Exhibits	88
	Signatures	90

Part I — Financial Information
Item 1. Financial Statements

Brighthouse Financial, Inc.
Interim Condensed Consolidated Balance Sheets
March 31, 2019 (Unaudited) and December 31, 2018
(In millions, except share and per share data)

	March 31, 2019	December 31, 2018
Assets		
Investments:		
Fixed maturity securities available-for-sale, at estimated fair value (amortized cost: \$61,101 and \$60,920, respectively)	\$ 64,847	\$ 62,608
Equity securities, at estimated fair value	150	140
Mortgage loans (net of valuation allowances of \$60 and \$57, respectively)	14,504	13,694
Policy loans	1,385	1,421
Real estate limited partnerships and limited liability companies	453	451
Other limited partnership interests	1,800	1,840
Short-term investments, principally at estimated fair value	799	—
Other invested assets, principally at estimated fair value	2,302	3,027
Total investments	86,240	83,181
Cash and cash equivalents	3,864	4,145
Accrued investment income	791	724
Premiums, reinsurance and other receivables	14,026	13,697
Deferred policy acquisition costs and value of business acquired	5,680	5,717
Current income tax recoverable	—	1
Other assets	618	573
Separate account assets	105,211	98,256
Total assets	\$ 216,430	\$ 206,294
Liabilities and Equity		
Liabilities		
Future policy benefits	\$ 37,157	\$ 36,209
Policyholder account balances	41,177	40,054
Other policy-related balances	3,005	3,000
Payables for collateral under securities loaned and other transactions	3,990	5,057
Long-term debt	4,364	3,963
Current income tax payable	19	15
Deferred income tax liability	1,005	972
Other liabilities	5,438	4,285
Separate account liabilities	105,211	98,256
Total liabilities	201,366	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 March 31, 2019	—	—
Common stock, par value \$0.01 per share; 1,000,000,000 shares authorized; 120,552,514 and 120,448,018 shares issued, respectively; 116,182,687 and 117,532,336 shares outstanding, respectively	1	1
Additional paid-in capital	12,889	12,473
Retained earnings (deficit)	609	1,346
Treasury stock, at cost; 4,369,827 and 2,915,682 shares, respectively	(170)	(118)
Accumulated other comprehensive income (loss)	1,670	716
Total Brighthouse Financial, Inc.'s stockholders' equity	14,999	14,418
Noncontrolling interests	65	65
Total equity	15,064	14,483
Total liabilities and equity	\$ 216,430	\$ 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 Ended March 31, 2019 and 2018 (Unaudited)**

(In millions, except per share data)

	Three Months Ended March 31,	
	2019	2018
Revenues		
Premiums	\$ 227	\$ 229
Universal life and investment-type product policy fees	875	1,002
Net investment income	811	817
Other revenues	92	105
Net investment gains (losses)	(11)	(4)
Net derivative gains (losses)	(1,303)	(334)
Total revenues	691	1,815
Expenses		
Policyholder benefits and claims	772	738
Interest credited to policyholder account balances	258	267
Amortization of deferred policy acquisition costs and value of business acquired	22	305
Other expenses	592	618
Total expenses	1,644	1,928
Income (loss) before provision for income tax	(953)	(113)
Provision for income tax expense (benefit)	(218)	(48)
Net income (loss)	(735)	(65)
Less: Net income (loss) attributable to noncontrolling interests	2	2
Net income (loss) available to Brighthouse Financial, Inc.'s common shareholders	\$ (737)	\$ (67)
Comprehensive income (loss)	\$ 219	\$ (925)
Less: Comprehensive income (loss) attributable to noncontrolling interests	2	2
Comprehensive income (loss) attributable to Brighthouse Financial, Inc.	\$ 217	\$ (927)
Earnings per common share:		
Basic	\$ (6.31)	\$ (0.56)
Diluted	\$ (6.31)	\$ (0.56)

See accompanying notes to the interim condensed consolidated financial statements.

Brighthouse Financial, Inc.
Interim Condensed Consolidated Statements of Equity
For the Three Months Ended March 31, 2019 and 2018 (Unaudited)

(In millions)

	Preferred Stock	Common Stock	Additional Paid-in Capital	Retained Earnings (Deficit)	Treasury Stock at Cost	Accumulated Other Comprehensive Income (Loss)	Brighthouse Financial, Inc.'s Stockholders' Equity	Noncontrolling Interests	Total Equity
Balance at December 31, 2018	\$ —	\$ 1	\$ 12,473	\$ 1,346	\$ (118)	\$ 716	\$ 14,418	\$ 65	\$ 14,483
Preferred stock issuance	—		412				412		412
Treasury stock acquired in connection with share repurchases					(52)		(52)		(52)
Share-based compensation			4				4		4
Change in noncontrolling interests							—	(2)	(2)
Net income (loss)				(737)			(737)	2	(735)
Other comprehensive income (loss), net of income tax						954	954		954
Balance at March 31, 2019	<u>\$ —</u>	<u>\$ 1</u>	<u>\$ 12,889</u>	<u>\$ 609</u>	<u>\$ (170)</u>	<u>\$ 1,670</u>	<u>\$ 14,999</u>	<u>\$ 65</u>	<u>\$ 15,064</u>
	Preferred Stock	Common Stock	Additional Paid-in Capital	Retained Earnings (Deficit)	Treasury Stock at Cost	Accumulated Other Comprehensive Income (Loss)	Brighthouse Financial, Inc.'s Stockholders' Equity	Noncontrolling Interests	Total Equity
Balance at December 31, 2017	\$ —	\$ 1	\$ 12,432	\$ 406	\$ —	\$ 1,676	\$ 14,515	\$ 65	\$ 14,580
Cumulative effect of change in accounting principle and other, net of income tax				75		(79)	(4)		(4)
Balance at January 1, 2018	—	1	12,432	481	—	1,597	14,511	65	14,576
Change in noncontrolling interests							—	(2)	(2)
Net income (loss)				(67)			(67)	2	(65)
Other comprehensive income (loss), net of income tax						(860)	(860)		(860)
Balance at March 31, 2018	<u>\$ —</u>	<u>\$ 1</u>	<u>\$ 12,432</u>	<u>\$ 414</u>	<u>\$ —</u>	<u>\$ 737</u>	<u>\$ 13,584</u>	<u>\$ 65</u>	<u>\$ 13,649</u>

See accompanying notes to the interim condensed consolidated financial statements.

Brighthouse Financial, Inc.
Interim Condensed Consolidated Statements of Cash Flows
For the Three Months Ended March 31, 2019 and 2018 (Unaudited)
(In millions)

	Three Months Ended March 31,	
	2019	2018
Net cash provided by (used in) operating activities	\$ 376	\$ 291
Cash flows from investing activities		
Sales, maturities and repayments of:		
Fixed maturity securities	4,100	4,057
Equity securities	6	6
Mortgage loans	263	169
Real estate limited partnerships and limited liability companies	1	74
Other limited partnership interests	76	42
Purchases of:		
Fixed maturity securities	(3,830)	(3,804)
Equity securities	—	(1)
Mortgage loans	(1,076)	(739)
Real estate limited partnerships and limited liability companies	(4)	(15)
Other limited partnership interests	(106)	(38)
Cash received in connection with freestanding derivatives	316	712
Cash paid in connection with freestanding derivatives	(310)	(1,414)
Net change in policy loans	36	7
Net change in short-term investments	(799)	19
Net change in other invested assets	55	22
Net cash provided by (used in) investing activities	(1,272)	(903)
Cash flows from financing activities		
Policyholder account balances:		
Deposits	1,858	1,516
Withdrawals	(911)	(772)
Net change in payables for collateral under securities loaned and other transactions	(1,067)	75
Long-term debt issued	1,000	—
Long-term debt repaid	(600)	(3)
Preferred stock issued, net of issuance costs	412	—
Treasury stock acquired in connection with share repurchases	(52)	—
Financing element on certain derivative instruments and other derivative related transactions, net	(11)	(157)
Other, net	(14)	(16)
Net cash provided by (used in) financing activities	615	643
Change in cash, cash equivalents and restricted cash	(281)	31
Cash, cash equivalents and restricted cash, beginning of period	4,145	1,857
Cash, cash equivalents and restricted cash, end of period	\$ 3,864	\$ 1,888
Supplemental disclosures of cash flow information		
Net cash paid (received) for:		
Interest	\$ 12	\$ 8
Income tax	\$ (1)	\$ —

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.

Brighthouse Financial, Inc.

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

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 the first quarter of 2019 which had a material impact on the Company’s financial statements.

ASUs issued but not yet adopted as of March 31, 2019 are summarized in the table below.

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

2. Segment Information

The Company is organized into three segments: Annuities; Life; and Run-off. In addition, the Company reports certain of its results of operations in Corporate & Other.

Annuities

The Annuities segment consists of a variety of variable, fixed, index-linked and income annuities designed to address contract holders' needs for protected wealth accumulation on a tax-deferred basis, wealth transfer and income security.

Life

The Life segment consists of insurance products and services, including term, universal, whole and variable life products designed to address policyholders' needs for financial security and protected wealth transfer, which may be provided on a tax-advantaged basis.

Run-off

The Run-off segment consists of products no longer actively sold and which are separately managed, including structured settlements, pension risk transfer contracts, certain company-owned life insurance policies, funding agreements and universal life with secondary guarantees.

Corporate & Other

Corporate & Other contains the excess capital not allocated to the segments and interest expense related to the majority of the Company's outstanding debt, as well as expenses associated with certain legal proceedings and income tax audit issues. Corporate & Other also includes the elimination of intersegment amounts, long-term care and workers compensation business reinsured through 100% quota share reinsurance agreements, and term life insurance sold direct to consumers, which is no longer being offered for new sales.

Financial Measures and Segment Accounting Policies

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

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

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

- Net investment gains (losses);
- Net derivative gains (losses) except earned income on derivatives and amortization of premium on derivatives that are hedges of investments or that are used to replicate certain investments, but do not qualify for hedge accounting treatment; and
- Certain variable annuity guaranteed minimum income benefits ("GMIBs") fees ("GMIB Fees") and amortization of unearned revenue related to net investment gains (losses) and net derivative gains (losses).

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

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

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

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

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

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

Three Months Ended March 31, 2019	Operating Results				
	Annuities	Life	Run-off	Corporate & Other	Total
	(In millions)				
Pre-tax adjusted earnings	\$ 361	\$ 31	\$ (46)	\$ (72)	\$ 274
Provision for income tax expense (benefit)	66	6	(10)	(22)	40
Post-tax adjusted earnings	295	25	(36)	(50)	234
Less: Net income (loss) attributable to noncontrolling interests	—	—	—	2	2
Adjusted earnings	<u>\$ 295</u>	<u>\$ 25</u>	<u>\$ (36)</u>	<u>\$ (52)</u>	<u>232</u>
Adjustments for:					
Net investment gains (losses)					(11)
Net derivative gains (losses)					(1,303)
Other adjustments to net income					87
Provision for income tax (expense) benefit					258
Net income (loss) available to Brighthouse Financial, Inc.'s common shareholders					<u>\$ (737)</u>
Interest revenue	\$ 421	\$ 97	\$ 276	\$ 17	
Interest expense	\$ —	\$ —	\$ —	\$ 47	

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

Three Months Ended March 31, 2018	Operating Results				
	Annuities	Life	Run-off	Corporate & Other	Total
	(In millions)				
Pre-tax adjusted earnings	\$ 272	\$ 81	\$ 63	\$ (86)	\$ 330
Provision for income tax expense (benefit)	46	15	13	(29)	45
Post-tax adjusted earnings	226	66	50	(57)	285
Less: Net income (loss) attributable to noncontrolling interests	—	—	—	2	2
Adjusted earnings	<u>\$ 226</u>	<u>\$ 66</u>	<u>\$ 50</u>	<u>\$ (59)</u>	<u>283</u>
Adjustments for:					
Net investment gains (losses)					(4)
Net derivative gains (losses)					(334)
Other adjustments to net income					(105)
Provision for income tax (expense) benefit					93
Net income (loss) available to Brighthouse Financial, Inc.'s common shareholders					<u>\$ (67)</u>
Interest revenue	\$ 363	\$ 108	\$ 343	\$ 11	
Interest expense	\$ —	\$ —	\$ —	\$ 37	

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

	Three Months Ended March 31,	
	2019	2018
	(In millions)	
Annuities	\$ 1,117	\$ 1,147
Life	303	369
Run-off	476	548
Corporate & Other	43	34
Adjustments	(1,248)	(283)
Total	<u>\$ 691</u>	<u>\$ 1,815</u>

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

	March 31, 2019	December 31, 2018
	(In millions)	
	Annuities	\$ 149,900
Life	20,546	20,449
Run-off	33,218	32,393
Corporate & Other	12,766	11,963
Total	<u>\$ 216,430</u>	<u>\$ 206,294</u>

Brighthouse Financial, Inc.

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

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:

	March 31, 2019		December 31, 2018	
	In the Event of Death	At Annuitization	In the Event of Death	At Annuitization
(Dollars in millions)				
Annuity Contracts (1), (2)				
Variable Annuity Guarantees				
Total account value (3)	\$ 103,148	\$ 59,507	\$ 96,865	\$ 55,967
Separate account value	\$ 98,148	\$ 58,291	\$ 91,837	\$ 54,731
Net amount at risk	\$ 7,643 (4)	\$ 3,301 (5)	\$ 11,073 (4)	\$ 4,128 (5)
Average attained age of contract holders	68 years	68 years	68 years	68 years
(Dollars in millions)				
Universal Life Contracts				
Total account value (3)		\$ 6,056	\$ 6,099	
Net amount at risk (6)		\$ 72,642	\$ 73,131	
Average attained age of policyholders		65 years	65 years	
Variable Life Contracts				
Total account value (3)		\$ 3,343	\$ 3,230	
Net amount at risk (6)		\$ 22,522	\$ 23,004	
Average attained age of policyholders		50 years	50 years	

- (1) The Company’s annuity contracts with guarantees may offer more than one type of guarantee in each contract. Therefore, the amounts listed above may not be mutually exclusive.
- (2) Includes direct business, but excludes offsets from hedging or reinsurance, if any. Therefore, the net amount at risk presented reflects the economic exposures of living and death benefit guarantees associated with variable annuities, but not necessarily their impact on the Company. See Note 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.

Brighthouse Financial, Inc.

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

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:

	March 31, 2019					December 31, 2018				
	Amortized Cost	Gross Unrealized			Estimated Fair Value	Amortized Cost	Gross Unrealized			Estimated Fair Value
		Gains	Temporary Losses	OTTI Losses (1)			Gains	Temporary Losses	OTTI Losses (1)	
(In millions)										
Fixed maturity securities: (2)										
U.S. corporate	\$ 24,716	\$ 1,373	\$ 233	\$ —	\$ 25,856	\$ 24,312	\$ 830	\$ 669	\$ —	\$ 24,473
U.S. government and agency	6,640	1,477	29	—	8,088	7,944	1,263	112	—	9,095
RMBS	8,648	297	65	(3)	8,883	8,428	246	129	(2)	8,547
Foreign corporate	8,908	322	157	—	9,073	8,183	159	316	—	8,026
CMBS	5,330	130	33	—	5,427	5,292	43	88	(1)	5,248
State and political subdivision	3,289	525	3	—	3,811	3,200	412	15	—	3,597
ABS	2,075	15	12	—	2,078	2,135	13	22	—	2,126
Foreign government	1,495	146	10	—	1,631	1,426	102	32	—	1,496
Total fixed maturity securities	\$ 61,101	\$ 4,285	\$ 542	\$ (3)	\$ 64,847	\$ 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.
- (2) Redeemable preferred stock is reported within U.S. corporate and foreign corporate fixed maturity securities. Included within fixed maturity securities are structured securities including residential mortgage-backed securities (“RMBS”), commercial mortgage-backed securities (“CMBS”) and asset-backed securities (“ABS”) (collectively, “Structured Securities”).

The Company held non-income producing fixed maturity securities with an estimated fair value of \$28 million and less than \$1 million with unrealized gains (losses) of (\$5) million and less than \$1 million at March 31, 2019 and December 31, 2018, respectively.

Brighthouse Financial, Inc.

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

4. Investments (continued)

Maturities of Fixed Maturity Securities

The amortized cost and estimated fair value of fixed maturity securities, by contractual maturity date, were as follows at March 31, 2019:

	Due in One Year or Less	Due After One Year Through Five Years	Due After Five Years Through Ten Years	Due After Ten Years	Structured Securities	Total Fixed Maturity Securities
(In millions)						
Amortized cost	\$ 1,577	\$ 7,692	\$ 12,155	\$ 23,624	\$ 16,053	\$ 61,101
Estimated fair value	\$ 1,584	\$ 7,818	\$ 12,411	\$ 26,646	\$ 16,388	\$ 64,847

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:

	March 31, 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	\$ 2,664	\$ 85	\$ 3,774	\$ 148	\$ 10,584	\$ 470	\$ 2,328	\$ 199
U.S. government and agency	243	1	852	28	412	8	1,543	104
RMBS	796	5	2,665	57	1,627	26	2,611	101
Foreign corporate	1,610	67	1,164	90	3,982	203	774	113
CMBS	323	16	1,043	17	2,317	53	803	34
State and political subdivision	31	1	129	2	346	7	158	8
ABS	874	10	161	2	1,422	21	70	1
Foreign government	275	9	30	1	521	26	132	6
Total fixed maturity securities	\$ 6,816	\$ 194	\$ 9,818	\$ 345	\$ 21,211	\$ 814	\$ 8,419	\$ 566
Total number of securities in an unrealized loss position	1,188		1,252		3,027		1,028	

4. Investments (continued)**Evaluation of AFS Securities for OTTI and Evaluating Temporarily Impaired AFS Securities****Evaluation and Measurement Methodologies**

Management considers a wide range of factors about the security issuer and uses its best judgment in evaluating the cause of the decline in the estimated fair value of the security and in assessing the prospects for near-term recovery. Inherent in management's evaluation of the security are assumptions and estimates about the operations of the issuer and its future earnings potential. Considerations used in the impairment evaluation process include, but are not limited to: (i) the length of time and the extent to which the estimated fair value has been below amortized cost; (ii) the potential for impairments when the issuer is experiencing significant financial difficulties; (iii) the potential for impairments in an entire industry sector or sub-sector; (iv) the potential for impairments in certain economically depressed geographic locations; (v) the potential for impairments where the issuer, series of issuers or industry has suffered a catastrophic loss or has exhausted natural resources; (vi) whether the Company has the intent to sell or will more likely than not be required to sell a particular security before the decline in estimated fair value below amortized cost recovers; (vii) with respect to Structured Securities, changes in forecasted cash flows after considering the quality of underlying collateral, expected prepayment speeds, current and forecasted loss severity, consideration of the payment terms of the underlying assets backing a particular security, and the payment priority within the tranche structure of the security; (viii) the potential for impairments due to weakening of foreign currencies on non-functional currency denominated fixed maturity securities that are near maturity; and (ix) other subjective factors, including concentrations and information obtained from regulators and rating agencies.

For securities in an unrealized loss position, an OTTI is recognized in earnings when it is anticipated that the amortized cost will not be recovered. When either: (i) the Company has the intent to sell the security; or (ii) it is more likely than not that the Company will be required to sell the security before recovery, the OTTI recognized in earnings is the entire difference between the security's amortized cost and estimated fair value. If neither of these conditions exists, the difference between the amortized cost of the security and the present value of projected future cash flows expected to be collected is recognized as an OTTI in earnings ("credit loss"). If the estimated fair value is less than the present value of projected future cash flows expected to be collected, this portion of OTTI related to other-than-credit factors ("noncredit loss") is recorded in other comprehensive income ("OCI").

Current Period Evaluation

Based on the Company's current evaluation of its AFS securities in an unrealized loss position in accordance with its impairment policy, and the Company's current intentions and assessments (as applicable to the type of security) about holding, selling and any requirements to sell these securities, the Company concluded that these securities were not other-than-temporarily impaired at March 31, 2019.

Gross unrealized losses on fixed maturity securities decreased \$841 million during the three months ended March 31, 2019 to \$539 million. The decrease in gross unrealized losses for the three months ended March 31, 2019 was primarily attributable to decreasing longer-term interest rates and narrowing credit spreads.

At March 31, 2019, \$17 million of the total \$539 million of gross unrealized losses were from eight fixed maturity securities with an unrealized loss position of 20% or more of amortized cost for six months or greater.

Brighthouse Financial, Inc.

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

4. Investments (continued)

Mortgage Loans

Mortgage Loans by Portfolio Segment

Mortgage loans are summarized as follows at:

	March 31, 2019		December 31, 2018	
	Carrying Value	% of Total	Carrying Value	% of Total
(Dollars in millions)				
Mortgage loans:				
Commercial	\$ 8,748	60.3 %	\$ 8,529	62.3 %
Agricultural	3,155	21.8	2,946	21.5
Residential	2,661	18.3	2,276	16.6
Subtotal (1)	14,564	100.4	13,751	100.4
Valuation allowances (2)	(60)	(0.4)	(57)	(0.4)
Total mortgage loans, net	\$ 14,504	100.0 %	\$ 13,694	100.0 %

- (1) Purchases of mortgage loans from third parties were \$477 million and \$86 million for the three months ended March 31, 2019 and 2018, respectively, and were primarily comprised of residential mortgage loans.
- (2) The valuation allowances were primarily from collective evaluation (non-specific loan related).

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

Valuation Allowance Methodology

Mortgage loans are considered to be impaired when it is probable that, based upon current information and events, the Company will be unable to collect all amounts due under the loan agreement. Specific valuation allowances are established using the same methodology for all three portfolio segments as the excess carrying value of a loan over either (i) the present value of expected future cash flows discounted at the loan's original effective interest rate, (ii) the estimated fair value of the loan's underlying collateral if the loan is in the process of foreclosure or otherwise collateral dependent, or (iii) the loan's observable market price. A common evaluation framework is used for establishing non-specific valuation allowances for all loan portfolio segments; however, a separate non-specific valuation allowance is calculated and maintained for each loan portfolio segment that is based on inputs unique to each loan portfolio segment. Non-specific valuation allowances are established for pools of loans with similar risk characteristics where a property-specific or market-specific risk has not been identified, but for which the Company expects to incur a credit loss. These evaluations are based upon several loan portfolio segment-specific factors, including the Company's experience for loan losses, defaults and loss severity, and loss expectations for loans with similar risk characteristics. These evaluations are revised as conditions change and new information becomes available.

Brighthouse Financial, Inc.

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

4. Investments (continued)

Credit Quality of Commercial Mortgage Loans

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

	Recorded Investment				Total	% of Total	Estimated Fair Value	% of Total
	Debt Service Coverage Ratios			Total				
	> 1.20x	1.00x - 1.20x	< 1.00x					
(Dollars in millions)								
March 31, 2019								
Loan-to-value ratios:								
Less than 65%	\$ 7,676	\$ 89	\$ 34	\$ 7,799	89.2%	\$ 7,987	89.2%	
65% to 75%	800	—	—	800	9.1	819	9.1	
76% to 80%	140	—	9	149	1.7	146	1.7	
Total	\$ 8,616	\$ 89	\$ 43	\$ 8,748	100.0%	\$ 8,952	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:

	March 31, 2019		December 31, 2018	
	Recorded Investment	% of Total	Recorded Investment	% of Total
(Dollars in millions)				
Loan-to-value ratios:				
Less than 65%	\$ 2,827	89.6%	\$ 2,623	89.0%
65% to 75%	327	10.3	322	10.9
76% to 80%	1	0.1	1	0.1
Total	\$ 3,155	100.0%	\$ 2,946	100.0%

The estimated fair value of agricultural mortgage loans was \$3.2 billion and \$2.9 billion at March 31, 2019 and December 31, 2018, respectively.

Credit Quality of Residential Mortgage Loans

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

	March 31, 2019		December 31, 2018	
	Recorded Investment	% of Total	Recorded Investment	% of Total
(Dollars in millions)				
Performance indicators:				
Performing	\$ 2,622	98.5%	\$ 2,240	98.4%
Nonperforming	39	1.5	36	1.6
Total	\$ 2,661	100.0%	\$ 2,276	100.0%

Brighthouse Financial, Inc.

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

4. Investments (continued)

The estimated fair value of residential mortgage loans was \$2.7 billion and \$2.3 billion at March 31, 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 March 31, 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 and no commercial mortgage loans in nonaccrual status at either March 31, 2019 or December 31, 2018. Agricultural mortgage loans past due totaled \$7 million and less than \$1 million at March 31, 2019 and December 31, 2018, respectively. The Company had no agricultural mortgage loans in nonaccrual status at either March 31, 2019 or December 31, 2018. Residential mortgage loans past due and in nonaccrual status totaled \$39 million and \$36 million at March 31, 2019 and December 31, 2018, respectively. During the three months ended March 31, 2019, the Company did not have mortgage loans modified in a troubled debt restructuring. The Company did not have a significant amount of mortgage loans modified in a troubled debt restructuring during the three months ended March 31, 2018.

Other Invested Assets

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

Cash Equivalents

The carrying value of cash equivalents, which includes securities and other investments with an original or remaining maturity of three months or less at the time of purchase, was \$1.1 billion and \$3.1 billion at March 31, 2019 and December 31, 2018, respectively.

Net Unrealized Investment Gains (Losses)

Unrealized investment gains (losses) on fixed maturity securities and the effect on DAC, VOBA, deferred sales inducements (“DSI”) and future policy benefits, that would result from the realization of the unrealized gains (losses), are included in net unrealized investment gains (losses) in AOCI.

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

	March 31, 2019	December 31, 2018
	(In millions)	
Fixed maturity securities	\$ 3,749	\$ 1,691
Derivatives	204	264
Other	(12)	(13)
Subtotal	3,941	1,942
Amounts allocated from:		
Future policy benefits	(1,564)	(886)
DAC, VOBA and DSI	(200)	(90)
Subtotal	(1,764)	(976)
Deferred income tax benefit (expense)	(457)	(203)
Net unrealized investment gains (losses)	\$ 1,720	\$ 763

Brighthouse Financial, Inc.

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

4. Investments (continued)

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

	Three Months Ended March 31, 2019	
	(In millions)	
Balance, December 31, 2018	\$	763
Unrealized investment gains (losses) during the period		1,999
Unrealized investment gains (losses) relating to:		
Future policy benefits		(678)
DAC, VOBA and DSI		(110)
Deferred income tax benefit (expense)		(254)
Balance, March 31, 2019	\$	1,720
Change in net unrealized investment gains (losses)	\$	957

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 March 31, 2019 and December 31, 2018.

Securities Lending

Elements of the securities lending program are presented below at:

	March 31, 2019		December 31, 2018	
	(In millions)			
Securities on loan: (1)				
Amortized cost	\$	2,568	\$	3,056
Estimated fair value	\$	3,360	\$	3,628
Cash collateral received from counterparties (2)	\$	3,407	\$	3,646
Security collateral received from counterparties (3)	\$	36	\$	55
Reinvestment portfolio — estimated fair value	\$	3,426	\$	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:

	March 31, 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	\$ 1,567	\$ 940	\$ 900	\$ 3,407	\$ 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.

Brighthouse Financial, Inc.

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

4. Investments (continued)

If the Company is required to return significant amounts of cash collateral on short notice and is forced to sell securities to meet the return obligation, it may have difficulty selling such collateral that is invested in securities in a timely manner, be forced to sell securities in a volatile or illiquid market for less than what otherwise would have been realized under normal market conditions, or both. The estimated fair value of the securities on loan related to the cash collateral on open at March 31, 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 53% invested in agency RMBS, cash and cash equivalents, U.S. government and agency securities, and short-term investments at March 31, 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:

	March 31, 2019	December 31, 2018
	(In millions)	
Invested assets on deposit (regulatory deposits) (1)	\$ 8,592	\$ 8,176
Invested assets held in trust (reinsurance agreements) (2)	3,788	3,455
Invested assets pledged as collateral (3)	3,501	3,341
Total invested assets on deposit, held in trust and pledged as collateral	<u>\$ 15,881</u>	<u>\$ 14,972</u>

- (1) The Company has assets, primarily fixed maturity securities, on deposit with governmental authorities relating to certain policyholder liabilities, of which \$101 million and \$55 million of the assets on deposit balance represents restricted cash at March 31, 2019 and December 31, 2018, respectively.
- (2) The Company has assets, primarily fixed maturity securities, held in trust relating to certain reinsurance transactions. \$58 million and \$87 million of the assets held in trust balance represents restricted cash at March 31, 2019 and December 31, 2018, respectively.
- (3) The Company has pledged invested assets in connection with various agreements and transactions, including funding agreements (see Note 3 of the Notes to the Consolidated and Combined Financial Statements included in the 2018 Annual Report) and derivative transactions (see Note 5).

See “— Securities Lending” for information regarding securities on loan.

Variable Interest Entities

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

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

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

Brighthouse Financial, Inc.

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

4. Investments (continued)

Fixed Maturity Securities

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

Limited Partnerships and LLCs

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

	March 31, 2019		December 31, 2018	
	Carrying Amount	Maximum Exposure to Loss	Carrying Amount	Maximum Exposure to Loss
	(In millions)			
Fixed maturity securities	\$ 13,317	\$ 13,003	\$ 13,099	\$ 13,099
Limited partnerships and LLCs	1,722	2,887	1,756	3,145
Total	\$ 15,039	\$ 15,890	\$ 14,855	\$ 16,244

Net Investment Income

The components of net investment income were as follows:

	Three Months Ended March 31,	
	2019	2018
	(In millions)	
Investment income:		
Fixed maturity securities	\$ 653	\$ 628
Equity securities	3	2
Mortgage loans	159	120
Policy loans	16	16
Real estate limited partnerships and limited liability companies	8	14
Other limited partnership interests	—	65
Cash, cash equivalents and short-term investments	14	6
Other	13	9
Subtotal	866	860
Less: Investment expenses	55	43
Net investment income	\$ 811	\$ 817

Brighthouse Financial, Inc.

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

4. Investments (continued)

Net Investment Gains (Losses)

Components of Net Investment Gains (Losses)

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

	Three Months Ended March 31,	
	2019	2018
	(In millions)	
Fixed maturity securities	\$ (15)	\$ (39)
Equity securities	10	(1)
Mortgage loans	(4)	(4)
Real estate limited partnerships and limited liability companies	(1)	42
Other limited partnership interests	(2)	—
Other	1	(2)
Total net investment gains (losses)	<u>\$ (11)</u>	<u>\$ (4)</u>

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 March 31,	
	2019	2018
	(In millions)	
Proceeds	\$ 3,279	\$ 2,861
Gross investment gains	\$ 67	\$ 3
Gross investment losses	(82)	(42)
Net investment gains (losses)	<u>\$ (15)</u>	<u>\$ (39)</u>

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 as an accounting hedge or its use in managing risk does not qualify for hedge accounting, changes in the estimated fair value of the derivative are reported in net derivative gains (losses) except for economic hedges of limited partnerships and LLCs which are presented in net investment income.

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.

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

5. Derivatives (continued)

To qualify for hedge accounting, at the inception of the hedging relationship, the Company formally documents its risk management objective and strategy for undertaking the hedging transaction, as well as its designation of the hedge. In its hedge documentation, the Company sets forth how the hedging instrument is expected to hedge the designated risks related to the hedged item and sets forth the method that will be used to retrospectively and prospectively assess the hedging instrument's effectiveness. A derivative designated as a hedging instrument must be assessed as being highly effective in offsetting the designated risk of the hedged item. Hedge effectiveness is formally assessed at inception and at least quarterly throughout the life of the designated hedging relationship.

The Company discontinues hedge accounting prospectively when: (i) it is determined that the derivative is no longer highly effective in offsetting changes in the estimated fair value or cash flows of a hedged item; (ii) the derivative expires, is sold, terminated, or exercised; (iii) it is no longer probable that the hedged forecasted transaction will occur; or (iv) the derivative is de-designated as a hedging instrument.

When hedge accounting is discontinued because it is determined that the derivative is not highly effective in offsetting changes in the estimated fair value or cash flows of a hedged item, the derivative continues to be carried on the balance sheet at its estimated fair value, with changes in estimated fair value recognized in net derivative gains (losses). The carrying value of the hedged recognized asset or liability under a fair value hedge is no longer adjusted for changes in its estimated fair value due to the hedged risk, and the cumulative adjustment to its carrying value is amortized into income over the remaining life of the hedged item. Provided the hedged forecasted transaction is still probable of occurrence, the changes in estimated fair value of derivatives recorded in OCI related to discontinued cash flow hedges are released into the statement of operations when the Company's earnings are affected by the variability in cash flows of the hedged item.

In all other situations in which hedge accounting is discontinued, the derivative is carried at its estimated fair value on the balance sheet, with changes in its estimated fair value recognized in the current period as net derivative gains (losses).

Embedded Derivatives

The Company sells variable and index-linked annuities and is a party to certain reinsurance agreements that have embedded derivatives. The Company assesses each identified embedded derivative to determine whether it is required to be bifurcated and measured at fair value, separately from the host contract. The Company bifurcates embedded derivatives when a separate instrument with the same terms as the embedded derivative would qualify as a derivative instrument, the terms of the embedded derivative are not clearly and closely related to the economic characteristics of the host contract and the underlying contract is not already measured at estimated fair value with changes recorded in earnings.

See “— Variable Annuity Guarantees”, “— Index-Linked Annuities” and “— Reinsurance” in Note 1 of the Notes to the Consolidated and Combined Financial Statements included in the 2018 Annual Report for additional information on the accounting policies for embedded derivatives bifurcated from variable annuity and reinsurance host contracts.

Derivative Strategies

The Company is exposed to various risks relating to its ongoing business operations, including interest rate, foreign currency exchange rate, credit and equity market. The Company uses a variety of strategies to manage these risks, including the use of derivatives.

Derivatives are financial instruments with values derived from interest rates, foreign currency exchange rates, credit spreads and/or other financial indices. Derivatives may be exchange-traded or contracted in the over-the-counter (“OTC”) market. Certain of the Company's OTC derivatives are cleared and settled through central clearing counterparties (“OTC-cleared”), while others are bilateral contracts between two counterparties (“OTC-bilateral”). The types of derivatives the Company uses include swaps, forwards, futures and option contracts. To a lesser extent, the Company uses credit default swaps to synthetically replicate investment risks and returns which are not readily available in the cash markets.

Interest Rate Derivatives

The Company uses a variety of interest rate derivatives to reduce its exposure to changes in interest rates, including interest rate swaps, interest rate total return swaps, caps, floors, swaptions and futures.

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

5. Derivatives (continued)

Interest rate swaps are used by the Company primarily to reduce market risks from changes in interest rates and to alter interest rate exposure arising from mismatches between assets and liabilities (duration mismatches). In an interest rate swap, the Company agrees with another party to exchange, at specified intervals, the difference between fixed rate and floating rate interest amounts as calculated by reference to an agreed notional amount. The Company utilizes interest rate swaps in fair value, cash flow and nonqualifying hedging relationships.

Interest rate total return swaps are swaps whereby the Company agrees with another party to exchange, at specified intervals, the difference between the economic risk and reward of an asset or a market index and a floating rate, calculated by reference to an agreed notional amount. No cash is exchanged at the outset of the contract. Cash is paid and received over the life of the contract based on the terms of the swap. These transactions are entered into pursuant to master agreements that provide for a single net payment to be made by the counterparty at each due date. Interest rate total return swaps are used by the Company to reduce market risks from changes in interest rates and to alter interest rate exposure arising from mismatches between assets and liabilities (duration mismatches). The Company utilizes interest rate total return swaps in nonqualifying hedging relationships.

The Company purchases interest rate caps and floors primarily to protect its floating rate liabilities against rises in interest rates above a specified level, and against interest rate exposure arising from mismatches between assets and liabilities, as well as to protect its minimum rate guarantee liabilities against declines in interest rates below a specified level, respectively. In certain instances, the Company locks in the economic impact of existing purchased caps and floors by entering into offsetting written caps and floors. The Company utilizes interest rate caps and floors in nonqualifying hedging relationships.

In exchange-traded interest rate Treasury futures transactions, the Company agrees to purchase or sell a specified number of contracts, the value of which is determined by the different classes of interest rate securities. The Company enters into exchange-traded futures with regulated futures commission merchants that are members of the exchange. Exchange-traded interest rate Treasury futures are used primarily to hedge mismatches between the duration of assets in a portfolio and the duration of liabilities supported by those assets, to hedge against changes in value of securities the Company owns or anticipates acquiring, to hedge against changes in interest rates on anticipated liability issuances by replicating Treasury curve performance, and to hedge minimum guarantees embedded in certain variable annuity products offered by the Company. The Company utilizes exchange-traded interest rate futures in nonqualifying hedging relationships.

Swaptions are used by the Company to hedge interest rate risk associated with the Company's long-term liabilities and invested assets. A swaption is an option to enter into a swap with a forward starting effective date. In certain instances, the Company locks in the economic impact of existing purchased swaptions by entering into offsetting written swaptions. The Company pays a premium for purchased swaptions and receives a premium for written swaptions. The Company utilizes swaptions in nonqualifying hedging relationships. Swaptions are included in interest rate options.

Foreign Currency Exchange Rate Derivatives

The Company uses foreign currency swaps to reduce the risk from fluctuations in foreign currency exchange rates associated with its assets and liabilities denominated in foreign currencies. In a foreign currency swap transaction, the Company agrees with another party to exchange, at specified intervals, the difference between one currency and another at a fixed exchange rate, generally set at inception, calculated by reference to an agreed upon notional amount. The notional amount of each currency is exchanged at the inception and termination of the currency swap by each party. The Company utilizes foreign currency swaps in cash flow and nonqualifying hedging relationships.

To a lesser extent, the Company uses foreign currency forwards in nonqualifying hedging relationships.

Credit Derivatives

The Company enters into written credit default swaps to create synthetic credit investments that are either more expensive to acquire or otherwise unavailable in the cash markets. These transactions are a combination of a derivative and one or more cash instruments, such as U.S. government and agency securities or other fixed maturity securities.

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

5. Derivatives (continued)

To a lesser extent, the Company enters into purchased credit default swaps to hedge against credit-related changes in the value of its investments. In a credit default swap transaction, the Company agrees with another party to pay, at specified intervals, a premium to hedge credit risk. If a credit event occurs, as defined by the contract, the contract may be cash settled or it may be settled gross by the delivery of par quantities of the referenced investment equal to the specified swap notional amount in exchange for the payment of cash amounts by the counterparty equal to the par value of the investment surrendered. Credit events vary by type of issuer but typically include bankruptcy, failure to pay debt obligations, repudiation, moratorium, involuntary restructuring or governmental intervention. In each case, payout on a credit default swap is triggered only after the Credit Derivatives Determinations Committee of the International Swaps and Derivatives Association, Inc. ("ISDA") deems that a credit event has occurred. The Company utilizes credit default swaps in nonqualifying hedging relationships.

Equity Derivatives

The Company uses a variety of equity derivatives to reduce its exposure to equity market risk, including equity index options, equity variance swaps, exchange-traded equity futures and equity total return swaps.

Equity index options are used by the Company primarily to hedge minimum guarantees embedded in certain annuity products offered by the Company. To hedge against adverse changes in equity indices, the Company enters into contracts to sell the equity index within a limited time at a contracted price. The contracts will be net settled in cash based on differentials in the indices at the time of exercise and the strike price. Certain of these contracts may also contain settlement provisions linked to interest rates. In certain instances, the Company may enter into a combination of transactions to hedge adverse changes in equity indices within a pre-determined range through the purchase and sale of options. The Company utilizes equity index options in nonqualifying hedging relationships.

Equity variance swaps are used by the Company primarily to hedge minimum guarantees embedded in certain variable annuity products offered by the Company. In an equity variance swap, the Company agrees with another party to exchange amounts in the future, based on changes in equity volatility over a defined period. The Company utilizes equity variance swaps in nonqualifying hedging relationships.

In exchange-traded equity futures transactions, the Company agrees to purchase or sell a specified number of contracts, the value of which is determined by the different classes of equity securities, and to post variation margin on a daily basis in an amount equal to the difference in the daily market values of those contracts and to pledge initial margin based on futures exchange requirements. The Company enters into exchange-traded futures with regulated futures commission merchants that are members of the exchange. Exchange-traded equity futures are used primarily to hedge minimum guarantees embedded in certain variable annuity products offered by the Company. The Company utilizes exchange-traded equity futures in nonqualifying hedging relationships.

In an equity total return swap, the Company agrees with another party to exchange, at specified intervals, the difference between the economic risk and reward of an asset or a market index and a floating rate, calculated by reference to an agreed notional amount. No cash is exchanged at the outset of the contract. Cash is paid and received over the life of the contract based on the terms of the swap. The Company uses equity total return swaps to hedge its equity market guarantees in certain of its insurance products. Equity total return swaps can be used as hedges or to create synthetic investments. The Company utilizes equity total return swaps in nonqualifying hedging relationships.

Brighthouse Financial, Inc.
Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) (continued)
5. Derivatives (continued)
Primary Risks Managed by Derivatives

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

Primary Underlying Risk Exposure	March 31, 2019			December 31, 2018			
	Gross Notional Amount	Estimated Fair Value		Gross Notional Amount	Estimated Fair Value		
		Assets	Liabilities		Assets	Liabilities	
(In millions)							
Derivatives Designated as Hedging Instruments:							
Cash flow hedges:							
Foreign currency swaps	Foreign currency exchange rate	\$ 2,563	\$ 179	\$ 37	\$ 2,524	\$ 211	\$ 30
Total qualifying hedges		2,563	179	37	2,524	211	30
Derivatives Not Designated or Not Qualifying as Hedging Instruments:							
Interest rate swaps	Interest rate	10,397	651	457	10,747	528	558
Interest rate caps	Interest rate	3,350	10	—	3,350	21	—
Interest rate futures	Interest rate	54	—	—	54	—	—
Interest rate options	Interest rate	23,668	255	73	17,168	168	61
Foreign currency swaps	Foreign currency exchange rate	1,128	91	17	1,409	101	18
Foreign currency forwards	Foreign currency exchange rate	124	—	—	125	—	—
Credit default swaps — purchased	Credit	67	—	—	98	3	—
Credit default swaps — written	Credit	1,855	25	—	1,820	14	3
Equity futures	Equity market	—	—	—	169	—	—
Equity index options	Equity market	42,813	771	1,541	45,815	1,372	1,207
Equity variance swaps	Equity market	5,574	91	242	5,574	80	232
Equity total return swaps	Equity market	4,550	—	219	3,920	280	3
Total non-designated or nonqualifying derivatives		93,580	1,894	2,549	90,249	2,567	2,082
Total		\$ 96,143	\$ 2,073	\$ 2,586	\$ 92,773	\$ 2,778	\$ 2,112

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 March 31, 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 that generally do not qualify for hedge accounting due to the criteria required under the portfolio hedging rules; (ii) derivatives that economically hedge insurance liabilities that contain mortality or morbidity risk and that generally do not qualify for hedge accounting because the lack of these risks in the derivatives cannot support an expectation of a highly effective hedging relationship; (iii) derivatives that economically hedge embedded derivatives that do not qualify for hedge accounting because the changes in estimated fair value of the embedded derivatives are already recorded in net income; and (iv) written credit default swaps that are used to create synthetic credit investments and that do not qualify for hedge accounting because they do not involve a hedging relationship. For these nonqualified derivatives, changes in market factors can lead to the recognition of fair value changes on the statement of operations without an offsetting gain or loss recognized in earnings for the item being hedged.

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 (1), (6)	Net Derivative Gains (Losses) Recognized for Hedged Items (2), (6)	Net Investment Income (1), (3), (7)	Policyholder Benefits and Claims (4)	Amount of Gains (Losses) deferred in AOCI
(In millions)					
Three Months Ended March 31, 2019					
Derivatives Designated as Hedging Instruments:					
Cash flow hedges (5):					
Interest rate derivatives	\$ 22	\$ —	\$ 1	\$ —	\$ —
Foreign currency exchange rate derivatives	3	—	8	—	(34)
Total cash flow hedges	25	—	9	—	(34)
Derivatives Not Designated or Not Qualifying as Hedging Instruments:					
Interest rate derivatives	332	—	—	—	—
Foreign currency exchange rate derivatives	(8)	—	—	—	—
Credit derivatives	18	—	—	—	—
Equity derivatives	(1,446)	—	—	—	—
Embedded derivatives	(224)	—	—	—	—
Total non-qualifying hedges	(1,328)	—	—	—	—
Total	\$ (1,303)	\$ —	\$ 9	\$ —	\$ (34)
Three Months Ended March 31, 2018					
Derivatives Designated as Hedging Instruments:					
Fair value hedges (5):					
Interest rate derivatives	\$ (8)	\$ 7	\$ 1	\$ —	\$ —
Total fair value hedges	(8)	7	1	—	—
Cash flow hedges (5):					
Interest rate derivatives	7	—	1	—	(2)
Foreign currency exchange rate derivatives	—	—	4	—	(74)
Total cash flow hedges	7	—	5	—	(76)
Derivatives Not Designated or Not Qualifying as Hedging Instruments:					
Interest rate derivatives	(773)	—	—	—	—
Foreign currency exchange rate derivatives	(37)	2	—	—	—
Credit derivatives	(4)	—	—	—	—
Equity derivatives	(34)	—	—	—	—
Embedded derivatives	506	—	—	(1)	—
Total non-qualifying hedges	(342)	2	—	(1)	—
Total	\$ (343)	\$ 9	\$ 6	\$ (1)	\$ (76)

- (1) Includes gains (losses) reclassified from AOCI primarily for terminated cash flow hedges.
- (2) Includes foreign currency transaction gains (losses) on hedged items in cash flow and nonqualifying hedging relationships.
- (3) Includes changes in estimated fair value related to economic hedges of limited partnerships and LLCs.
- (4) Changes in estimated fair value related to economic hedges of variable annuity guarantees included in future policy benefits.
- (5) All components of each derivative's gain or loss were included in the assessment of hedge effectiveness.

Brighthouse Financial, Inc.

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

5. Derivatives (continued)

(6) Total net derivative gains (losses) were (\$1.3) billion and (\$334) million for the three months ended March 31, 2019 and 2018, respectively.

(7) Total net investment income was \$811 million and \$817 million for the three months ended March 31, 2019 and 2018, respectively.

At March 31, 2019 and December 31, 2018, the balance in AOCI associated with cash flow hedges was \$204 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. Such credit derivatives are included within the nonqualifying derivatives and derivatives for purposes other than hedging table. If a credit event occurs, as defined by the contract, the contract may be cash settled or it may be settled gross by the Company paying the counterparty the specified swap notional amount in exchange for the delivery of par quantities of the referenced credit obligation. The Company can terminate these contracts at any time through cash settlement with the counterparty at an amount equal to the then current estimated fair value of the credit default swaps.

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)	March 31, 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	\$ 18	\$ 1,376	3.3	\$ 8	\$ 689	2.0
Baa	7	479	4.9	3	1,131	5.0
Total	\$ 25	\$ 1,855	3.8	\$ 11	\$ 1,820	3.9

(1) Includes both single name credit default swaps that may be referenced to the credit of corporations, foreign governments or state and political subdivisions and credit default swaps referencing indices. The rating agency designations are based on availability and the midpoint of the applicable ratings among Moody's Investors Service ("Moody's"), Standard & Poor's Global Ratings ("S&P") and Fitch Ratings. If no rating is available from a rating agency, then an internally developed rating is used.

(2) The weighted average years to maturity of the credit default swaps is calculated based on weighted average gross notional amounts.

Counterparty Credit Risk

The Company may be exposed to credit-related losses in the event of nonperformance by its counterparties to derivatives. Generally, the current credit exposure of the Company's derivatives is limited to the net positive estimated fair value of derivatives at the reporting date after taking into consideration the existence of master netting or similar agreements and any collateral received pursuant to such agreements.

The Company manages its credit risk related to derivatives by entering into transactions with creditworthy counterparties and establishing and monitoring exposure limits. The Company's OTC-bilateral derivative transactions are generally governed by ISDA Master Agreements which provide for legally enforceable set-off and close-out netting of exposures to specific counterparties in the event of early termination of a transaction, which includes, but is not limited to, events of default and bankruptcy. In the event of an early termination, the Company is permitted to set off receivables from the counterparty against payables to the same counterparty arising out of all included transactions. Substantially all of the Company's ISDA Master Agreements also include Credit Support Annex provisions which require both the pledging and accepting of collateral in connection with its OTC-bilateral derivatives.

Brighthouse Financial, Inc.
Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) (continued)
5. Derivatives (continued)

The Company's OTC-cleared derivatives are effected through central clearing counterparties and its exchange-traded derivatives are effected through regulated exchanges. Such positions are marked to market and margined on a daily basis (both initial margin and variation margin), and the Company has minimal exposure to credit-related losses in the event of nonperformance by counterparties to such derivatives.

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

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:

Derivatives Subject to a Master Netting Arrangement or a Similar Arrangement	March 31, 2019		December 31, 2018	
	Assets	Liabilities	Assets	Liabilities
	(In millions)			
Gross estimated fair value of derivatives:				
OTC-bilateral (1)	\$ 2,095	\$ 2,563	\$ 2,813	\$ 2,102
OTC-cleared and Exchange-traded (1), (6)	17	—	20	2
Total gross estimated fair value of derivatives (1)	2,112	2,563	2,833	2,104
Estimated fair value of derivatives presented on the consolidated balance sheets (1), (6)	2,112	2,563	2,833	2,104
Gross amounts not offset on the consolidated balance sheets:				
Gross estimated fair value of derivatives: (2)				
OTC-bilateral	(1,398)	(1,398)	(1,669)	(1,669)
OTC-cleared and Exchange-traded	—	—	(2)	(2)
Cash collateral: (3), (4)				
OTC-bilateral	(496)	—	(1,047)	—
OTC-cleared and Exchange-traded	(17)	—	(15)	—
Securities collateral: (5)				
OTC-bilateral	(179)	(1,156)	(86)	(433)
Net amount after application of master netting agreements and collateral	\$ 22	\$ 9	\$ 14	\$ —

- (1) At March 31, 2019 and December 31, 2018, derivative assets included income or (expense) accruals reported in accrued investment income or in other liabilities of \$39 million and \$55 million, respectively, and derivative liabilities included (income) or expense accruals reported in accrued investment income or in other liabilities of (\$23) million and (\$8) million, respectively.
- (2) Estimated fair value of derivatives is limited to the amount that is subject to set-off and includes income or expense accruals.
- (3) Cash collateral received by the Company for OTC-bilateral and OTC-cleared derivatives is included in cash and cash equivalents, short-term investments or in fixed maturity securities, and the obligation to return it is included in payables for collateral under securities loaned and other transactions on the balance sheet.
- (4) The receivable for the return of cash collateral provided by the Company is inclusive of initial margin on exchange-traded and OTC-cleared derivatives and is included in premiums, reinsurance and other receivables on the balance sheet. The amount of cash collateral offset in the table above is limited to the net estimated fair value of derivatives after application of netting agreements. At March 31, 2019 and December 31, 2018, the Company received excess cash collateral of \$70 million and \$349 million, respectively, and provided excess cash collateral of \$15 million and \$64 million, respectively, which is not included in the table above due to the foregoing limitation.

Brighthouse Financial, Inc.

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

5. Derivatives (continued)

- (5) Securities collateral received by the Company is held in separate custodial accounts and is not recorded on the balance sheet. Subject to certain constraints, the Company is permitted by contract to sell or re-pledge this collateral, but at March 31, 2019, none of the collateral had been sold or re-pledged. Securities collateral pledged by the Company is reported in fixed maturity securities on the balance sheet. Subject to certain constraints, the counterparties are permitted by contract to sell or re-pledge this collateral. The amount of securities collateral offset in the table above is limited to the net estimated fair value of derivatives after application of netting agreements and cash collateral. At March 31, 2019 and December 31, 2018, the Company received excess securities collateral with an estimated fair value of \$96 million and \$59 million, respectively, for its OTC-bilateral derivatives, which are not included in the table above due to the foregoing limitation. At March 31, 2019 and December 31, 2018, the Company provided excess securities collateral with an estimated fair value of \$288 million and \$364 million, respectively, for its OTC-bilateral derivatives, and \$99 million and \$81 million, respectively, for its OTC-cleared derivatives, and \$8 million and \$14 million, respectively, for its exchange-traded derivatives, which are not included in the table above due to the foregoing limitation.
- (6) Effective January 16, 2018, the London Clearing House (“LCH”) amended its rulebook, resulting in the characterization of variation margin transfers as settlement payments, as opposed to adjustments to collateral. These amendments impacted the accounting treatment of the Company’s centrally cleared derivatives, for which the LCH serves as the central clearing party.

The Company’s collateral arrangements for its OTC-bilateral derivatives 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. A small number of these arrangements also include credit-contingent provisions that include a threshold above which collateral must be posted. Such agreements provide for a reduction of these thresholds (on a sliding scale that converges toward zero) in the event of downgrades in the credit ratings of the Company and/or the counterparty. In addition, substantially all of the Company’s netting agreements for derivatives contain provisions that require both the Company and the counterparty to maintain a specific investment grade credit rating from each of Moody’s and S&P. If a party’s financial strength or credit ratings were to fall below that specific investment grade credit rating, that party would be in violation of these provisions, and the other party to the derivatives could terminate the transactions and demand immediate settlement and payment based on such party’s reasonable valuation of the derivatives.

The following table presents the estimated fair value of the Company’s OTC-bilateral derivatives that are in a net liability position after considering the effect of netting agreements, together with the estimated fair value and balance sheet location of the collateral pledged. The Company’s collateral agreements require both parties to be fully collateralized, as such, the Company would not be required to post additional collateral as a result of a downgrade in its financial strength rating. OTC-bilateral derivatives that are not subject to collateral agreements are excluded from this table.

	March 31, 2019		December 31, 2018	
	(In millions)			
Estimated fair value of derivatives in a net liability position (1)	\$	1,165	\$	433
Estimated Fair Value of Collateral Provided:				
Fixed maturity securities	\$	1,444	\$	797

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

Embedded Derivatives

The Company issues certain insurance contracts that contain embedded derivatives that are required to be separated from their host contracts and measured at fair value. 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.

Brighthouse Financial, Inc.

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

5. Derivatives (continued)

The following table presents the estimated fair value and balance sheet location of the Company's embedded derivatives that have been separated from their host contracts at:

		Balance Sheet Location	March 31, 2019	December 31, 2018
(In millions)				
Embedded derivatives within asset host contracts:				
Ceded guaranteed minimum income benefits	Premiums, reinsurance and other receivables		\$ 219	\$ 228
Embedded derivatives within liability host contracts:				
Direct guaranteed minimum benefits	Policyholder account balances		\$ 1,260	\$ 1,642
Direct index-linked annuities	Policyholder account balances		1,249	488
Assumed index-linked annuities	Policyholder account balances		146	96
Embedded derivatives within liability host contracts			\$ 2,655	\$ 2,226

The following table presents changes in estimated fair value related to embedded derivatives:

		Three Months Ended March 31,	
		2019	2018
(In millions)			
Net derivative gains (losses) (1)		\$ (224)	\$ 506
Policyholder benefits and claims		\$ —	\$ (1)

(1) The valuation of direct guaranteed minimum benefits includes a nonperformance risk adjustment. The amounts included in net derivative gains (losses) in connection with this adjustment were (\$163) million and (\$15) million for the three months ended March 31, 2019 and 2018, respectively.

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.

	March 31, 2019			
	Fair Value Hierarchy			Total Estimated Fair Value
	Level 1	Level 2	Level 3	
(In millions)				
Assets				
Fixed maturity securities:				
U.S. corporate	\$ —	\$ 25,562	\$ 294	\$ 25,856
U.S. government and agency	2,075	6,013	—	8,088
RMBS	—	8,864	19	8,883
Foreign corporate	—	8,670	403	9,073
CMBS	—	5,299	128	5,427
State and political subdivision	—	3,737	74	3,811
ABS	—	1,997	81	2,078
Foreign government	—	1,631	—	1,631
Total fixed maturity securities	2,075	61,773	999	64,847
Equity securities	14	132	4	150
Short term investments	557	242	—	799
Derivative assets: (1)				
Interest rate	—	916	—	916
Foreign currency exchange rate	—	264	6	270
Credit	—	18	7	25
Equity market	—	762	100	862
Total derivative assets	—	1,960	113	2,073
Embedded derivatives within asset host contracts (2)	—	—	219	219
Separate account assets	262	104,949	—	105,211
Total assets	\$ 2,908	\$ 169,056	\$ 1,335	\$ 173,299
Liabilities				
Derivative liabilities: (1)				
Interest rate	\$ —	\$ 530	\$ —	\$ 530
Foreign currency exchange rate	—	52	2	54
Credit	—	—	—	—
Equity market	—	1,755	247	2,002
Total derivative liabilities	—	2,337	249	2,586
Embedded derivatives within liability host contracts (2)	—	—	2,655	2,655
Total liabilities	\$ —	\$ 2,337	\$ 2,904	\$ 5,241

Brighthouse Financial, Inc.

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

6. Fair Value (continued)

	December 31, 2018			
	Fair Value Hierarchy			Total Estimated Fair Value
	Level 1	Level 2	Level 3	
(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.

Brighthouse Financial, Inc.**Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) (continued)****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 three months ended March 31, 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.

Brighthouse Financial, Inc.**Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) (continued)****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, equity crediting rates within index-linked annuity contracts, and those related to funds withheld on ceded reinsurance agreements. Embedded derivatives are recorded at estimated fair value with changes in estimated fair value reported in net income.

The Company issues certain variable annuity products with guaranteed minimum benefits. GMWBs, GMABs and certain GMIBs contain embedded derivatives, which are measured at estimated fair value separately from the host variable annuity contract, with changes in estimated fair value reported in net derivative gains (losses). These embedded derivatives are classified within policyholder account balances on the consolidated balance sheets.

Brighthouse Financial, Inc.**Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) (continued)****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 estimated fair value of the embedded derivatives within funds withheld related to certain ceded reinsurance is determined based on the change in estimated fair value of the underlying assets held by the Company in a reference portfolio backing the funds withheld liability. The estimated fair value of the underlying assets is determined as previously described in "— Equity securities and short-term investments." The estimated fair value of these embedded derivatives is included, along with the funds withheld liability, in other liabilities on the consolidated balance sheets with changes in estimated fair value recorded in net derivative gains (losses).

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.

Brighthouse Financial, Inc.

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

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	March 31, 2019		December 31, 2018		Impact of Increase in Input on Estimated Fair Value
			Range		Range		
Embedded derivatives							
Direct, assumed and ceded guaranteed minimum benefits	• Option pricing techniques	• Mortality rates	0.02%	11.31%	0.02%	11%	Decrease (1)
		• Lapse rates	0.25%	16%	0.25%	16%	Decrease (2)
		• Utilization rates	0%	25%	0%	25%	Increase (3)
		• Withdrawal rates	0.25%	10%	0.25%	10%	(4)
		• Long-term equity volatilities	16.50%	22%	16.50%	22%	Increase (5)
		• Nonperformance risk spread	1.31%	2.45%	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.

Brighthouse Financial, Inc.

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

6. Fair Value (continued)

The following tables summarize the change of all assets and (liabilities) measured at estimated fair value on a recurring basis using significant unobservable inputs (Level 3):

Fair Value Measurements Using Significant Unobservable Inputs (Level 3)											
Fixed Maturity Securities											
Corporate (1)	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 March 31, 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)	—	—	—	—	(9)	(224)	—		
Total realized/unrealized gains (losses) included in AOCI	8	2	—	—	—	—	(3)	—	—		
Purchases (7)	16	29	—	—	—	—	—	—	—		
Sales (7)	(2)	(13)	—	—	—	—	—	—	—	(1)	
Issuances (7)	—	—	—	—	—	—	—	—	—	—	
Settlements (7)	—	—	—	—	—	—	—	—	(214)	—	
Transfers into Level 3 (8)	35	45	—	—	1	—	—	—	—	—	
Transfers out of Level 3 (8)	(92)	(7)	—	—	—	—	—	—	(2)	—	
Balance, end of period	\$ 697	\$ 228	\$ 74	\$ —	\$ 4	\$ —	\$ (136)	\$ (2,436)	\$ —		
Three Months Ended March 31, 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)	3	6	—	—	(1)	—	5	505	—		
Total realized/unrealized gains (losses) included in AOCI	(8)	(12)	—	—	—	—	—	—	—	—	
Purchases (7)	66	99	—	—	—	—	1	—	—	3	
Sales (7)	(102)	(66)	—	(5)	—	—	—	—	—	(1)	
Issuances (7)	—	—	—	—	—	—	—	—	—	—	
Settlements (7)	—	—	—	—	—	—	—	—	(138)	—	
Transfers into Level 3 (8)	87	—	—	—	—	—	—	—	—	—	
Transfers out of Level 3 (8)	(137)	(51)	—	—	—	—	—	—	(14)	—	
Balance, end of period	\$ 1,906	\$ 1,206	\$ —	\$ —	\$ 123	\$ —	\$ (273)	\$ (1,293)	\$ 7		
Changes in unrealized gains (losses) included in net income (loss) for the instruments still held at March 31, 2019 (9)	\$ —	\$ (1)	\$ —	\$ —	\$ —	\$ —	\$ (8)	\$ (288)	\$ —		
Changes in unrealized gains (losses) included in net income (loss) for the instruments still held at March 31, 2018 (9)	\$ 1	\$ 6	\$ —	\$ —	\$ —	\$ —	\$ 5	\$ 706	\$ —		

- (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).

Brighthouse Financial, Inc.

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

6. Fair Value (continued)

- (5) Amortization of premium/accretion of discount is included within net investment income. Impairments charged to net income (loss) on securities are included in net investment gains (losses). Lapses associated with net embedded derivatives are included in net derivative gains (losses). Substantially all realized/unrealized gains (losses) included in net income (loss) for net derivatives and net embedded derivatives are reported in net 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:

	March 31, 2019				Total Estimated Fair Value
	Carrying Value	Fair Value Hierarchy			
		Level 1	Level 2	Level 3	
(In millions)					
Assets					
Mortgage loans	\$ 14,504	\$ —	\$ —	\$ 14,822	\$ 14,822
Policy loans	\$ 1,385	\$ —	\$ 622	\$ 961	\$ 1,583
Other invested assets	\$ 63	\$ —	\$ 50	\$ 13	\$ 63
Premiums, reinsurance and other receivables	\$ 1,773	\$ —	\$ 117	\$ 1,849	\$ 1,966
Liabilities					
Policyholder account balances	\$ 15,283	\$ —	\$ —	\$ 14,334	\$ 14,334
Long-term debt	\$ 4,364	\$ —	\$ 2,982	\$ 1,000	\$ 3,982
Other liabilities	\$ 861	\$ —	\$ 639	\$ 222	\$ 861
Separate account liabilities	\$ 1,137	\$ —	\$ 1,137	\$ —	\$ 1,137

Brighthouse Financial, Inc.

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

6. Fair Value (continued)

	December 31, 2018						
	Carrying Value	Fair Value Hierarchy			Level 3	Total Estimated Fair Value	
		Level 1	Level 2				
(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

Term Loan Facility

On February 1, 2019, BHF entered into a new term loan agreement with respect to a new \$1.0 billion five-year unsecured term loan facility (the “2019 Term Loan Facility”). 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.

Common Stock Repurchase Program

During the three months ended March 31, 2019, BHF repurchased 1,417,582 shares of its common stock through open market purchases, pursuant to a 10b5-1 plan, for \$52 million. At March 31, 2019, BHF had \$43 million remaining under its \$200 million common stock repurchase program announced in August 2018.

Brighthouse Financial, Inc.

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

8. Equity (continued)

Accumulated Other Comprehensive Income (Loss)

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

	Three Months Ended March 31, 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	1,252	(34)	—	(3)	1,215
Deferred income tax benefit (expense)	(263)	7	—	—	(256)
AOCI before reclassifications, net of income tax	1,565	160	(27)	(23)	1,675
Amounts reclassified from AOCI	19	(26)	—	—	(7)
Deferred income tax benefit (expense)	(4)	6	—	—	2
Amounts reclassified from AOCI, net of income tax	15	(20)	—	—	(5)
Balance, March 31, 2019	<u>\$ 1,580</u>	<u>\$ 140</u>	<u>\$ (27)</u>	<u>\$ (23)</u>	<u>\$ 1,670</u>
	Three Months Ended March 31, 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	(1,073)	(76)	2	3	(1,144)
Deferred income tax benefit (expense)	229	16	—	—	245
AOCI before reclassifications, net of income tax	649	94	(22)	(23)	698
Amounts reclassified from AOCI	58	(8)	—	—	50
Deferred income tax benefit (expense)	(12)	1	—	—	(11)
Amounts reclassified from AOCI, net of income tax	46	(7)	—	—	39
Balance, March 31, 2018	<u>\$ 695</u>	<u>\$ 87</u>	<u>\$ (22)</u>	<u>\$ (23)</u>	<u>\$ 737</u>

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

Brighthouse Financial, Inc.

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

8. Equity (continued)

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 March 31,		
	2019	2018	
	(In millions)		
Net unrealized investment gains (losses):			
Net unrealized investment gains (losses)	\$ (15)	\$ (59)	Net investment gains (losses)
Net unrealized investment gains (losses)	—	1	Net investment income
Net unrealized investment gains (losses)	(4)	—	Net derivative gains (losses)
Net unrealized investment gains (losses), before income tax	(19)	(58)	
Income tax (expense) benefit	4	12	
Net unrealized investment gains (losses), net of income tax	(15)	(46)	
Unrealized gains (losses) on derivatives - cash flow hedges:			
Interest rate swaps	22	6	Net derivative gains (losses)
Interest rate swaps	1	—	Net investment income
Interest rate forwards	—	1	Net derivative gains (losses)
Interest rate forwards	—	1	Net investment income
Foreign currency swaps	3	—	Net derivative gains (losses)
Gains (losses) on cash flow hedges, before income tax	26	8	
Income tax (expense) benefit	(6)	(1)	
Gains (losses) on cash flow hedges, net of income tax	20	7	
Total reclassifications, net of income tax	\$ 5	\$ (39)	

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 \$82 million and \$93 million for the three months ended March 31, 2019 and 2018, respectively, of which substantially all were reported in the Annuities segment.

Brighthouse Financial, Inc.

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

9. Other Revenues and Other Expenses (continued)

Other Expenses

Information on other expenses was as follows:

	Three Months Ended March 31,	
	2019	2018
	(In millions)	
Compensation	\$ 81	\$ 70
Contracted services and other labor costs	47	49
Transition services agreements	66	74
Establishment costs	34	47
Premium and other taxes, licenses and fees	7	17
Separate account fees	119	136
Volume related costs, excluding compensation, net of DAC capitalization	165	159
Interest expense on debt	47	37
Other	26	29
Total other expenses	<u>\$ 592</u>	<u>\$ 618</u>

10. Earnings Per Common Share

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

	Three Months Ended March 31,	
	2019	2018
	(In millions, except share and per share data)	
Net income (loss) available to Brighthouse Financial, Inc.'s common shareholders	<u>\$ (737)</u>	<u>\$ (67)</u>
Weighted average common shares outstanding:		
Basic	<u>116,805,384</u>	<u>119,773,106</u>
Earnings per common share:		
Basic	<u>\$ (6.31)</u>	<u>\$ (0.56)</u>

Basic loss per common share equaled diluted loss per common share for both the three months ended March 31, 2019 and 2018. The diluted shares were not utilized in the per share calculation, as the inclusion of such shares would have an antidilutive effect.

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 March 31, 2019.

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 March 31, 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.

Brighthouse Financial, Inc.**Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) (continued)****11. Contingencies, Commitments and Guarantees (continued)**

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 \$335 million and \$492 million at March 31, 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 \$1.8 billion and \$1.9 billion at March 31, 2019 and December 31, 2018, respectively.

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 \$142 million, with a cumulative maximum of \$148 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 March 31, 2019 and December 31, 2018, respectively, for indemnities, guarantees and commitments.

Brighthouse Financial, Inc.**Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) (continued)****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 March 31,	
	2019	2018
	(In millions)	
Income (1)	\$ —	\$ (81)
Expense (2)	\$ —	\$ 78

(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.

13. Subsequent Events***Revolving Credit Facility***

On May 7, 2019, BHF entered into an amended and restated revolving credit agreement (the “2019 Revolving Credit Agreement”) with respect to a \$1.0 billion five-year senior unsecured revolving credit facility, all of which may be used for revolving loans and/or letters of credit. The 2019 Revolving Credit Agreement replaces BHF’s existing \$2.0 billion five-year senior unsecured revolving credit agreement, which was scheduled to mature in December 2021.

Common Stock Repurchase Authorization

On May 3, 2019, BHF authorized the repurchase of up to an additional \$400 million of 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. No common stock repurchases have been made under the May 3, 2019 authorization as of May 7, 2019.

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

	Page
Introduction	47
Executive Summary	48
Industry Trends	48
Summary of Critical Accounting Estimates	49
Non-GAAP and Other Financial Disclosures	49
Results of Operations	52
Investments	61
Derivatives	69
Off Balance Sheet Arrangements	71
Policyholder Liabilities	71
Liquidity and Capital Resources	75
Note Regarding Forward-Looking Statements	83

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”); and (iii) our current reports on Form 8-K filed in 2019.

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

Presentation

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

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

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

Executive Summary

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

For operating purposes, we have established three segments: (i) Annuities, (ii) Life and (iii) Run-off, which consists of operations relating to products we are not actively selling and which are separately managed. In addition, we report certain of our results of operations in Corporate & Other.

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

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

	Three Months Ended March 31,	
	2019	2018
	(In millions)	
Net income (loss) available to shareholders before provision for income tax	\$ (955)	\$ (115)
Less: Provision for income tax expense (benefit)	(218)	(48)
Net income (loss) available to shareholders	<u>\$ (737)</u>	<u>\$ (67)</u>
Pre-tax adjusted earnings, less net income attributable to noncontrolling interests	\$ 272	\$ 328
Less: Provision for income tax expense (benefit)	40	45
Adjusted earnings	<u>\$ 232</u>	<u>\$ 283</u>

For the three months ended March 31, 2019, we had a net loss available to shareholders of \$737 million and adjusted earnings of \$232 million, compared to a net loss available to shareholders of \$67 million and adjusted earnings of \$283 million for the three months ended March 31, 2018. The net loss available to shareholders for the three months ended March 31, 2019 was driven primarily by net derivative losses resulting from higher equity markets, net of the impacts from a decline in interest rates, and lower adjusted earnings.

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

Industry Trends

Throughout this Management’s Discussion and Analysis of Financial Condition and Results of Operations, we discuss a number of trends and uncertainties that we believe may materially affect our future financial condition, results of operations or cash flows. Where these trends or uncertainties are specific to a particular aspect of our business, we often include such a discussion under the relevant caption of this Management’s Discussion and Analysis of Financial Condition and Results of Operations, as part of our broader analysis of that area of our business. Refer to “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Industry Trends and Uncertainties” included in the 2018 Annual Report, 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.

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

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

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

- Net investment gains (losses);
- Net derivative gains (losses) except earned income on derivatives and amortization of premium on derivatives that are hedges of investments or that are used to replicate certain investments, but do not qualify for hedge accounting treatment (“Investment Hedge Adjustments”); and
- Certain variable annuity guaranteed minimum income benefits (“GMIBs”) fees (“GMIB Fees”) and amortization of unearned revenue related to net investment gains (losses) and net derivative gains (losses).

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

- Amounts associated with benefits and hedging costs related to GMIBs (“GMIB Costs”);

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

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

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

Component of Adjusted Earnings	How Derived from GAAP (1)
(i) Fee income	(i) <i>Universal life and investment-type policy fees</i> (excluding (a) unearned revenue adjustments related to net investment gains (losses) and net derivative gains (losses) and (b) GMIB Fees) plus <i>Other revenues</i> (excluding other revenues associated with related party reinsurance) and amortization of deferred gain on reinsurance.
(ii) Net investment spread	(ii) <i>Net investment income</i> plus Investment Hedge Adjustments and interest received on ceded fixed annuity reinsurance deposit funds reduced by <i>Interest credited to policyholder account balances</i> and interest on future policy benefits.
(iii) Insurance-related activities	(iii) <i>Premiums</i> less <i>Policyholder benefits and claims</i> (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) <i>Amortization of DAC and VOBA</i> (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) <i>Other expenses</i> reduced by capitalization of DAC.
(vi) Provision for income tax expense (benefit)	(vi) Tax impact of the above items.

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

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

Adjusted Net Investment Income

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

Other Financial Disclosures

The following additional information is relevant to an understanding of our performance results:

- We sometimes refer to sales activity for various products. Statistical sales information for life sales are calculated using the LIMRA (Life Insurance Marketing and Research Association) definition of sales for core direct sales, excluding company-sponsored internal exchanges, corporate-owned life insurance, bank-owned life insurance, and private placement variable universal life insurance. Annuity sales consist of 10% of direct statutory premiums, excluding company sponsored internal exchanges. These sales statistics do not correspond to revenues under GAAP, but are used as relevant measures of business activity.
- Similar to adjusted net investment income, we present net investment income yields as a performance measure we believe enhances the understanding of our investment portfolio results. Net investment income yields are calculated

on adjusted net investment income as a percent of average quarterly asset carrying values. Asset carrying values exclude unrealized gains (losses), collateral received in connection with our securities lending program, freestanding derivative assets, and collateral received from derivative counterparties.

Results of Operations**Consolidated Results for the Three Months Ended March 31, 2019 and 2018**

Business Overview. Annuity sales increased 36% compared to the prior period driven by higher sales of our suite of structured annuities consisting of products marketed under various names (collectively, “Shield Annuities”), fixed indexed annuities and fixed annuities.

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

	Three Months Ended March 31,	
	2019	2018
	(In millions)	
Revenues		
Premiums	\$ 227	\$ 229
Universal life and investment-type product policy fees	875	1,002
Net investment income	811	817
Other revenues	92	105
Net investment gains (losses)	(11)	(4)
Net derivative gains (losses)	(1,303)	(334)
Total revenues	691	1,815
Expenses		
Policyholder benefits and claims	772	738
Interest credited to policyholder account balances	258	267
Capitalization of DAC	(86)	(76)
Amortization of DAC and VOBA	22	305
Interest expense on debt	47	37
Other expenses	631	657
Total expenses	1,644	1,928
Income (loss) before provision for income tax	(953)	(113)
Provision for income tax expense (benefit)	(218)	(48)
Net income (loss)	(735)	(65)
Less: Net income (loss) attributable to noncontrolling interests	2	2
Net income (loss) available to Brighthouse Financial, Inc.’s common shareholders	\$ (737)	\$ (67)

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

	Three Months Ended March 31,	
	2019	2018
	(In millions)	
GMLB Riders	\$ (1,330)	\$ 6
Other derivative instruments	136	(477)
Net investment gains (losses)	(11)	(4)
Other adjustments	(22)	32
Pre-tax adjusted earnings, less net income attributable to noncontrolling interests	272	328
Net income (loss) available to shareholders before provision for income tax	(955)	(115)
Provision for income tax expense (benefit)	(218)	(48)
Net income (loss) available to shareholders	\$ (737)	\$ (67)

Three Months Ended March 31, 2019 Compared with the Three Months Ended March 31, 2018

Net loss available to shareholders before provision for income tax was \$955 million (\$737 million, net of income tax), an increased loss of \$840 million (\$670 million, net of income tax) from a loss before provision for income tax of \$115 million (\$67 million, net of income tax) in the prior period.

The increased loss was driven by the following key unfavorable items:

- guaranteed minimum living benefits (“GMLB”) Riders, discussed in detail in “— GMLB Riders for the Three Months Ended March 31, 2019 and 2018;”
- 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; and
- lower adjusted earnings, which is discussed in greater detail below.

The increased loss in income before provision for income tax was partially offset by current period gains on interest rate swaps and swaptions in our universal life with secondary guarantees (“ULSG”) Hedge Program from declining long-term interest rates.

The provision for income tax in the current period led to an effective tax rate of 23%, compared to 42% in the prior period, and primarily differs from the statutory tax rate due to the impacts of the dividends received deductions and tax credits.

Reconciliation of Net Income (Loss) Available to Shareholders to Adjusted Earnings
Three Months Ended March 31, 2019

	Annuities	Life	Run-off	Corporate & Other	Total
	(In millions)				
Net income (loss) available to shareholders	\$ (1,051)	\$ 16	\$ 258	\$ 40	\$ (737)
Add: Provision for income tax expense (benefit)	55	6	(148)	(131)	(218)
Net income (loss) available to shareholders before provision for income tax	(996)	22	110	(91)	(955)
Less: GMLB Riders	(1,330)	—	—	—	(1,330)
Less: Other derivative instruments	(32)	10	158	—	136
Less: Net investment gains (losses)	4	(19)	21	(17)	(11)
Less: Other adjustments	1	—	(23)	—	(22)
Pre-tax adjusted earnings, less net income attributable to noncontrolling interests	361	31	(46)	(74)	272
Less: Provision for income tax expense (benefit)	66	6	(10)	(22)	40
Adjusted earnings	<u>\$ 295</u>	<u>\$ 25</u>	<u>\$ (36)</u>	<u>\$ (52)</u>	<u>\$ 232</u>

Three Months Ended March 31, 2018

	Annuities	Life	Run-off	Corporate & Other	Total
	(In millions)				
Net income (loss) available to shareholders	\$ 243	\$ 90	\$ (262)	\$ (138)	\$ (67)
Add: Provision for income tax expense (benefit)	51	23	(97)	(25)	(48)
Net income (loss) available to shareholders before provision for income tax	294	113	(359)	(163)	(115)
Less: GMLB Riders	6	—	—	—	6
Less: Other derivative instruments	(22)	(14)	(420)	(21)	(477)
Less: Net investment gains (losses)	36	46	(32)	(54)	(4)
Less: Other adjustments	2	—	30	—	32
Pre-tax adjusted earnings, less net income attributable to noncontrolling interests	272	81	63	(88)	328
Less: Provision for income tax expense (benefit)	46	15	13	(29)	45
Adjusted earnings	<u>\$ 226</u>	<u>\$ 66</u>	<u>\$ 50</u>	<u>\$ (59)</u>	<u>\$ 283</u>

Consolidated Results for the Three Months Ended March 31, 2019 and 2018 — Adjusted Earnings

The following table presents the components of adjusted earnings:

	Three Months Ended March 31,	
	2019	2018
	(In millions)	
Fee income	\$ 901	\$ 1,036
Net investment spread	335	344
Insurance-related activities	(273)	(255)
Amortization of DAC and VOBA	(97)	(177)
Other expenses, net of DAC capitalization	(592)	(618)
Less: Net income (loss) attributable to noncontrolling interests	2	2
Pre-tax adjusted earnings, less net income attributable to noncontrolling interests	272	328
Provision for income tax expense (benefit)	40	45
Adjusted earnings	<u>\$ 232</u>	<u>\$ 283</u>

Three Months Ended March 31, 2019 Compared with the Three Months Ended March 31, 2018

Adjusted earnings decreased \$51 million.

Key net unfavorable impacts were:

- lower fee income due to:
 - lower asset-based and advisory fees from lower average separate account balances in our Annuity segment, some of which is passed through to third-parties and offset in other expense in the current period, and
 - the reimbursement of fees for recaptured universal life business in the prior period;
- higher costs associated with insurance-related activities due to:
 - unfavorable mortality in our life business;
 partially offset by
 - a decrease in guaranteed minimum death benefits (“GMDB”) liability balances resulting from positive equity market performance;
- lower net investment spread reflecting:
 - lower alternative investment income in the current period;
 partially offset by
 - higher average invested assets resulting from positive net flows in the general account, and
 - repositioning of the investment portfolio into higher yielding assets.

The decrease in adjusted earnings was partially offset by the following favorable impacts:

- lower amortization of DAC and VOBA primarily due to positive equity market performance in the current period, and
- lower other expenses due to:
 - lower asset-based variable annuity expenses resulting from lower average separate account balances, which are passed through to third-parties and largely offset in fee income, and
 - lower establishment costs related to planned technology and branding expenses associated with the Separation.

The provision for income tax in the current period led to an effective tax rate of 15%, compared to 14% in the prior period. Our effective tax rate primarily differs from the statutory tax rate due to the impacts of the dividends received deductions and tax credits.

Segments and Corporate & Other Results for the Three Months Ended March 31, 2019 and 2018 — Adjusted Earnings
Annuities

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

	Three Months Ended March 31,	
	2019	2018
	(In millions)	
Fee income	\$ 638	\$ 731
Net investment spread	241	175
Insurance-related activities	(42)	(85)
Amortization of DAC and VOBA	(82)	(143)
Other expenses, net of DAC capitalization	(394)	(406)
Pre-tax adjusted earnings	361	272
Provision for income tax expense (benefit)	66	46
Adjusted earnings	<u>\$ 295</u>	<u>\$ 226</u>

A significant portion of our adjusted earnings is driven by separate account balances related to our variable annuity business. Most directly, these balances determine asset-based fee income but they also impact DAC amortization and asset-based commissions. Below is a rollforward of our variable annuities separate account balances. Variable annuities separate account balances increased as of March 31, 2019 compared to December 31, 2018 driven by an increase in equity market performance, partially offset by negative net flows and policy charges.

	Three Months Ended	
	March 31, 2019	December 31, 2018
	(In millions)	
Balance, beginning of period	\$ 91,922	\$ 104,575
Deposits	299	326
Withdrawals, surrenders and contract benefits	(2,284)	(2,526)
Net flows	(1,985)	(2,200)
Investment performance	8,926	(9,758)
Policy charges	(569)	(634)
Net transfers from (to) general account	(51)	(61)
Balance, end of period	<u>\$ 98,243</u>	<u>\$ 91,922</u>
Average balance	<u>\$ 96,471</u>	<u>\$ 97,167</u>

Three Months Ended March 31, 2019 Compared with the Three Months Ended March 31, 2018

Adjusted earnings were \$295 million for the current period, an increase of \$69 million.

Key net favorable impacts were:

- higher net investment spread driven by:
 - higher average invested assets resulting from positive net flows in the general account, and
 - repositioning of the investment portfolio into higher yielding assets;
- lower amortization of DAC and VOBA driven by:
 - positive equity market performance in the current period and
 - the net impacts of actuarial model refinements in both the current and prior periods;
- lower costs associated with insurance-related activities due to a decrease in GMDB liability balances resulting from positive equity market performance, net of higher volume and severity of claims in the current period; and

- lower other expenses due to:
 - lower asset-based variable annuity expenses resulting from lower average separate account balances, which are passed through to third-parties and largely offset in fee income,
 partially offset by
 - a change in allocation between segments.

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

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

Life

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

	Three Months Ended March 31,	
	2019	2018
	(In millions)	
Fee income	\$ 61	\$ 103
Net investment spread	42	46
Insurance-related activities	(6)	24
Amortization of DAC and VOBA	(11)	(29)
Other expenses, net of DAC capitalization	(55)	(63)
Pre-tax adjusted earnings	31	81
Provision for income tax expense (benefit)	6	15
Adjusted earnings	\$ 25	\$ 66

Three Months Ended March 31, 2019 Compared with the Three Months Ended March 31, 2018

Adjusted earnings were \$25 million for the current period, a decrease of \$41 million.

Key net unfavorable impacts were:

- lower fee income due to:
 - the reimbursement of fees for recaptured universal life business in the prior period, and
 - lower unearned revenue in the current period from positive separate account fund performance, which was more than offset in amortization of DAC and VOBA;
- 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 due to positive separate account fund performance in the current period.

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

Run-off

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

	Three Months Ended March 31,	
	2019	2018
	(In millions)	
Fee income	\$ 199	\$ 205
Net investment spread	35	112
Insurance-related activities	(234)	(206)
Amortization of DAC and VOBA	—	—
Other expenses, net of DAC capitalization	(46)	(48)
Pre-tax adjusted earnings	(46)	63
Provision for income tax expense (benefit)	(10)	13
Adjusted earnings	\$ (36)	\$ 50

Three Months Ended March 31, 2019 Compared with the Three Months Ended March 31, 2018

Adjusted earnings were a loss of \$36 million for the current period, a decrease of \$86 million.

Key net unfavorable impacts were:

- lower net investment spread reflecting lower alternative investment income in the current period;
- higher costs associated with insurance-related activities due to unfavorable mortality in our ULSG business resulting from lower reinsurance recoveries in the current period, and
- lower fee income due to:
 - the reimbursement of fees for recaptured ULSG business;
 partially offset by
 - the ongoing impacts of various reinsurance recaptures, which occurred in the prior period.

The provision for income tax in the current period led to an effective tax rate of 22%, compared to 21% 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 March 31,	
	2019	2018
	(In millions)	
Fee income	\$ 3	\$ (3)
Net investment spread	17	11
Insurance-related activities	9	12
Amortization of DAC and VOBA	(4)	(5)
Other expenses, net of DAC capitalization	(97)	(101)
Less: Net income (loss) attributable to noncontrolling interests	2	2
Pre-tax adjusted earnings, less net income attributable to noncontrolling interests	(74)	(88)
Provision for income tax expense (benefit)	(22)	(29)
Adjusted earnings	\$ (52)	\$ (59)

Three Months Ended March 31, 2019 Compared with the Three Months Ended March 31, 2018

Adjusted earnings were a loss of \$52 million, an improvement of \$7 million from the prior period.

Key net favorable impacts were:

- higher net investment spread reflecting positive returns on short-term investments, and
- lower other expenses due to:
 - lower establishment costs related to planned technology expenses,
 partially offset by
 - higher interest on debt which was issued in the third quarter of 2018.

The provision for income tax in the current period led to an effective tax rate of 30%, compared to 33% 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.

GMLB Riders for the Three Months Ended March 31, 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 March 31,	
	2019	2018
	(In millions)	
Liabilities (1)	\$ (348)	\$ 333
Hedging Program	(1,245)	(371)
Ceded Reinsurance	(9)	(28)
Fees (2)	198	205
GMLB DAC	74	(133)
Total GMLB Riders	<u>\$ (1,330)</u>	<u>\$ 6</u>

- (1) Includes changes in fair value of the Shield Annuities embedded derivatives of (\$699) million and \$58 million for the three months ended March 31, 2019 and 2018, respectively.
- (2) Excludes living benefit fees, included as a component of adjusted earnings, of \$16 million and \$18 million for the three months ended March 31, 2019 and 2018, respectively.

Three Months Ended March 31, 2019 Compared with the Three Months Ended March 31, 2018

Comparative results from GMLB Riders were unfavorable by \$1.3 billion. This change was mostly driven by higher equity market performance which impacted the following:

- an unfavorable change in the fair value of equity derivatives in our GMLB Hedging Program and
 - an unfavorable change in the fair value of the Shield Annuities embedded derivatives;
- partially offset by
- a favorable change in GMLB DAC.

Investments

Investment Risks

Our primary investment objective is to optimize risk-adjusted net investment income and risk-adjusted total return while appropriately matching assets and liabilities. In addition, the investment process is designed to ensure that the portfolio has an appropriate level of liquidity, quality and diversification.

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

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

We manage these risks through asset-type allocation and industry and issuer diversification. Risk limits are also used to promote diversification by asset sector, avoid concentrations in any single issuer and limit overall aggregate credit and equity risk exposure. Real estate risk is managed through geographic and property type and product type diversification. We manage interest rate risk as part of our Asset Liability Management (“ALM”) strategies. Product design, such as the use of market value adjustment features and surrender charges, is also utilized to manage interest rate risk. These strategies include maintaining an investment portfolio with diversified maturities that targets a weighted average duration that reflects the duration of our estimated liability cash flow profile. For certain of our liability portfolios, it is not possible to invest assets to the full liability duration, thereby creating some asset/liability mismatch. We also use certain derivatives in the management of currency, credit, interest rate, and equity market risks.

Investment Management Agreements

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

Current Environment

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

As a U.S. insurance company, we are affected by the monetary policy of the Federal Reserve Board in the United States. The Federal Open Market Committee has increased the federal funds rate six times since the start of 2017. The Federal Reserve may take further actions to influence interest rates in the future, which may have an impact on the pricing levels of risk-bearing investments and may adversely impact the level of product sales. 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 March 31,			
	2019		2018	
	Yield% (1)	Amount	Yield% (1)	Amount
	(Dollars in millions)			
Investment income	4.24 %	\$ 839	4.65 %	\$ 852
Investment fees and expenses	(0.14)	(28)	(0.15)	(27)
Adjusted net investment income (2), (3)	4.10 %	\$ 811	4.50 %	\$ 825

- 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.
- Adjusted net investment income included in yield calculations includes Investment Hedge Adjustments.
- 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 March 31,	
	2019	2018
	(In millions)	
Net investment income	\$ 811	\$ 817
Less: Investment hedge adjustments	—	(8)
Adjusted net investment income — in the above yield table	\$ 811	\$ 825

See “— Results of Operations — Consolidated Results for the Three Months Ended March 31, 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:

	March 31, 2019		December 31, 2018	
	Estimated Fair Value	% of Total	Estimated Fair Value	% of Total
(Dollars in millions)				
Fixed maturity securities				
Publicly-traded	\$ 53,408	82.4%	\$ 51,939	83.0%
Privately-placed	11,439	17.6	10,669	17.0
Total fixed maturity securities	\$ 64,847	100.0%	\$ 62,608	100.0%
Percentage of cash and invested assets	72.0%		71.7%	

Valuation of Securities. See Note 6 of the Notes to the Interim Condensed Consolidated Financial Statements for further information on our valuation controls and procedures including our formal process to challenge any prices received from independent pricing services that are not considered representative of estimated fair value.

Fixed Maturity Securities AFS

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

Fixed Maturity Securities Credit Quality — Ratings

See “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Investments — Fixed Maturity AFS — Fixed Maturity Securities Credit Quality — Ratings” included in the 2018 Annual Report for a discussion of the credit quality ratings assigned by Nationally Recognized Statistical Rating Organizations (“NRSRO”), credit quality designations assigned by and methodologies used by the Securities Valuation Office of the National Association of Insurance Commissioners (“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:

NAIC Designation	NRSRO Rating	March 31, 2019				December 31, 2018			
		Amortized Cost	Unrealized Gain (Loss)	Estimated Fair Value	% of Total	Amortized Cost	Unrealized Gain (Loss)	Estimated Fair Value	% of Total
(Dollars in millions)									
1	Aaa/Aa/A	\$ 39,949	\$ 3,240	\$ 43,189	66.6%	\$ 40,218	\$ 1,954	\$ 42,172	67.4%
2	Baa	18,123	521	18,644	28.8	17,656	(122)	17,534	28.0
Subtotal investment grade		58,072	3,761	61,833	95.4	57,874	1,832	59,706	95.4
3	Ba	2,092	3	2,095	3.2	2,160	(87)	2,073	3.3
4	B	834	(8)	826	1.3	787	(48)	739	1.2
5	Caa and lower	70	(5)	65	0.1	99	(9)	90	0.1
6	In or near default	33	(5)	28	—	—	—	—	—
Subtotal below investment grade		3,029	(15)	3,014	4.6	3,046	(144)	2,902	4.6
Total fixed maturity securities		\$ 61,101	\$ 3,746	\$ 64,847	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:

NAIC Designation	Fixed Maturity Securities — by Sector & Credit Quality Rating						Total Estimated Fair Value
	1	2	3	4	5	6	
NRSRO Rating	Aaa/Aa/A	Baa	Ba	B	Caa and Lower	In or Near Default	
(Dollars in millions)							
March 31, 2019							
U.S. corporate	\$ 12,236	\$ 11,476	\$ 1,391	\$ 694	\$ 31	\$ 28	\$ 25,856
U.S. government and agency	8,012	76	—	—	—	—	8,088
RMBS	8,754	56	51	1	21	—	8,883
Foreign corporate	2,763	5,720	488	92	10	—	9,073
CMBS	5,325	102	—	—	—	—	5,427
State and political subdivision	3,642	161	1	4	3	—	3,811
ABS	1,747	298	33	—	—	—	2,078
Foreign government	710	755	131	35	—	—	1,631
Total fixed maturity securities	<u>\$ 43,189</u>	<u>\$ 18,644</u>	<u>\$ 2,095</u>	<u>\$ 826</u>	<u>\$ 65</u>	<u>\$ 28</u>	<u>\$ 64,847</u>
Percentage of total	66.6%	28.8%	3.2%	1.3%	0.1%	—%	100.0%
December 31, 2018							
U.S. corporate	\$ 11,277	\$ 11,118	\$ 1,417	\$ 635	\$ 26	\$ —	\$ 24,473
U.S. government and agency	8,921	174	—	—	—	—	9,095
RMBS	8,395	40	58	6	48	—	8,547
Foreign corporate	2,427	5,089	427	70	13	—	8,026
CMBS	5,183	57	6	2	—	—	5,248
State and political subdivision	3,437	156	1	—	3	—	3,597
ABS	1,851	244	30	1	—	—	2,126
Foreign government	681	656	134	25	—	—	1,496
Total fixed maturity securities	<u>\$ 42,172</u>	<u>\$ 17,534</u>	<u>\$ 2,073</u>	<u>\$ 739</u>	<u>\$ 90</u>	<u>\$ —</u>	<u>\$ 62,608</u>
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 both March 31, 2019 and December 31, 2018. The tables below present our U.S. and foreign corporate securities holdings by industry at:

	March 31, 2019		December 31, 2018	
	Estimated Fair Value	% of Total	Estimated Fair Value	% of Total
(Dollars in millions)				
Industrial	\$ 10,581	30.3%	\$ 9,896	30.4%
Consumer	9,018	25.8	8,290	25.5
Finance	7,690	22.0	7,209	22.2
Utility	5,142	14.7	4,770	14.7
Communications	2,498	7.2	2,334	7.2
Total	<u>\$ 34,929</u>	<u>100.0%</u>	<u>\$ 32,499</u>	<u>100.0%</u>

Structured Securities

We held \$16.4 billion and \$15.9 billion of Structured Securities, at estimated fair value, at March 31, 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:

	March 31, 2019			December 31, 2018		
	Estimated Fair Value	% of Total	Net Unrealized Gains (Losses)	Estimated Fair Value	% of Total	Net Unrealized Gains (Losses)
(Dollars in millions)						
By security type:						
Collateralized mortgage obligations	\$ 4,877	54.9%	\$ 242	\$ 4,885	57.2%	\$ 174
Pass-through securities	4,006	45.1	(7)	3,662	42.8	(55)
Total RMBS	<u>\$ 8,883</u>	<u>100.0%</u>	<u>\$ 235</u>	<u>\$ 8,547</u>	<u>100.0%</u>	<u>\$ 119</u>
By risk profile:						
Agency	\$ 6,766	76.2%	\$ 78	\$ 6,396	74.8%	\$ (23)
Prime	227	2.5	10	296	3.5	10
Alt-A	932	10.5	89	938	11.0	79
Sub-prime	958	10.8	58	917	10.7	53
Total RMBS	<u>\$ 8,883</u>	<u>100.0%</u>	<u>\$ 235</u>	<u>\$ 8,547</u>	<u>100.0%</u>	<u>\$ 119</u>
Ratings profile:						
Rated Aaa/AAA	\$ 6,842	77.0%		\$ 6,529	76.4%	
Designated NAIC 1	\$ 8,754	98.5%		\$ 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 \$908 million and \$883 million at March 31, 2019 and December 31, 2018, respectively, with unrealized gains (losses) of \$54 million and \$50 million at March 31, 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:

	March 31, 2019		December 31, 2018	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
(Dollars in millions)				
2003 - 2010	\$ 170	\$ 175	\$ 177	\$ 177
2011	294	292	297	293
2012	242	244	263	262
2013	283	288	290	290
2014	446	451	526	519
2015	989	997	1,076	1,059
2016	544	544	582	568
2017	665	677	696	686
2018	1,586	1,646	1,385	1,394
2019	111	113	—	—
Total	\$ 5,330	\$ 5,427	\$ 5,292	\$ 5,248

CMBS rated Aaa using rating agency ratings were \$3.7 billion, or 68.2% of total CMBS, and designated NAIC 1 were \$5.3 billion, or 98.1% of total CMBS, at March 31, 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:

	March 31, 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	\$ 1,089	52.4%	\$ (9)	\$ 1,010	47.5%	\$ (18)
Automobile loans	184	8.9	1	199	9.4	—
Consumer loans	167	8.0	2	193	9.1	1
Student loans	210	10.1	3	186	8.7	3
Credit card loans	36	1.7	2	136	6.4	2
Other loans	392	18.9	4	402	18.9	3
Total	\$ 2,078	100.0%	\$ 3	\$ 2,126	100.0%	\$ (9)
Ratings profile:						
Rated Aaa/AAA	\$ 827	39.8%		\$ 956	45.0%	
Designated NAIC 1	\$ 1,747	84.1%		\$ 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:

	March 31, 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	\$ 8,748	60.0%	\$ 43	0.5%	\$ 8,529	62.0%	\$ 42	0.5%
Agricultural	3,155	21.7%	9	0.3%	2,946	21.4%	9	0.3%
Residential	2,661	18.3%	8	0.3%	2,276	16.6%	6	0.3%
Total	<u>\$ 14,564</u>	<u>100.0%</u>	<u>\$ 60</u>	<u>0.4%</u>	<u>\$ 13,751</u>	<u>100.0%</u>	<u>\$ 57</u>	<u>0.4%</u>

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 March 31, 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:

	March 31, 2019	December 31, 2018
State		
California	25%	26%
New York	14%	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 March 31, 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:

	March 31, 2019	December 31, 2018
State		
California	36%	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:

	March 31, 2019		December 31, 2018	
	Amount	% of Total	Amount	% of Total
(Dollars in millions)				
Region				
Pacific	\$ 2,579	29.5%	\$ 2,550	29.9%
Middle Atlantic	1,815	20.7	1,867	21.9
South Atlantic	1,328	15.2	1,316	15.5
West South Central	809	9.2	801	9.4
Mountain	527	6.0	404	4.7
East North Central	522	6.0	473	5.5
International	440	5.0	389	4.5
New England	396	4.5	397	4.7
West North Central	127	1.5	127	1.5
East South Central	59	0.7	59	0.7
Multi-Region and Other	146	1.7	146	1.7
Total recorded investment	8,748	100.0%	8,529	100.0%
Less: valuation allowances	43		42	
Carrying value, net of valuation allowances	\$ 8,705		\$ 8,487	
Property Type				
Office	\$ 3,705	42.4%	\$ 3,810	44.6%
Retail	2,130	24.3	2,064	24.2
Apartment	1,551	17.7	1,480	17.4
Hotel	852	9.7	744	8.7
Industrial	399	4.6	400	4.7
Other	111	1.3	31	0.4
Total recorded investment	8,748	100.0%	8,529	100.0%
Less: valuation allowances	43		42	
Carrying value, net of valuation allowances	\$ 8,705		\$ 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 March 31, 2019 and December 31, 2018, and our average debt service coverage ratio was 2.2x at both March 31, 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 March 31, 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 three months ended March 31, 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 \$568 million and \$572 million at March 31, 2019 and December 31, 2018, respectively.

Other Limited Partnership Interests

Other limited partnership interests are comprised primarily of private equity funds. The carrying value of other limited partnership interests was \$1.8 billion at both March 31, 2019 and December 31, 2018, which included \$65 million and \$98 million of hedge funds at March 31, 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:

	March 31, 2019		December 31, 2018	
	Carrying Value	% of Total	Carrying Value	% of Total
(Dollars in millions)				
Freestanding derivatives with positive estimated fair values	\$ 2,073	90.0%	\$ 2,778	91.8%
Tax credit and renewable energy partnerships	99	4.3	95	3.1
Leveraged leases, net of non-recourse debt	65	2.8	65	2.1
FHLB Stock	50	2.2	64	2.1
Other	15	0.7	25	0.9
Total	\$ 2,302	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:

- A comprehensive description of the nature of our derivatives, including the strategies for which derivatives are used in managing various risks.

- Information about the gross notional amount, estimated fair value, and primary underlying risk exposure of our derivatives by type of hedge designation, excluding embedded derivatives, held at March 31, 2019 and December 31, 2018.
- The statement of operations effects of derivatives in cash flow, fair value, or nonqualifying hedge relationships for the three months ended March 31, 2019 and 2018.

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

Fair Value Hierarchy

See Note 5 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.

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 March 31, 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 and equity index options with unobservable correlation inputs.

See Note 6 of the Notes to Interim Condensed Consolidated Financial Statements for a rollforward of the fair value measurements for derivatives measured at estimated fair value on a recurring basis using significant unobservable (Level 3) inputs.

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:

	March 31, 2019		December 31, 2018	
	Gross Notional Amount	Estimated Fair Value	Gross Notional Amount	Estimated Fair Value
(In millions)				
Purchased	\$ 67	\$ —	\$ 98	\$ 3
Written	1,855	25	1,820	11
Total	\$ 1,922	\$ 25	\$ 1,918	\$ 14

The maximum amount at risk related to our written credit default swaps is equal to the corresponding gross notional amount. In a replication transaction, we pair an asset on our balance sheet with a written credit default swap to synthetically replicate a corporate bond, a core asset holding of life insurance companies. Replications are entered into in accordance with the guidelines approved by state insurance regulators and the NAIC and are an important tool in managing the overall corporate credit risk within the Company. In order to match our long-dated insurance liabilities, we seek to buy long-dated corporate bonds. In some instances, these may not be readily available in the market, or they may be issued by corporations to which we already have significant corporate credit exposure. For example, by purchasing Treasury bonds (or other high-quality assets) and associating them with written credit default swaps on the desired corporate credit name, we 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.

Embedded Derivatives

See Note 5 of the Notes to the Interim Condensed Consolidated Financial Statements for information about the nonperformance risk adjustment included in the valuation of guaranteed minimum benefits accounted for as embedded derivatives.

See Note 6 of the Notes to the Interim Condensed Consolidated Financial Statements for information about embedded derivatives measured at estimated fair value on a recurring basis and their corresponding fair value hierarchy.

See Note 6 of the Notes to the Interim Condensed Consolidated Financial Statements for a rollforward of the fair value measurements for embedded derivatives measured at estimated fair value on a recurring basis using significant unobservable (Level 3) inputs.

See “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Summary of Critical Accounting Estimates — Derivatives” included in the 2018 Annual Report for further information on the estimates and assumptions that affect embedded derivatives.

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 \$36 million and \$55 million at estimated fair value at March 31, 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 \$275 million and \$145 million at March 31, 2019 and December 31, 2018, respectively. See Note 5 of the Notes to the Interim Condensed Consolidated Financial Statements for information regarding the earned income on and the gross notional amount, estimated fair value of assets and liabilities and primary underlying risk exposure of our derivatives.

Guarantees

See “Guarantees” in Note 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 “Net Investment Income” and “Net Investment Gains (Losses)” in Note 4 of the Notes to the Interim Condensed Consolidated Financial Statements for information on the investment income, investment expense, gains and losses from such investments. See also “— Investments — Fixed Maturity AFS” and “— Investments — Mortgage Loans” for information on our investments in fixed maturity securities and mortgage loans. See “— Investments — Real Estate Limited Partnerships and Limited Liability Companies” and “— Investments — Other Limited Partnership Interests” for information on our partnership investments.

Other than the commitments disclosed in Note 11 of the Notes to the Interim Condensed Consolidated Financial Statements, there are no other material obligations or liabilities arising from the commitments to fund mortgage loans, partnership investments, bank credit facilities and private corporate bond investments. For further information on commitments to fund partnership investments, mortgage loans, bank credit facilities and private corporate bond investments, see “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:

	March 31, 2019 (1)				December 31, 2018 (1)			
	Account Value	Death Benefit NAR (1)	Living Benefit NAR (1)	% of Account Value In-the-Money (2)	Account Value	Death Benefit NAR (1)	Living Benefit NAR (1)	% of Account Value In-the-Money (2)
(Dollars in millions)								
GMIB	\$ 41,149	\$ 2,655	\$ 3,294	30.4%	\$ 38,682	\$ 4,064	\$ 4,115	42.6%
GMIB Max w/ Enhanced DB	11,649	3,032	6	0.6%	10,961	3,775	11	1.3%
GMIB Max w/o Enhanced DB	6,709	9	1	0.2%	6,324	87	2	0.42%
GMWB4L (FlexChoice SM)	3,217	12	2	2.9%	2,819	100	15	12.5%
GMAB	641	4	4	16.2%	600	17	16	27.3%
GMWB	2,839	54	21	14.8%	2,672	143	85	31.3%
GMWB4L	15,395	117	273	14.3%	14,596	558	505	27.8%
EDB Only	3,657	723	—	N/A	3,434	955	—	N/A
GMDB Only (Other than EDB)	17,892	1,037	—	N/A	16,777	1,374	—	N/A
Total	<u>\$ 103,148</u>	<u>\$ 7,643</u>	<u>\$ 3,601</u>		<u>\$ 96,865</u>	<u>\$ 11,073</u>	<u>\$ 4,749</u>	

(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 \$4.7 billion at March 31, 2019, are less sensitive than derivative instruments to periodic changes to equity and fixed income market returns and the level of interest rates. Guarantees accounted for in this manner include GMDBs, as well as the life contingent portion of GMIBs and certain GMWBs. All other variable annuity guarantee features are accounted for as embedded derivatives and recorded on the balance sheet in PABs with changes reported in net derivative gains (losses). These liabilities, valued at \$1.0 billion at March 31, 2019, are accounted for at fair value. Guarantees accounted for in this manner include GMABs, GMWBs and the non-life contingent portions of GMIBs. In some cases, a guarantee will have multiple features or options that require separate accounting such that the guarantee is not fully accounted for under only one of the accounting models (known as “split accounting”). Additionally, the index protection and accumulation features of Shield Annuities are accounted for as embedded derivatives, recorded on the balance sheet in PABs with changes reported in net derivative gains (losses) and valued at \$1.2 billion at March 31, 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					
	March 31, 2019			December 31, 2018		
	Future Policy Benefits	Policyholder Account Balances	Total Reserves	Future Policy Benefits	Policyholder Account Balances	Total Reserves
	(In millions)					
GMDB	\$ 1,305	\$ —	\$ 1,305	\$ 1,305	\$ —	\$ 1,305
GMIB	2,580	1,264	3,844	2,565	1,603	4,168
GMIB Max	514	(139)	375	507	14	521
GMAB	—	(15)	(15)	—	(8)	(8)
GMWB	—	7	7	—	16	16
GMWB4L	268	(75)	193	261	17	278
GMWB4L (FlexChoice SM)	—	—	—	—	—	—
Total	\$ 4,667	\$ 1,042	\$ 5,709	\$ 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:

Primary Underlying Risk Exposure	Instrument Type	March 31, 2019			December 31, 2018		
		Gross Notional Amount	Estimated Fair Value		Gross Notional Amount	Estimated Fair Value	
			Assets	Liabilities		Assets	Liabilities
		(In millions)					
Interest Rate	Interest rate swaps	\$ 7,578	\$ 596	\$ 27	\$ 7,928	\$ 470	\$ 29
	Interest rate futures	54	—	—	54	—	—
	Interest rate options	17,000	173	24	10,500	94	—
Equity Market	Equity futures	—	—	—	170	—	—
	Equity index options	41,073	751	1,536	43,985	1,365	1,202
	Equity variance swaps	5,574	91	242	5,574	80	232
	Equity total return swaps	4,550	—	219	3,920	280	3
	Total	\$ 75,829	\$ 1,611	\$ 2,048	\$ 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.”

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 \$3.2 billion and \$2.2 billion at March 31, 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 \$39.3 billion and \$36.5 billion at March 31, 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 March 31, 2019, we held assets in excess of CTE98.

In August 2018, we authorized the repurchase of up to \$200 million of our common stock. On May 3, 2019, we authorized the repurchase of up to an additional \$400 million of common stock. No common stock repurchases have been made under the May 3, 2019 authorization as of May 7, 2019. 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:

	Three Months Ended March 31,	
	2019	2018
(In millions)		
Sources:		
Operating activities, net	\$ 376	\$ 291
Changes in policyholder account balances, net	947	744
Changes in payables for collateral under securities loaned and other transactions, net	—	75
Long-term debt issued	1,000	—
Preferred stock issued, net of issuance costs	412	—
Total sources	2,735	1,110
Uses:		
Investing activities, net	1,272	903
Changes in payables for collateral under securities loaned and other transactions, net	1,067	—
Long-term debt repaid	600	3
Treasury stock acquired in connection with share repurchases	52	—
Financing element on certain derivative instruments and other derivative related transactions, net	11	157
Other, net	14	16
Total uses	3,016	1,079
Net increase (decrease) in cash and cash equivalents	\$ (281)	\$ 31

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 depository 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. 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.

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

As of March 31, 2019, we maintained a \$2.0 billion unsecured revolving credit facility maturing December 2, 2021 (the “2016 Revolving Credit Facility”), all of which may be used for letters of credit and up to \$1.0 billion may be used for revolving loans, and a \$1.0 billion unsecured delayed draw term loan facility maturing February 1, 2024 (the “2019 Term Loan Facility”). At March 31, 2019, there were no borrowings under the 2016 Revolving Credit Facility. In February 2019, we borrowed \$1.0 billion under the 2019 Term Loan Facility, terminated our 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. See Note 7 of the Notes to the Interim Condensed Consolidated Financial Statements.

On May 7, 2019, BHF entered into an amended and restated revolving credit agreement (the “2019 Revolving Credit Agreement”) with respect to a \$1.0 billion five-year senior unsecured revolving credit facility (the “2019 Revolving Credit Facility”), all of which may be used for revolving loans and/or letters of credit. The 2019 Revolving Credit Agreement replaces BHF’s existing \$2.0 billion five-year senior unsecured revolving credit agreement, which was scheduled to mature in December 2021. See “Other Information” for additional information regarding the 2019 Revolving Credit Facility.

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 March 31, 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 March 31, 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 March 31, 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 that is 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:

	March 31, 2019	December 31, 2018
	(In millions)	
Senior notes (1)	\$ 2,968	\$ 2,968
Term loan	1,000	600
Junior subordinated debentures (1)	362	361
Other long-term debt (2)	34	34
Total long-term debt	\$ 4,364	\$ 3,963

(1) Includes unamortized debt issuance costs and debt discount totaling \$44 million and \$46 million at March 31, 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 March 31, 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 three months ended March 31, 2019, we repurchased 1,417,582 shares of our common stock through open market purchases, pursuant to a 10b5-1 plan, for \$52 million.

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 three months ended March 31, 2019 and 2018, general account surrenders and withdrawals totaled \$740 million and \$729 million, respectively, of which \$615 million and \$449 million, respectively, were 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 March 31, 2019 and December 31, 2018, counterparties were obligated to return cash collateral pledged by us of \$15 million and \$64 million, respectively. At March 31, 2019 and December 31, 2018, we were obligated to return cash collateral pledged to us by counterparties of \$583 million 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 \$3.4 billion and \$3.6 billion at March 31, 2019 and December 31, 2018, respectively. Of these amounts, \$1.6 billion and \$1.5 billion at March 31, 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 March 31, 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 March 31, 2019 and December 31, 2018, BHF and certain of its non-insurance subsidiaries had short-term liquidity of \$881 million and \$520 million, respectively. Short-term liquidity is comprised of cash and cash equivalents and short-term investments.

At March 31, 2019 and December 31, 2018, BHF and certain of its non-insurance subsidiaries had liquid assets of \$1.1 billion and \$752 million, respectively, of which \$1.0 billion 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 total adjusted capital ("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 three months ended March 31, 2019 and 2018, BHF received cash distributions of \$195 million and \$52 million from BH Holdings. During the three months ended March 31, 2019, BHF made a cash capital contribution of \$412 million 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 three months ended March 31, 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 March 31, 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 three months ended March 31, 2019 and 2018, BHF borrowed \$188 million and \$0, respectively, from certain of its non-insurance subsidiaries under short-term intercompany loan agreements and repaid \$384 million and \$57 million, respectively, to certain of its non-insurance company subsidiaries under short-term intercompany loan agreements. At March 31, 2019 and December 31, 2018, BHF had total obligations outstanding of \$107 million and \$303 million, respectively, under such agreements.

Intercompany Liquidity Facilities

As of March 31, 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 three months ended March 31, 2019 and 2018, there were no borrowings under intercompany liquidity facilities and, at March 31, 2019 and December 31, 2018, there were no obligations outstanding under such facilities.

Note Regarding Forward-Looking Statements

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

Any or all forward-looking statements may turn out to be wrong. They can be affected by inaccurate assumptions or by known or unknown risks and uncertainties. Many such factors will be important in determining the actual future results of Brighthouse. These statements are based on current expectations and the current economic environment and involve a number of risks and uncertainties that are difficult to predict. These statements are not guarantees of future performance. Actual results could differ materially from those expressed or implied in the forward-looking statements due to a variety of known and unknown risks, uncertainties and other factors. Although it is not possible to identify all of these risks and factors, they include, among others:

- differences between actual experience and actuarial assumptions and the effectiveness of our actuarial models;
- higher risk management costs and exposure to increased market and counterparty risk due to guarantees within certain of our products;
- the effectiveness of our variable annuity exposure management strategy and the impact of such strategy on net income volatility and negative effects on our statutory capital;
- the reserves we are required to hold against our variable annuities as a result of actuarial guidelines;
- a sustained period of low equity market prices and interest rates that are lower than those we assumed when we issued our variable annuity products;
- the potential material adverse effect of changes in accounting standards, practices and/or policies applicable to us, including changes in the accounting for long duration contracts;
- our degree of leverage due to indebtedness;
- the effect adverse capital and credit market conditions may have on our ability to meet liquidity needs and our access to capital;
- the impact of changes in regulation and in supervisory and enforcement policies on our insurance business or other operations;
- the effectiveness of our risk management policies and procedures;
- the availability of reinsurance and the ability of our counterparties to our reinsurance or indemnification arrangements to perform their obligations thereunder;
- heightened competition, including with respect to service, product features, scale, price, actual or perceived financial strength, claims-paying ratings, credit ratings, e-business capabilities and name recognition;
- the ability of our insurance subsidiaries to pay dividends to us, and our ability to pay dividends to our shareholders;
- our ability to market and distribute our products through distribution channels;
- any failure of third parties to provide services we need, any failure of the practices and procedures of these third parties and any inability to obtain information or assistance we need from third parties, including MetLife;
- whether all or any portion of the tax consequences of the Separation are not as expected, leading to material additional taxes or material adverse consequences to tax attributes that impact us;
- the uncertainty of the outcome of any disputes with MetLife over tax-related or other matters and agreements, including the potential of outcomes adverse to us that could cause us to owe MetLife material tax reimbursements or payments, or disagreements regarding MetLife's or our obligations under our other agreements;

- the impact on our business structure, profitability, cost of capital and flexibility due to restrictions we have agreed to that preserve the tax-free treatment of certain parts of the Separation;
- the potential material negative tax impact of potential future tax legislation that could decrease the value of our tax attributes and cause other cash expenses, such as reserves, to increase materially and make some of our products less attractive to consumers;
- whether the Separation will qualify for non-recognition treatment for federal income tax purposes and potential indemnification to MetLife if the Separation does not so qualify;
- the impact of the Separation on our business and profitability due to MetLife’s strong brand and reputation, the increased costs related to replacing arrangements with MetLife with those of third parties and incremental costs as a public company;
- whether the operational, strategic and other benefits of the Separation can be achieved, and our ability to implement our business strategy;
- our ability to attract and retain key personnel; and
- other factors described in our 2018 Annual Report and from time to time in documents that we file with the SEC.

For the reasons described above, we caution you against relying on any forward-looking statements, which should also be read in conjunction with the other cautionary statements included and the risks, uncertainties and other factors identified in our 2018 Annual Report, particularly in the sections entitled “Risk Factors” and “Quantitative and Qualitative Disclosures About Market Risk,” as well as in our subsequent SEC filings. Further, any forward-looking statement speaks only as of the date on which it is made, and we undertake no obligation to update or revise any forward-looking statement to reflect events or circumstances after the date on which the statement is made or to reflect the occurrence of unanticipated events, except as otherwise may be required by law.

Corporate Information

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

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We regularly analyze our market risk exposure to interest rate, equity market price, credit spreads and foreign currency exchange rate risks. As a result of that analysis, we have determined that the estimated fair values of certain assets and liabilities are significantly exposed to changes in interest rates, and to a lesser extent, to changes in equity market prices and foreign currency exchange rates. We have exposure to market risk through our insurance and annuity operations and general account investment activities. For purposes of this discussion, “market risk” is defined as changes in fair value resulting from changes in interest rates, equity market prices, credit spreads and foreign currency exchange rates. We may have additional financial impacts other than changes in fair value, which are beyond the scope of this discussion. A description of our market risk exposures may be found under “Quantitative and Qualitative Disclosures About Market Risk” in the 2018 Annual Report. There have been no material changes to our market risk exposures from the market risk exposures previously disclosed in the 2018 Annual Report.

Item 4. Controls and Procedures

Management, with the participation of the Chief Executive Officer and Interim Chief Financial Officer, has evaluated the effectiveness of the design and operation of the Company’s disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (“Exchange Act”), as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and Interim Chief Financial Officer have concluded that these disclosure controls and procedures were effective as of March 31, 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. In the first quarter of 2019, the Company implemented certain accounting systems independent of MetLife. 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 March 31, 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.

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 March 31, 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)				
January 1 — January 31, 2019	571,266	\$ 33.65	571,266	\$ 76
February 1 — February 28, 2019	391,835	\$ 39.49	391,835	\$ 60
March 1 — March 31, 2019	491,044	\$ 38.26	454,481	\$ 43
Total	1,454,145		1,417,582	

- (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) On August 5, 2018, we authorized the repurchase of up to \$200 million of our common stock. On May 3, 2019, we authorized the repurchase of up to an additional \$400 million of our common stock. For more information on common stock repurchases, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — The Company — Primary Uses of Liquidity and Capital — Common Stock Repurchases” and Note 8 of the Notes to the Interim Condensed Consolidated Financial Statements.

Item 5. Other Information

Entry into a Material Definitive Agreement and Creation of a Direct Financial Obligation.

On May 7, 2019, BHF entered into an amended and restated revolving credit agreement (the “2019 Revolving Credit Agreement”) with JPMorgan Chase Bank, N.A., as administrative agent and the other lenders party thereto with respect to a \$1.0 billion five-year senior unsecured revolving credit facility (the “2019 Revolving Credit Facility”). The 2019 Revolving Credit Agreement replaces BHF’s existing \$2.0 billion five-year senior unsecured revolving credit agreement, dated as of December 2, 2016, among BHF, JPMorgan Chase Bank, N.A., as administrative agent, and the other lenders named therein (the “2016 Revolving Credit Agreement”), which was scheduled to mature in December 2021. The 2016 Revolving Credit Agreement allowed up to \$2.0 billion in letters of credit but limited the amount of revolving loans to \$1.0 billion. The 2019 Revolving Credit Agreement allows up to an aggregate of \$1.0 billion of loans and/or letters of credit.

Availability and Prepayment

Under the 2019 Revolving Credit Facility, senior unsecured revolving loans and letters of credit will be available from time to time for our general corporate purposes up to a maximum aggregate principal amount of \$1.0 billion. Provided that no default exists, BHF may request increases of the maximum available principal amount under the 2019 Revolving Credit Facility, subject to lender commitments and maximum total commitments under such facility not exceeding \$1.5 billion. Subject to compliance with the applicable notice and minimum prepayment amount requirements set forth in the 2019 Revolving Credit Agreement, BHF may prepay the 2019 Revolving Credit Facility at any time without penalty. The 2019 Revolving Credit Facility will mature on May 7, 2024 (the “Maturity Date”).

Interest

Any loan made under the 2019 Revolving Credit Facility will bear interest at a rate equal to (i) the base rate (determined as the highest of (a) the Federal Reserve Bank of New York Rate plus 0.50%, (b) the prime rate last quoted in the Wall Street Journal and (c) the one month London interbank offered rate (“LIBOR”) plus 1.00%), plus an applicable margin ranging from 0.125% to 1.125% depending on the rating by S&P and Moody’s of BHF’s senior, unsecured long-term indebtedness (the “BHF Debt Rating”) or (ii) one, two, three or six month LIBOR (at BHF’s option) plus an applicable margin ranging from 1.125% to 2.125% depending on the BHF Debt Rating.

With respect to any loans accruing interest based on the base rate, interest payments are due quarterly in arrears on the last business day of each of March, June, September and December in each year and on the Maturity Date. With respect to outstanding loans accruing interest based on LIBOR, interest payments are due (i) on the last day of the applicable interest period, or, if such interest period is greater than three months, the last day of each three-month period, (ii) in the event of any conversion of loans accruing interest based on LIBOR prior to the end of the then-current interest period, on the effective date of such conversion and (iii) on the Maturity Date. While any principal of or interest on any loan is overdue, such overdue principal or interest shall accrue interest at the otherwise applicable interest rate for such loan plus 2.00% per annum.

Fees

BHF will pay customary fees with respect to the 2019 Revolving Credit Facility, including a commitment fee on the unutilized portion thereof. Commitment fees range from 0.125% to 0.350% depending on the BHF Debt Rating.

Ranking

The 2019 Revolving Credit Facility is unsecured and ranks pari passu with BHF’s other unsecured and unsubordinated indebtedness.

Events of Default; Representations and Warranties; Covenants

The 2019 Revolving Credit Agreement contains customary events of default, representations and warranties and covenants, including, among other things, covenants that restrict the ability of BHF and its subsidiaries to incur certain additional indebtedness, create or permit liens on assets, or engage in mergers or consolidations. The 2019 Revolving Credit Agreement also requires the Company to (i) maintain an Adjusted Consolidated Net Worth (as defined in the 2019 Revolving Credit Agreement) calculated as of the last day of each fiscal quarter, of not less than an amount equal to the sum of (A) 72% of the actual Adjusted Consolidated Net Worth of the Company (determined as of the end of the first fiscal quarter ending after August 4, 2017 (the date of the Company’s separation from its former parent company)) plus (B) 50% of the aggregate amount of equity issuances by BHF and its subsidiaries and the equity credit portion of securities given some equity credit by certain ratings agencies after the end of the first fiscal quarter ending following August 4, 2017, and (ii) not permit the ratio of Consolidated Total Indebtedness to Consolidated Total

Capitalization (each as defined in the 2019 Revolving Credit Agreement) to exceed 0.35 to 1.00, calculated as of the last day of each fiscal quarter.

If an event of default under the 2019 Revolving Credit Agreement shall occur and be continuing, the principal amount of any loans outstanding thereunder, together with all accrued unpaid interest and other amounts owed under such loans, may be declared immediately due and payable, and cash collateral in an amount equal to the then undrawn amounts of all letters of credit may be demanded by the applicable issuing banks.

The foregoing description of the 2019 Revolving Credit Agreement is qualified in its entirety by reference to the complete terms and conditions of the 2019 Revolving Credit Agreement, which is filed as Exhibit 10.8 hereto and incorporated herein by reference.

Termination of a Material Definitive Agreement.

In connection with entry into the 2019 Revolving Credit Agreement, the 2016 Revolving Credit Agreement was terminated. All obligations under the 2016 Revolving Credit Agreement are now evidenced by the 2019 Revolving Credit Agreement.

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
3.1	Amended and Restated Certificate of Incorporation of Brighthouse Financial, Inc., is incorporated herein by reference to Exhibit 3.1 to our Quarterly Report on Form 10-Q, filed August 15, 2017 (File No. 001-37905).
3.2	Certificate of Designations of Brighthouse Financial, Inc. with respect to the 6.600% Non-Cumulative Preferred Stock, Series A, dated March 20, 2019, filed with the Secretary of State of the State of Delaware and effective March 20, 2019 (the “Certificate of Designations”) is incorporated by reference to Exhibit 3.1 to our Current Report on Form 8-K, filed March 25, 2019 (File No. 001-37905).
4.1	Certificate of Designations is incorporated by reference to Exhibit 4.1 to our Current Report on Form 8-K, filed March 25, 2019 (File No. 001-37905).
4.2	Deposit Agreement, dated as of March 25, 2019, among Brighthouse Financial, Computershare Inc. and Computershare Trust Company, N.A., collectively as depository, and the holders from time to time of the depository receipts described therein is incorporated by reference to Exhibit 4.2 to our Current Report on Form 8-K, filed March 25, 2019 (File No. 001-37905).
4.3	Form of depository receipt evidencing the depository shares (included as Exhibit A to Exhibit 4.2 to our Current Report on Form 8-K, filed March 25, 2019 (File No. 001-37905)) is incorporated by reference to Exhibit 4.3 to our Current Report on Form 8-K, filed March 25, 2019 (File No. 001-37905).
10.1	Term Loan Agreement, dated as of February 1, 2019, among Brighthouse Financial, Inc., JPMorgan Chase Bank, N.A., as administrative agent, and the other lenders party thereto is incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K, filed February 5, 2019 (File No. 001-37905).
10.2	Investment Management Agreement, dated as of February 5, 2019, between Brighthouse Services, LLC and MetLife Investment Advisors, LLC is incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K, filed February 8, 2019 (File No. 001-37905).
10.3#	Form of Performance Share Unit Agreement (Employee Plan), for awards granted on or after February 13, 2019 is incorporated by reference to Exhibit 10.15 to our 2018 Annual Report, filed February 26, 2019 (File No. 001-37905).
10.4#	Form of Restricted Stock Unit Agreement (Employee Plan), for awards with ratable vesting granted on or after February 13, 2019 is incorporated by reference to Exhibit 10.17 of our 2018 Annual Report.
10.5#	Form of Restricted Stock Unit Agreement (Employee Plan), for awards with cliff vesting is incorporated by reference to Exhibit 10.18 of our 2018 Annual Report.
10.6#	Form of Non-Qualified Stock Option Agreement (Employee Plan), for awards with ratable vesting granted on or after February 13, 2019 is incorporated by reference to Exhibit 10.20 of our 2018 Annual Report.
10.7#	Separation Agreement, Waiver and General Release, dated March 15, 2019, between Brighthouse Services, LLC and Anant Bhalla is incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K, filed March 18, 2019 (File No. 001-37905).
10.8*	Amended and Restated Revolving Credit Agreement, dated as of May 7, 2019, among Brighthouse Financial, Inc., JPMorgan Chase Bank, N.A., as administrative agent, and the other lenders party thereto.
31.1*	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Interim Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1*	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2*	Certification of Interim Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS*	XBRL Instance Document.
101.SCH*	XBRL Taxonomy Extension Schema Document.
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document.
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document.
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document.

* Filed herewith.

Denotes management contracts or compensation plans or arrangements.

Signatures

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

BRIGHTHOUSE FINANCIAL, INC.

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

Date: May 7, 2019

[EXECUTION COPY]

AMENDED AND RESTATED REVOLVING CREDIT AGREEMENT

dated as of

May 7, 2019

Among

BRIGHTHOUSE FINANCIAL, INC.
as the Company

The BANKS Party Hereto

and

JPMORGAN CHASE BANK, N.A.
as Administrative Agent

\$1,000,000,000

JPMORGAN CHASE BANK, N.A.,
MERRILL LYNCH, PIERCE, FENNER & SMITH INCORPORATED,
WELLS FARGO SECURITIES, LLC,
and

U.S. BANK NATIONAL ASSOCIATION,

as Joint Lead Arrangers and Joint Bookrunners

BANK OF AMERICA, N.A.,

WELLS FARGO BANK, NATIONAL ASSOCIATION,
and

U.S. BANK NATIONAL ASSOCIATION
as Syndication Agents

and

BARCLAYS BANK PLC,

BNP PARIBAS,

CITIBANK, N.A.,

CREDIT SUISSE AG, NEW YORK BRANCH,

DEUTSCHE BANK SECURITIES INC.,

GOLDMAN SACHS BANK USA,

and

HSBC BANK, NATIONAL ASSOCIATION

as Documentation Agents

ARTICLE I	DEFINITIONS	1	
SECTION 1.01	Definitions	1	
SECTION 1.02	Accounting Terms and Determinations	19	
SECTION 1.03	Types of Borrowings	19	
SECTION 1.04	Interest Periods; LIBOR Notification	20	
ARTICLE II	THE CREDITS	20	
SECTION 2.01	Letters of Credit	20	
SECTION 2.02	Issuance and Administration of Syndicated Letters of Credit	26	
SECTION 2.03	Reimbursement for LC Disbursements, Cover, Etc	26	
SECTION 2.04	Loans	30	
SECTION 2.05	Notice of Borrowings; Interest Elections; Conversions and Continuations of Loans	30	
SECTION 2.06	Funding of Loans	32	
SECTION 2.07	Evidence of Loans	33	
SECTION 2.08	Maturity of Loans	34	
SECTION 2.09	Interest Rates of Loans; Alternate Rate of Interest	34	
SECTION 2.10	Fees	36	
SECTION 2.11	Termination, Reduction or Increase of Commitments	37	
SECTION 2.12	Optional Prepayments	38	
SECTION 2.13	Payments Generally; Pro Rata Treatment	39	
SECTION 2.14	Funding Losses	40	
SECTION 2.15	Computation of Interest and Fees	41	
SECTION 2.16	Provisions Relating to NAIC Approved Banks	41	
SECTION 2.17	Defaulting Banks	44	
ARTICLE III	CONDITIONS	49	
SECTION 3.01	Each Credit Extension	49	
SECTION 3.02	Effectiveness	49	
ARTICLE IV	REPRESENTATIONS AND WARRANTIES	51	
SECTION 4.01	Corporate Existence and Power	51	
SECTION 4.02	Corporate and Governmental Authorization; Contravention	51	
SECTION 4.03	Binding Effect	51	
SECTION 4.04	Financial Information; No Material Adverse Change	51	
SECTION 4.05	Litigation	52	
SECTION 4.06	Compliance with ERISA; Plan Assets; Prohibited Transactions	52	
SECTION 4.07	Taxes	52	
SECTION 4.08	Subsidiaries	53	
SECTION 4.09	Not an Investment Company	53	
SECTION 4.10	Obligations to be Pari Passu	53	
SECTION 4.11	No Default	53	
SECTION 4.12	Material Subsidiaries	53	
SECTION 4.13	[Reserved]	53	
SECTION 4.14	Full Disclosure	53	
SECTION 4.15	[Reserved]	54	
SECTION 4.16	Hybrid Instruments	54	
SECTION 4.17	Sanctioned Persons; Anti-Corruption Laws; Patriot Act	54	

SECTION 4.18	EEA Financial Institutions	55	
ARTICLE V	COVENANTS	55	
SECTION 5.01	Information	55	
SECTION 5.02	Payment of Obligations	57	
SECTION 5.03	Conduct of Business and Maintenance of Existence	58	58
SECTION 5.04	Maintenance of Property; Insurance	58	
SECTION 5.05	Compliance with Laws	58	
SECTION 5.06	Inspection of Property, Books and Records	58	58
SECTION 5.07	Financial Covenants	59	
SECTION 5.08	Negative Pledge	59	
SECTION 5.09	Consolidations, Mergers and Sales of Assets	59	59
SECTION 5.10	Use of Credit	59	
SECTION 5.11	Obligations to be Pari Passu	60	60
SECTION 5.12	Certain Debt	60	
ARTICLE VI	DEFAULTS	60	
SECTION 6.01	Events of Default	60	
SECTION 6.02	Notice of Default	62	
ARTICLE VII	THE ADMINISTRATIVE AGENT	63	63
SECTION 7.01	Appointment and Authorization	63	63
SECTION 7.02	Agent's Fee	63	
SECTION 7.03	Agent and Affiliates	63	
SECTION 7.04	Action by Agent	63	
SECTION 7.05	Consultation with Experts	63	
SECTION 7.06	Liability of Agent	63	
SECTION 7.07	Indemnification	64	
SECTION 7.08	Credit Decision	64	
SECTION 7.09	Successor Agent	64	
SECTION 7.10	Delegation to Affiliates	65	
SECTION 7.11	Joint Lead Arrangers and Other Agents	65	65
SECTION 7.12	ERISA	65	
ARTICLE VIII	CHANGE IN CIRCUMSTANCES	66	66
SECTION 8.01	[Reserved]	66	
SECTION 8.02	Illegality	66	
SECTION 8.03	Increased Cost and Reduced Return	67	
SECTION 8.04	Base Rate Loans Substituted for Affected Euro-Dollar Loans	68	68
SECTION 8.05	Taxes	68	
SECTION 8.06	[Reserved]	72	
SECTION 8.07	Mitigation Obligations; Replacement of Banks	72	72
ARTICLE IX	[RESERVED]	73	
ARTICLE X	MISCELLANEOUS	73	
SECTION 10.01	Notices	73	
SECTION 10.02	No Waivers	73	
SECTION 10.03	Expenses; Indemnification; Non-Liability of Banks	73	73
SECTION 10.04	Sharing of Payments	75	
SECTION 10.05	Amendments and Waivers	75	

SECTION 10.06	Successors and Assigns		76
SECTION 10.07	Collateral	78	
SECTION 10.08	New York Law	78	
SECTION 10.09	Judicial Proceedings		78
SECTION 10.10	Counterparts; Integration; Headings		78
SECTION 10.11	Confidentiality	80	
SECTION 10.12	WAIVER OF JURY TRIAL		81
SECTION 10.13	[Reserved]	81	
SECTION 10.14	USA PATRIOT Act		81
SECTION 10.15	No Fiduciary Duty		81
SECTION 10.16	Acknowledgment and Consent to Bail-In of EEA Financial Institutions		82
SECTION 10.17	Right of Setoff	83	
SECTION 10.18	Amendment and Restatement of Existing Credit Agreement		83

EXHIBITS

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

SCHEDULES

- Schedule I Commitments
- Schedule II Material Subsidiaries
- Schedule III Hybrid Instruments

AMENDED AND RESTATED REVOLVING CREDIT AGREEMENT dated as of May 7, 2019 among: BRIGHOUSE FINANCIAL, INC., a Delaware corporation, the BANKS party hereto and JPMORGAN CHASE BANK, N.A., as Administrative Agent.

The Company, the Banks party thereto, and the Administrative Agent and the other agents and arrangers from time to time party thereto have entered into that certain Credit Agreement, dated as of December 2, 2016 (as amended, restated, supplemented or otherwise modified from time to time prior to the date hereof, the “Existing Credit Agreement”), pursuant to which the Banks party thereto made a revolving credit facility and letters of credit available to the Company.

The Company has requested that the Banks continue to make available letters of credit for the account of the Company and its Subsidiaries, and the Company has requested that the Banks continue to make revolving loans to it, in an aggregate face or principal amount not exceeding \$1,000,000,000 at any one time outstanding, and the Banks are prepared to make available such letters of credit and make such revolving loans upon the terms and conditions hereof. Accordingly, the parties hereto agree as follows:

ARTICLE I DEFINITIONS

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

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

“Adjusted Consolidated Net Worth” means, at any date, without duplication, the sum of (a) the consolidated shareholders’ equity, determined in accordance with GAAP, of the Company and its Consolidated Subsidiaries, plus (b) the aggregate Hybrid Instrument Amount; provided that, in determining such Adjusted Consolidated Net Worth, there shall be excluded (i) any “Accumulated Other Comprehensive Income (Loss)” shown on the consolidated balance sheet of the Company and its Consolidated Subsidiaries prepared in accordance with GAAP, (ii) the effects of the application of FASB ASC 815 to derivative or hedge transactions entered into with respect to statutory reserves related to universal life insurance policies with secondary guarantees that were designated as runoff within 120 days of August 4, 2017 in the Company’s financial statements prepared in accordance with GAAP and the related tax impact, (iii) the effect of any election under the fair value option in FASB ASC 825 permitting a Person to measure its financial assets or liabilities at the fair value thereof, and the related tax impact, and (iv) all noncontrolling equity interests in subsidiaries (as determined in accordance with Statement of Financial Accounting Standards No. 160, entitled “Noncontrolling Interests in Consolidated Financial Statements”) shown on the consolidated balance sheet of the Company and its Consolidated Subsidiaries.

“Adjusted LIBO Rate” means, with respect to any Euro-Dollar Borrowing for any Interest Period, an interest rate *per annum* (rounded upwards, if necessary, to the next 1/16 of 1%) equal to (a) the LIBO Rate for such Interest Period multiplied by (b) the Euro-Dollar Reserve Percentage.

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

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

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

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

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

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

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

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

	Index Debt Ratings (S&P/ Moody’s)	Applicable Commitment Fee Rate	Applicable Margin (Euro-Dollar Loans)	Applicable Margin (Base Rate Loans)	Applicable Letter of Credit Commission
Category 1	≥ A- / A3	0.125%	1.125%	0.125%	1.000%
Category 2	BBB+ / Baa1	0.150%	1.250%	0.250%	1.125%
Category 3	BBB / Baa2	0.200%	1.500%	0.500%	1.375%
Category 4	BBB- / Baa3	0.275%	1.750%	0.750%	1.625%
Category 5	< BBB- / Baa3	0.350%	2.125%	1.125%	2.000%

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

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

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

"Approved Electronic Platform" has the meaning set forth in Section 10.10(c).

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

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

“ASU” means the Accounting Standards Update No. 2018-12 regarding the accounting for long-duration insurance contracts issued by FASB on August 15, 2018 to be effective January 1, 2021.

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

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

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

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

“Base Rate” means for any day a fluctuating rate per annum equal to the highest of (a) the NYFRB Rate in effect on such day plus 1/2 of 1%, (b) the “prime rate” last quoted by the Wall Street Journal in the U.S. or, if the Wall Street Journal ceases to quote such rate, the highest per annum interest rate published by the Federal Reserve Board in Federal Reserve Statistical Release H.15 (519) (Selected Interest Rates) as the “bank prime loan” rate or, if such rate is no longer quoted therein, any similar rate quoted therein (as determined by the Administrative Agent) or any similar release by the Federal Reserve Board (as determined by the Administrative Agent), and (c) the Adjusted LIBO Rate for a one month Interest Period on such day (or, if such day is not a Domestic Business Day, the immediately preceding Domestic Business Day) plus 1.00%; provided that for the purpose of this definition, the Adjusted LIBO Rate for any day shall

be based on the LIBO Screen Rate (or if the LIBO Screen Rate is not available for such period, the Interpolated Rate) at approximately 11:00 a.m. London time on such day. Any change in the Base Rate due to a change in the “prime rate”, the NYFRB Rate, or the Adjusted LIBO Rate shall be effective from and including the effective date of such change in the “prime rate”, the NYFRB Rate, or the Adjusted LIBO Rate. If the Base Rate is being used as an alternate rate of interest pursuant to Section 2.09(e), then the Base Rate shall be the greater of clauses (a) and (b) above without reference to clause (c) above. For the avoidance of doubt, if the Base Rate as determined pursuant to the foregoing would be less than 1.00%, such rate shall be deemed to be 1.00% for the purposes of this Agreement.

“Base Rate Borrowing” shall have the meaning set forth in Section 1.03.

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

“Beneficial Ownership Certification” means a certification regarding beneficial ownership or control as required by the Beneficial Ownership Regulation.

“Beneficial Ownership Regulation” means 31 C.F.R. § 1010.230.

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

“Benefit Plans” means any of (a) an “employee benefit plan” (as defined in Section 3(3) of ERISA) that is subject to Title I of ERISA, (b) a “plan” as defined in Section 4975 of the Code to which Section 4975 of the Code applies, and (c) any Person whose assets include (for purposes the Plan Asset Regulations or otherwise for purposes of Title I of ERISA or Section 4975 of the Code) the assets of any such “employee benefit plan” or “plan.”

“Brighthouse Reinsurance” means Brighthouse Reinsurance Company of Delaware, a Delaware corporation.

“Borrowing” has the meaning set forth in Section 1.03.

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

“Change of Control” means any event or series of events by which any person or group of persons (within the meaning of Section 13 or 14 of the Securities Exchange Act of 1934, as amended) shall have acquired beneficial ownership (within the meaning of Rule 13d-3 promulgated by the SEC under said Act) of 25% or more of the outstanding shares of common stock of the Company.

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

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

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

“Commitment” means, with respect to any Bank, the commitment of such Bank (a) to issue Syndicated Letters of Credit under Section 2.01(a) and to acquire participations in Fronted Letters of Credit and/or (b) to make Loans hereunder, in each case expressed as an amount representing the maximum aggregate amount of such Bank’s Credit Exposure hereunder, as such commitment may be reduced or increased from time to time pursuant to this Agreement (including pursuant to assignments by or to such Bank pursuant to Section 10.06). The initial amount of each Bank’s Commitment is set forth on Schedule I hereto or in the Assignment and Assumption or other instrument executed and delivered hereunder pursuant to which such Bank shall have assumed its Commitment, as applicable. The aggregate amount of the Banks’ Commitments is \$1,000,000,000 as of the Effective Date. The Commitments of the Banks are several and not joint and no Bank shall be responsible for any other Bank’s failure (a) to issue Syndicated Letters of Credit under Section 2.01(a) and to acquire participations in Fronted Letters of Credit and/or (b) to make Loans hereunder.

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

“Commitment Increase” has the meaning set forth in Section 2.11(c).

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

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

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

“Consolidated Subsidiary” means, at any date, any Subsidiary or other entity the accounts of which are consolidated with those of the Company in its consolidated financial statements.

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

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

“Credit Documents” means (a) this Agreement, (b) the Notes, (c) with respect to any Letter of Credit, collectively, any application therefor and any other agreements, instruments, guarantees or other documents (whether general in application or applicable only to such Letter of Credit) governing or providing for (i) the rights and obligations of the parties concerned or at risk with respect to such Letter of

Credit or (ii) any collateral security for any of such obligations, each as the same may be modified and supplemented and in effect from time to time and (d) the Fee Letters.

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

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

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

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

“Defaulting Bank” means any Bank that (a) has failed, within two Domestic Business Days of the date required to be funded or paid, to (i) fund any portion of its Loans, (ii) fund any portion of its obligations in respect of Letters of Credit (including its participations in Fronted Letters of Credit) or (iii) pay over to any Credit Party any other amount required to be paid by it hereunder, unless, in the case of clause (i) above, such Bank notifies the Administrative Agent in writing that such failure is the result of such Bank’s good faith determination that a condition precedent to funding (specifically identified and including the particular default, if any) has not been satisfied, (b) has notified the Company or any Credit Party in writing, or has made a public statement to the effect, that it does not intend or expect to comply with any of its funding obligations under this Agreement (unless such writing or public statement indicates that such position is based on such Bank’s good faith determination that a condition precedent (specifically identified and including the particular default, if any) to funding a loan under this Agreement cannot be satisfied) or generally under other agreements in which it commits to extend credit, (c) has failed, within three Domestic Business Days after request by the Administrative Agent or any Fronting Issuing Bank, acting in good faith, to provide a certification in writing from an authorized officer of such Bank that it will comply with its obligations (and is financially able to meet such obligations) to fund prospective Loans and obligations in respect of then outstanding Letters of Credit (including its participations in then outstanding Fronted Letters

of Credit) under this Agreement, provided that such Bank shall cease to be a Defaulting Bank pursuant to this clause (c) upon receipt by the Administrative Agent or such Fronting Issuing Bank of such certification in form and substance satisfactory to the Administrative Agent and (if applicable) such Fronting Issuing Bank, (d) has become the subject of (A) a Bankruptcy Event or (B) a Bail-In Action, or (e) ceases to be a NAIC-Approved Bank and has failed to comply with its obligations under Section 2.16(b).

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

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

“Dividing Person” has the meaning set forth in the definition of “Division.”

“Division” means the division of assets, liabilities, and/or obligations of a Person (the “Dividing Person”) among two or more Persons (whether pursuant to a “plan of division” or similar arrangement), which may or may not include the Dividing Person and pursuant to which the Dividing Person may or may not survive.

“Dollars” and the sign “\$” means lawful money in the United States of America.

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

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

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

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

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

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

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

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

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

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

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

“Euro-Dollar Borrowing” shall have the meaning set forth in Section 1.03.

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

“Euro-Dollar Reserve Percentage” means a fraction (expressed as a decimal), the numerator of which is the number one and the denominator of which is the number one *minus* the aggregate maximum

reserve percentage (including any marginal, special, emergency or supplemental reserves) expressed as a decimal established by the Federal Reserve Board to which the Administrative Agent is subject with respect to the Adjusted LIBO Rate, for eurocurrency funding (currently referred to as “Eurocurrency liabilities” in Regulation D). Such reserve percentage shall include those imposed pursuant to Regulation D. Euro-Dollar Loans shall be deemed to constitute eurocurrency funding and to be subject to such reserve requirements without benefit or credit for proration, exemption or offsets that may be available from time to time to any Bank under Regulation D or any comparable regulation. The Euro-Dollar Reserve Percentage shall be adjusted automatically on and as of the effective date of any change in any reserve percentage.

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

“Excluded Taxes” has the meaning set forth in the definition of “Taxes.”

“Existing Credit Agreement” has the meaning set forth in the preamble of this Agreement.

“Federal Funds Rate” means, for any day, the rate calculated by the NYFRB based on such day’s federal funds transactions by depository institutions (or on any such day that is not a Domestic Business Day, on the immediately preceding Domestic Business Day), as determined in such manner as the NYFRB shall set forth on its public website from time to time, and published on the next succeeding Domestic Business Day by the NYFRB as the federal funds effective rate; provided that if the Federal Funds Rate as so determined would be less than zero, such rate shall be deemed to be zero for the purposes of this Agreement.

“Fee Letters” means, collectively, (i) that certain letter agreement, dated April 4, 2019, between the Company and each of the Joint Lead Arrangers and/or their affiliates and (ii) that certain letter agreement, dated April 4, 2019, among the Company and JPMorgan, in each case, as amended and in effect from time to time.

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

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

“Fronted LC Exposure” means, at any time, the sum of (a) the aggregate undrawn amount of all outstanding Fronted Letters of Credit at such time plus (b) the aggregate amount of all LC Disbursements under Fronted Letters of Credit that have not yet been reimbursed by or on behalf of the Company at such

time. The Fronted LC Exposure of any Bank shall at any time be its Applicable Percentage of the total Fronted LC Exposure at such time.

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

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

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

“Hybrid Instruments” means Securities (as defined below) that are given at least some equity credit by S&P or Moody’s (and as to which, in the case of any Hybrid Instrument issued after December 2, 2016, the Administrative Agent shall have received evidence thereof (which may be in the form of a press release or other public posting by S&P or Moody’s that includes the amount of equity credit given to such Hybrid Instrument), provided that the term “Hybrid Instruments” shall exclude any Securities to the extent recorded in the shareholder’s equity section of the combined or consolidated balance sheet of the Company and its Consolidated Subsidiaries most recently filed with the SEC. As used herein “Securities” means any stock, share, partnership interest, membership interest in a limited liability company, voting trust certificate, certificate of interest or participation in any profit-sharing agreement or arrangement, option, warrant, bond, debenture, note, or other evidence of indebtedness, secured or unsecured, convertible, subordinated or otherwise, or in general any instruments commonly known as “securities” or any certificates of interest, shares or participations in temporary or interim certificates for the purchase or acquisition of, or any right to subscribe to, purchase or acquire, any of the foregoing.

“Hybrid Instrument Amount” means, with respect to any Hybrid Instruments, the principal amount (which principal amount may be a portion of the aggregate principal amount) of such Hybrid Instrument that is accorded equity credit treatment by S&P and/or Moody’s at the time of issuance thereof; provided that, (i) in the case such Hybrid Instruments are given equity credit by both S&P and Moody’s, the higher of the two amounts shall apply, (ii) the equity credit treatment given by S&P and Moody’s to any Hybrid

Instrument at the time of issuance shall be deemed to apply to such Hybrid Instrument to the extent such Hybrid Instrument remains outstanding, irrespective of any change in the equity credit treatment given by either such rating agency to such Hybrid Instrument at any time after the date of issuance (it being agreed, for avoidance of doubt, that any change in the amount or percentage of the equity credit given to such Hybrid Instrument that is contemplated in the equity credit treatment given to such Hybrid Instrument as of the date of issuance (including, without limitation, any such change resulting from the life to maturity of such Hybrid Instrument or the amount of all such Hybrid Instruments as a percentage of total adjusted capital (as determined by S&P or Moody's)) shall continue to be given effect after the date of issuance in determining the Hybrid Instrument Amount) and (iii) the Hybrid Instrument Amount that is included in the determination of Adjusted Consolidated Net Worth shall not, at any time, exceed 15% of Consolidated Total Capitalization.

“Impacted Interest Period” has the meaning set forth in the definition of “LIBO Rate.”

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

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

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

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

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

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

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

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

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

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

“Joint Lead Arrangers” means JPMorgan, MLPFS, U.S. Bank National Association, and Wells Fargo Securities, LLC, in their capacities as joint lead arrangers and joint bookrunners.

“JPMorgan” means JPMorgan Chase Bank, N.A.

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

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

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

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

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

“LIBO Screen Rate” means, for any day and time, with respect to any Euro-Dollar Loan for any Interest Period, the London interbank offered rate as administered by ICE Benchmark Administration (or any other Person that takes over the administration of such rate for Dollars for a period equal in length to such Interest Period as displayed on such day and time on pages LIBOR01 and LIBOR02 of the Reuters screen that displays such rate (or, in the event such rate does not appear on a Reuters page or screen, on any successor or substitute page on such screen that displays such rate, or on the appropriate page of such other information service that publishes such rate from time to time as selected by the Administrative Agent in its reasonable discretion), provided that if the LIBO Screen Rate shall be less than zero, such rate shall be deemed to be zero for the purposes of this Agreement.

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

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

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

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

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

“Moody’s” means Moody’s Investors Service, Inc. and any successor thereto.

“Multiemployer Plan” means at any time an employee pension benefit plan within the meaning of Section 401(a)(3) of ERISA to which any member of the ERISA Group is then making or accruing an obligation to make contributions or has within the preceding five plan years made contributions, including for these purposes any Person which ceased to be a member of the ERISA Group during such five-year period.

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

“NAIC Approved Bank” means (a) any Bank that is a financial institution listed on the most current “List of Qualified U.S. Financial Institutions” approved by the NAIC (the “NAIC Qualified Financial Institution List”) or (b) any Bank as to which its Confirming Bank is a financial institution listed on the NAIC Qualified Financial Institution List.

“NAIC Qualified Financial Institution List” has the meaning set forth in the definition of “NAIC Approved Bank”.

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

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

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

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

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

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

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

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

“NYFRB” means the Federal Reserve Bank of New York.

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

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

“Operating Indebtedness” of any Person means, at any date, without duplication, any Debt of such Person (a) in respect of or supporting (including any Guarantee of Debt in respect thereof) AXXX, XXX and other similar life reserve requirements, (b) incurred in connection with repurchase agreements and securities lending, (c) to the extent the proceeds of which are used directly or indirectly (including for the purpose of funding portfolios that are used to fund trusts in order) to support AXXX, XXX and other similar life reserves, (d) to the extent the proceeds of which are used to fund discrete customer-related assets or pools of assets (and related hedge instruments and capital) that are at least notionally segregated from other assets and have sufficient cash flow to pay principal and interest thereof, with insignificant risk of other assets of the Company and its Subsidiaries being called upon to make such principal and interest payments, (e) excluded entirely from financial leverage by both S&P and Moody’s in their evaluation of such Person, or (f) consisting of secured loans or other secured obligations owed to Federal Home Loan Banks or Farmer Mac Mortgage Securities Corporation that are used as working capital and/or as a liquidity or capital backstop, provided that such secured loans and secured obligations do not have a term of more than 365 days.

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

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

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

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

“Patriot Act” has the meaning set forth in Section 4.17.

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

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

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

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

or contributed to, by any Person which was at such time a member of the ERISA Group for employees of any Person which was at such time a member of the ERISA Group.

“Plan Asset Regulations” means 29 CFR § 2510.3-101 *et seq.*, as modified by Section 3(42) of ERISA, as amended from time to time.

“PTE” means a prohibited transaction exemption issued by the U.S. Department of Labor, as any such exemption may be amended from time to time.

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

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

“Regulation D” means Regulation D of the Federal Reserve Board, as in effect from time to time and all official rulings and interpretations thereunder or thereof.

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

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

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

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

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

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

“S&P” means Standard and Poor’s Ratings Financial Services LLC, a subsidiary of S&P Global, Inc. and any successor thereto.

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

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

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

“Subsidiary” means any corporation or other entity of which securities or other ownership interests having ordinary voting power to elect a majority of the board of directors or other persons performing similar functions are at the time directly or indirectly owned by the Company.

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

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

“Taxes” has the meaning set forth in Section 8.05(a).

“Term Loan Agreement” means that certain Term Loan Agreement, dated as of February 1, 2019, by and among the Company, JPMorgan Chase Bank, as administrative agent, Brighthouse Financial, Inc., as the borrower, and the financial institutions party thereto as lenders.

“Termination Date” means May 7, 2024 or, if such day is not a Euro-Dollar Business Day, the immediately preceding Euro-Dollar Business Day.

“Total Commitments” means, at any time, the aggregate amount of the Commitments then in effect of all of the Banks, as such aggregate amount shall be adjusted upwards or downwards from time to time in accordance with the terms of this Agreement (including, without limitation, pursuant to Section 2.16).

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

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

SECTION 1.02 Accounting Terms and Determinations.

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

(b) If at any time any change in GAAP (including without limitation, as a result of the effectiveness of the ASU) would affect the computation of any requirement set forth in any Credit Document, and either the Company or the Required Banks shall so request, the Administrative Agent, the Banks and the Company shall negotiate in good faith to amend such requirement to preserve the original intent thereof in light of such change in GAAP (subject to the approval of the Required Banks); provided that, until so amended, (i) such requirement shall continue to be computed in accordance with GAAP as in effect prior to such change therein and (ii) the Company shall provide to the Administrative Agent and the Banks financial statements and other documents required under this Agreement or as reasonably requested hereunder setting forth a reconciliation between calculations of such requirement made before and after giving effect to such change in GAAP.

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

SECTION 1.04 Interest Periods; LIBOR Notification. The interest rate on Euro-Dollar Loans is determined by reference to the LIBO Rate, which is derived from the London interbank offered rate. The London interbank offered rate is intended to represent the rate at which contributing banks may obtain short-term borrowings from each other in the London interbank market. In July 2017, the U.K. Financial Conduct Authority announced that, after the end of 2021, it would no longer persuade or compel contributing banks to make rate submissions to the ICE Benchmark Administration (together with any successor to the ICE Benchmark Administrator, the “IBA”) for purposes of the IBA setting the London interbank offered rate. As a result, it is possible that commencing in 2022, the London interbank offered rate may no longer be available or may no longer be deemed an appropriate reference rate upon which to determine the interest rate on Euro-Dollar Loans. In light of this eventuality, public and private sector industry initiatives are currently underway to identify new or alternative reference rates to be used in place of the London interbank offered rate. In the event that the London interbank offered rate is no longer available or in certain other circumstances as set forth in Section 2.09(e)(ii) of this Agreement, such Section 2.09(e)(ii) provides a mechanism for determining an alternative rate of interest. The Administrative Agent shall notify the Company, pursuant to Section 2.09(e)(ii), in advance of any change to the reference rate upon which the interest rate on Euro-Dollar Loans is based. However, the Administrative Agent shall not warrant or accept any responsibility for, and shall not have any liability with respect to, the administration, submission or any other matter related to the London interbank offered rate or other rates in the definition of “LIBO Rate” or with respect to any alternative or successor rate thereto, or replacement rate thereof, including without limitation, whether the composition or characteristics of any such alternative, successor or replacement reference rate, as it may or may not be adjusted pursuant to Section 2.09(e)(ii), will be similar to, or produce the same value or economic equivalence of, the LIBO Rate or have the same volume or liquidity as did the London interbank offered rate prior to its discontinuance or unavailability.

ARTICLE II

THE CREDITS

SECTION 2.01 Letters of Credit.

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

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

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

If requested by the Company but, in each case subject to the terms and conditions of this Agreement, and if the Company advises the applicable Fronting Issuing Bank or the Administrative Agent, as the case may be, of such requirements prior to the issuance of such Letter of Credit, a Letter of Credit will have provisions that satisfy the requirements for letters of credit under credit-for-reinsurance provisions in the jurisdiction of organization of the beneficiary of such Letter of Credit with respect to support variable annuity policies and reinsurance reserve requirements; provided that none of the applicable Fronting Issuing Bank, the Administrative Agent or the Bank shall be obligated to verify that such provisions satisfy such requirements for reserve credit, and provided, further, that any such Letter of Credit shall be subject to, and shall not impair, the other provisions of this Agreement, including Sections 2.01(d) and (g) and Section 2.03.

(b) Notice of Issuance, Amendment, Renewal or Extension. To request the issuance of a Letter of Credit (or the amendment, renewal or extension of an outstanding Letter of Credit), the Applicant, and, if a Subsidiary of the Company is the Applicant, the Company, as Co-Applicant) shall hand deliver or telecopy (or transmit by electronic communication, if arrangements for doing so have been approved by the Administrative Agent) to the Administrative Agent and (in the case of a Fronted Letter of Credit) the applicable Fronting Issuing Bank, (not later than noon (New York City time) three Domestic Business Days (or such shorter time as the Administrative Agent or the applicable Fronting Issuing Bank may agree in a particular instance in their sole discretion) prior to, the requested date of issuance, amendment, renewal or extension) a notice requesting the issuance of a Syndicated Letter of Credit or Fronted Letter of Credit,

or identifying the Letter of Credit to be amended, renewed or extended, and specifying the date of issuance, amendment, renewal or extension, as the case may be (which shall be a Domestic Business Day), the date on which such Letter of Credit is to expire (which shall comply with Section 2.01(d)), the amount of such Letter of Credit, the name and address of the beneficiary thereof and the terms and conditions of (and such other information as shall be necessary to prepare, amend, renew or extend, as the case may be) such Letter of Credit.

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

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

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

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

(d) Expiry Date. Each Letter of Credit shall expire at or prior to the close of business on the earlier of (i) the date one year after the date of the issuance of such Letter of Credit (provided that

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

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

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

(f) Adjustment of Applicable Percentages. Upon (i) each addition of a new Bank hereunder and (ii) each change in the Commitment of a Bank pursuant to this Agreement, including pursuant to an increase in the commitments pursuant to Section 2.11, then (A) in the case of each outstanding Syndicated Letter of Credit, with the consent of the beneficiary thereunder to the extent required by the terms thereof or under applicable law (including, if applicable, the Uniform Customs and Practices for Documentary Credits governing such Syndicated Letter of Credit), the Administrative Agent shall promptly

amend such Syndicated Letter of Credit to specify the Banks that are parties thereto, after giving effect to such event, and such Banks' respective Applicable Percentages (or other applicable share if the Company has made a Non-Pro Rata Issuance Election with respect to such Syndicated Letters of Credit) as of the effective date of such amendment and (B) in the case of each outstanding Fronted Letter of Credit, the participation interest of each Bank therein shall automatically be adjusted to reflect, and each Bank shall have a participation in such Fronted Letter of Credit equal to, such Bank's Applicable Percentage of the aggregate amount available to be drawn under such Fronted Letter of Credit after giving effect to such event. However, it is acknowledged by the Administrative Agent and the Banks that amendments of outstanding Syndicated Letters of Credit may not be immediately effected. Accordingly, whether or not Syndicated Letters of Credit are amended as contemplated hereby, the Banks agree that they shall purchase and sell participations or otherwise make or effect such payments among themselves (but through the Administrative Agent) so that payments by the Banks of drawings under Syndicated Letters of Credit and payments by the Company of LC Disbursements and interest thereon are, except as otherwise expressly set forth herein, in each case shared by the Banks in accordance with the respective Applicable Percentages (or other applicable shares if the Company has made a Non-Pro Rata Issuance Election with respect to such Syndicated Letters of Credit) of the Banks from time to time in effect.

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

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

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

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

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

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

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

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

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

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

SECTION 2.03 Reimbursement for LC Disbursements, Cover, Etc.

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

(b) Reimbursement Obligations Absolute. The Company's obligation to reimburse LC Disbursements as provided in Section 2.03(a) shall be absolute, unconditional and irrevocable, and shall be performed strictly in accordance with the terms of this Agreement under any and all circumstances whatsoever and irrespective of (i) any lack of validity or enforceability of this Agreement or any Letter of Credit, or any term or provision herein or therein, (ii) any draft or other document presented under a Letter of Credit proving to be forged, fraudulent or invalid in any respect or any statement therein being untrue or inaccurate in any respect, (iii) payment under a Letter of Credit against presentation of a draft or other document that does not comply with the terms of such Letter of Credit, (iv) at any time or from time to

time, without notice to the Company or any Applicant, the time for any performance of or compliance with any of such reimbursement obligations of any other Applicant or party thereto shall be waived, extended or renewed, (v) any of such reimbursement obligations of any other Applicant or party thereto shall be amended or otherwise modified in any respect, or any guarantee of any of such reimbursement obligations or any security therefor shall be released, substituted or exchanged in whole or in part or otherwise dealt with, (vi) any lien or security interest granted to, or in favor of, the Administrative Agent or any of the Banks as security for any of such reimbursement obligations shall fail to be perfected, (vii) the occurrence of any Default, (viii) the existence of any proceedings of the type described in Section 6.01(g) or (h) with respect to any other Applicant or party thereto of any of such reimbursement obligations, (ix) any lack of validity or enforceability of any of such reimbursement obligations against any other Applicant or party thereto of any of such reimbursement obligations, or (x) any other event or circumstance whatsoever, whether or not similar to any of the foregoing, that might, but for the provisions of this Section, constitute a legal or equitable discharge of the obligations of the Company hereunder.

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

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

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

(iii) this sentence shall establish the standard of care to be exercised by the Administrative Agent or (in the case of any Fronted Letter of Credit) the applicable Fronting Issuing

Bank when determining whether drafts and other documents presented under a Letter of Credit comply with the terms thereof (and the parties hereto hereby waive, to the extent permitted by applicable law, any standard of care inconsistent with the foregoing).

(c) Disbursement Procedures.

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

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

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

(e) Provision of Cover. In the event the Company shall have provided (or be required to provide) cash collateral for outstanding Letters of Credit pursuant to Section 2.01(d), Section 2.17,

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

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

be cancelled, reduced or cancelled and reissued as one or more Syndicated Letters of Credit, in each case so that such excess above such Fronted LC Commitment is eliminated.

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

SECTION 2.05 Notice of Borrowings; Interest Elections; Conversions and Continuations of Loans.

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

- (i) the date of such Borrowing, which shall be a Domestic Business Day in the case of a Base Rate Borrowing or a Euro-Dollar Business Day in the case of a Euro-Dollar Borrowing,
- (ii) the aggregate amount (in Dollars) of such Borrowing,
- (iii) whether the Loans comprising such Borrowing are to be Base Rate Loans or Euro-Dollar Loans,
- (iv) in the case of a Euro-Dollar Borrowing, the duration of the Interest Period applicable thereto, subject to the provisions of the definition of Interest Period,
- (v) whether the Loans comprising such Borrowing are to be LC Reimbursement Loans; and
- (vi) certifying that all other conditions in Section 3.01(b) and (c) have been satisfied.

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

- (i) the Borrowing to which such Interest Election Request applies and, if different options are being elected with respect to different portions thereof, the portions thereof to be allocated to each resulting Borrowing (in which case the information to be specified pursuant to clauses (iii) and (iv) below shall be specified for each resulting Borrowing);
- (ii) the effective date of the election made pursuant to such Interest Election Request, which shall be a Domestic Business Day;
- (iii) whether the resulting Borrowing is to be a Base Rate Borrowing or a Euro-Dollar Borrowing; and
- (iv) if the resulting Borrowing is a Euro-Dollar Borrowing, the Interest Period to be applicable thereto after giving effect to such election, which shall be a period contemplated by the definition of the term "Interest Period".

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

SECTION 2.06 Funding of Loans.

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

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

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

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

(e) In the event that the Company has made a Non-Pro Rata Issuance Election and thereafter the Company requests a Loan, such Loan shall, subject to the other terms and provisions hereof, be advanced, *first*, by those Non-NAIC Approved Banks that do not participate in the issuance, renewal, extension or amendment of one or more Syndicated Letters of Credit as the result of such Non-Pro Rata Issuance Election until, after giving effect thereto, the Credit Exposure owing to the Banks are held by the

Banks pro rata in accordance with their respective Commitments, and, *second*, by the Bank (including such Non-NAIC Approved Banks) pro rata in accordance with their respective Commitments, provided that, for the avoidance of doubt, the aggregate outstanding amount of the Credit Exposure of such Bank shall not exceed the Commitment of such Bank notwithstanding the provisions of this Section 2.06(e).

SECTION 2.07 Evidence of Loans.

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

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

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

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

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

SECTION 2.09 Interest Rates of Loans; Alternate Rate of Interest.

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

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

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

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

(e) Alternate Rate of Interest.

(i) If prior to the commencement period of any Interest Period for a Euro-Dollar Borrowing:

(1) the Administrative Agent determines (which determination shall be conclusive absent manifest error) that adequate and reasonable means do not exist for ascertaining the Adjusted LIBO Rate or the LIBO Rate, as applicable, (including because the LIBO Screen Rate is not available or published on a current basis) for such Interest Period; or

(2) the Administrative Agent is advised by the Required Banks that the Adjusted LIBO Rate or the LIBO Rate, as applicable, for such Interest Period will not adequately and fairly reflect the cost to such Banks of making or maintaining their Loans (or its Loan) including in such Borrowing for such Interest Period;

then the Administrative Agent shall give notice thereof to the Company and the Banks by telephone, telecopy or electronic mail as promptly as practicable thereafter and, until the Administrative Agent notifies the Company and the Banks that the circumstances giving rise to such notice no longer exist, (A) any Interest Election Request that requests the conversion of any Loan to, or continuation of any Loan as, a Euro-Dollar Borrowing, shall be ineffective and (B) if any Notice of Borrowing requests a Euro-Dollar Borrowing, such Borrowing shall be made as a Base Rate Borrowing; provided that if the circumstances giving rise to such notice only affect one Type of Borrowings, then the other Type of Borrowings shall be permitted

(ii) If at any time the Administrative Agent determines in consultation with the Company (which determination shall be conclusive absent manifest error) that the circumstances set forth in clause (i)(1) have arisen and such circumstances are not likely to be temporary or (ii) the circumstances set forth in clause (i)(1) have not arisen but either (w) the supervisor for the administrator of the LIBO Screen Rate is insolvent (and there is no successor administrator that will continue publication of the LIBO Screen Rate), (x) the administrator of the LIBO Screen Rate has made a public statement identifying a specific date after which the LIBO Screen Rate will permanently or indefinitely cease to be published by it (and there is no successor administrator that will continue publication of the LIBO Screen Rate), (y) the supervisor for the administrator of the LIBO Screen Rate has made a public statement identifying a specific date after which the LIBO Screen Rate will permanently or indefinitely cease to be published or (z) the supervisor for the administrator of the LIBO Screen Rate or a governmental authority having jurisdiction over the Administrative Agent has made a public statement identifying a specific date after which the LIBO Screen Rate may no longer be used for determining interest rates for loans, then the Administrative Agent and the Company shall endeavor to establish an alternative rate of interest for the LIBO Rate that gives due consideration to the then prevailing market convention for determining a rate of interest for syndicated loans in the United States at such time, and shall enter into an amendment to this Agreement to reflect such alternate rate of interest and such other related changes to this Agreement as may be applicable (but for the avoidance of doubt, such related changes shall not include a reduction of the Applicable Margin); provided that, if such alternate rate of interest as so determined would be less than zero, such rate shall be deemed to be zero for the purposes of this Agreement. Notwithstanding anything to the contrary in this Agreement, such amendment shall become effective without any further action

or consent or any other party to this Agreement so long as the Administrative Agent shall not have received, within five Domestic Business Days of the date notice of such alternate rate of interest is provided to the Banks, a written notice from the Required Banks stating that the Required Banks object to such an amendment. Until an alternate rate of interest shall be determined in accordance with this clause (ii) (but, in the case of the circumstances described in clause (ii)(w), clause (ii)(x), or clause (ii)(y) of the first sentence of this Section 2.09(e)(ii), only to the extent that the LIBO Screen Rate for such Interest Period is not available or published at such time on a current basis), (x) any Interest Election Request that requests the conversion of any Borrowing to, or continuation or any Borrowing as, a Euro-Dollar Borrowing shall be ineffective and (y) if any Notice of Borrowing requests a Euro-Dollar Borrowing, such Borrowing shall be made as a Base Rate Borrowing.

SECTION 2.10 Fees.

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

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

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

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

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

SECTION 2.11 Termination, Reduction or Increase of Commitments.

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

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

(c) The Company shall have the right, at any time after the Effective Date and from time to time prior to the date that is 30 days prior to the Termination Date, to increase the aggregate Commitments hereunder so long as the Total Commitments do not exceed \$1,500,000,000, by causing one or more Additional Commitment Banks (which may include any existing Bank, provided that no existing Bank shall be obligated to increase its Commitment) to provide a (or, in the case of an existing Bank, to increase its) Commitment (each such increase, a "Commitment Increase"), provided that (i) no Bank shall have any obligation hereunder to become an Additional Commitment Bank and any election to do so shall be in the sole discretion of each Bank, (ii) each Additional Commitment Bank shall have entered into an agreement in form and substance satisfactory to the Company and the Administrative Agent pursuant to which such Additional Commitment Bank shall provide a Commitment (or, if such Additional Commitment Bank is an existing Bank, pursuant to which its Commitment shall be increased), (iii) unless the Administrative Agent otherwise agrees, such Commitment of any Additional Commitment Bank which is not an existing Bank shall be in an amount of at least \$25,000,000 and (iv) unless the Administrative Agent otherwise agrees, each Commitment Increase shall be in an amount of at least \$25,000,000. Each such Additional Commitment Bank shall enter into an agreement in form and substance satisfactory to the Company and

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

- (i) the Company shall have given the Administrative Agent notice of any such increase at least three Domestic Business Days prior to the relevant effective date of such Commitment Increase;
- (ii) no Default shall have occurred and be continuing on such effective date; and
- (iii) each of the representations and warranties of the Company contained in this Agreement (other than the representations and warranties set forth in Sections 4.04(e) and 4.05 as to any matter which has theretofore been disclosed in writing by the Company to the Administrative Agent) shall be true on and as of such effective date with the same force and effect as if made on and as of such date (or, if any such representation or warranty is expressly stated to have been made as of a specific date, as of such specific date).

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

SECTION 2.12 Optional Prepayments.

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

(b) The Company may, upon notice to the Administrative Agent by 10:00 a.m., New York City time, at least three Domestic Business Days prior to the date of prepayment, prepay any Euro-Dollar Borrowing made to the Company in whole at any time, or from time to time in part in amounts aggregating \$5,000,000 or any larger multiple of \$1,000,000, by paying the principal amount to be prepaid together with (x) accrued interest thereon to the date of prepayment and (y) all losses and expenses (if any) relating thereto which are (i) determined pursuant to Section 2.14 and (ii) notified to the Company by the

relevant Bank at least one Domestic Business Day prior to the date of such prepayment, provided that the failure of any Bank to so notify the Company of the amount of any such loss or expense shall not relieve the Company of its obligation to pay the same.

(c) Each prepayment pursuant to this Section 2.12 shall be applied to prepay ratably the Loans of the several Banks included in the relevant Borrowing being prepaid. Upon receipt of a notice of prepayment pursuant to this Section, the Administrative Agent shall promptly notify each Bank of the contents thereof and of such Bank's ratable share (if any) of such prepayment and such notice shall not thereafter be revocable by the Company; provided, that any notice of prepayment delivered by the Company may state that such notice is conditioned upon the effectiveness of other transactions, in which case such notice may be revoked by the Company (by notice to the Administrative Agent on or before the specified effective date) if such condition is not satisfied.

SECTION 2.13 Payments Generally; Pro Rata Treatment.

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

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

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

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

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

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

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

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

SECTION 2.16 Provisions Relating to NAIC Approved Banks.

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

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

(i) With respect to any then existing Fronted LC Exposure of such Bank, at the option of the applicable Fronting Issuing Bank or the Company, such Bank shall forthwith deliver to the Administrative Agent or the applicable Fronting Issuing Bank an amount in cash equal to 100% of the maximum amount of such Non-NAIC Approved Bank's Fronted LC Exposure (such amount provided in respect of such Fronted LC Exposure being herein called "Fronted LC Cash Collateral"). Upon receipt of any Fronted LC Cash Collateral (including any additional cash collateral provided under clause (iii) below that constitutes Fronted LC Cash Collateral), the Administrative Agent or the applicable Fronting Issuing Bank will establish one or more cash collateral accounts (which, in each case, may be a "securities account" (as defined in Section 8-501 of the NY UCC, in the name and under the sole dominion and control of the Administrative Agent or the applicable Fronting Issuing Bank (and, in the case of a securities account, in respect of which the Administrative Agent or the applicable Fronting Issuing Bank is the "entitlement holder" (as defined in Section 8-102(a)(7) of the NY UCC)) (each such cash collateral account, a "Fronted LC Collateral Account") and deposit therein the relevant portion of such Fronted LC Cash Collateral (including the relevant portion of any additional cash collateral provided by such Bank in respect of its additional Fronted LC Exposure pursuant to clause (iii) below) as collateral solely for the benefit of the applicable Fronting Issuing Bank to secure such Bank's obligations in respect of the Fronted LC Exposure with respect to Fronted Letters of Credit issued by such Fronting Issuing Bank and such Bank hereby pledges and grants to

the Administrative Agent or the applicable Fronting Issuing Bank, for the benefit of the applicable Fronting Issuing Bank, a security interest in all of its right, title and interest in and to each Fronted LC Collateral Account and the balances from time to time therein (including the investments and reinvestments therein provided for below). The balances from time to time in a Fronted LC Collateral Account shall not constitute payment of any such obligations until applied by the Administrative Agent or the applicable Fronting Issuing Bank as provided herein.

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

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

applicable Confirming Bank) and, upon receipt of such collateral, the Fronting Issuing Bank, Administrative Agent or such other party shall deposit, hold and apply such collateral as Fronted LC Cash Collateral or Syndicated LC Cash Collateral, as applicable, in accordance with this subsection (b).

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

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

(vi) If at any time such Bank shall have become a NAIC Approved Bank, subject, in the case of any Syndicated LC Exposure of such Bank, to (x) the termination of the Confirming Bank Agreement entered into between the applicable Confirming Bank and such Bank releasing the Confirming Bank's obligation thereunder to act a Confirming Bank for such Bank and (y) with the consent of the beneficiary under each Syndicated Letter of Credit to the extent required by the terms thereof or under applicable law (including, if applicable, the Uniform Customs and Practices for Documentary Credits governing such Syndicated Letter of Credit), the amendment of each such Syndicated Letter of Credit by the Administrative Agent to reinstate such Bank's liability thereunder (and terminate the applicable Confirming Bank's liability thereunder as such Confirming Bank), the Administrative Agent shall, at the request of such Bank, deliver to such Bank (with the concurrence

of the applicable Fronting Issuing Bank (with respect to any Fronted LC Exposure), the applicable Confirming Bank (with respect to any Syndicated LC Exposure) or the Company (with respect to any Syndicated LC Exposure for which the Non-NAIC Approved Bank does not have in effect a Confirming Bank Agreement)), against receipt but without any recourse, warranty or representation whatsoever, the remaining balance in the relevant LC Collateral Account.

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

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

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

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

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

clause (b) shall not apply to the vote of a Defaulting Bank in the case of an amendment, waiver or other modification requiring the consent of such Bank or each Bank affected thereby;

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

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

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

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

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

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

(vi) so long as such Bank is a Defaulting Bank, no Fronting Issuing Bank shall be required to issue, amend or increase any Fronted Letter of Credit, unless it is satisfied that the

related exposure and the Defaulting Bank's then outstanding Fronted LC Exposure will be 100% covered by the Commitments of the Non-Defaulting Banks and/or cash collateral will be provided by the Company in accordance with Section 2.17(c), and participating interests in any newly issued or increased Fronted Letter of Credit shall be allocated among Non-Defaulting Banks in a manner consistent with Section 2.17(c)(i) (and such Defaulting Bank shall not participate therein); and

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

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

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

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

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

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

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

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

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

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

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

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

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

ARTICLE III
CONDITIONS

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

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

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

(c) the fact that the representations and warranties (other than the representations and warranties set forth in Sections 4.04(e) and 4.05 as to any matter which has theretofore been disclosed in writing by the Company to the Administrative Agent (which shall be delivered to the Banks through the Approved Electronic Platform)) of the Company contained in this Agreement shall be true in all material respects (except for those representations and warranties which are qualified by materiality or material adverse effect, which shall be true and correct in all respects) on and as of the date of such issuance, amendment, renewal or extension of such Letter of Credit or such Loan (or, if any such representation or warranty is expressly stated to have been made as of a specific date, as of such specific date).

Each Borrowing and each issuance, amendment, renewal or extension of a Letter of Credit shall be deemed to constitute a representation and warranty by the Company on the date thereof as to the matters specified in paragraphs (b) and (c) of this Section.

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

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

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

(c) receipt by the Administrative Agent of a certificate, dated the Effective Date and signed by a Financial Officer of the Company, certifying that the representations and warranties contained in this Agreement shall be true in all material respects (except for those representations and warranties

which are qualified by materiality or material adverse effect, which shall be true and correct in all respects) on and as of such date and no Default or Event of Default shall have occurred and be continuing;

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

(e) at least five (5) days prior to the Effective Date, (i) receipt by the Administrative Agent of all documents, instruments, and other information regarding the Company as it may reasonably request in connection with applicable “know your customer” and anti-money laundering rules and regulations, including the Patriot Act, to the extent requested of the Company at least ten (10) days prior to the Effective Date and (ii) to the extent that the Company qualifies as a “legal entity customer” under the Beneficial Ownership Regulation, any Bank that requested, in a written notice to the Company at least ten (10) days prior to the Effective Date, a Beneficial Ownership Certification in relation to the Company shall have received such Beneficial Ownership Certification (provided that, upon the execution and delivery by such Bank of its signature page to this Agreement, the condition set forth in this clause (ii) shall be deemed to be satisfied);

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

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

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

ARTICLE IV
REPRESENTATIONS AND WARRANTIES

On the Effective Date and each other date as required by the Credit Documents, the Company (and its Subsidiaries, as applicable) represents and warrants to the Administrative Agent and the Banks that:

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

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

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

SECTION 4.04 Financial Information; No Material Adverse Change.

(a) The consolidated balance sheets of the Company and its Consolidated Subsidiaries, and the related consolidated statements of income, cash flows and shareholders' net investment for the fiscal year ended December 31, 2018, reported on by Deloitte & Touche LLP, a copy of which has been delivered to the Administrative Agent on behalf of each of the Banks, fairly present, in conformity with generally accepted accounting principles, the consolidated financial position of the Company and its Consolidated Subsidiaries as of such date and their consolidated results of operations and changes in financial position for the period covered by such financial statements.

(b) [Reserved].

(c) A copy of a duly completed and signed annual Statutory Statement or other similar report of or for each Insurance Subsidiary that is a Material Subsidiary in the form filed with the governmental body, agency or official which regulates insurance companies in the jurisdiction in which

such Insurance Subsidiary is domiciled for the year ended December 31, 2018 has been delivered to the Administrative Agent on behalf of each of the Banks and fairly presents, in accordance with statutory accounting principles, the information contained therein.

(d) [Reserved].

(e) Since December 31, 2018, there has been no material adverse change in the business, assets, property or financial condition of the Company and its Consolidated Subsidiaries, considered as a whole.

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

SECTION 4.06 Compliance with ERISA; Plan Assets; Prohibited Transactions.

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

(b) None of the Company or any of its Subsidiaries is using “plan assets” (within the meaning of the Plan Asset Regulations) of one or more Benefit Plans with respect to the execution, delivery or performance of the transactions contemplated under this Agreement, including the making of any Loan and, assuming that the representations and covenants set forth in Section 7.12(a) are correct, the transactions hereunder will not give rise to a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code.

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

expected to have a Material Adverse Effect. The charges, accruals and reserves on the books of the Company and its Subsidiaries in respect of taxes are, in the opinion of the Company, adequate.

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

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

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

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

SECTION 4.12 Material Subsidiaries. Set forth as Schedule II hereto is a true, correct and complete list of each Material Subsidiary as of the Effective Date.

SECTION 4.13 [Reserved].

SECTION 4.14 Full Disclosure.

(a) None of the reports, financial statements, certificates or other information furnished by or on the behalf of the Company to the Administrative Agent or any Bank in connection with the negotiation of this Agreement and the other Credit Documents or delivered hereunder or thereunder (as modified or supplemented by other information so furnished) contains any material misstatement of fact or omits to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading as of the date made; provided that, with respect to preliminary, projected or pro forma financial information, the Company represents only that such information was prepared in good faith based upon assumptions believed to be reasonable at the time furnished (it being

understood that such projections and forecasts are subject to uncertainties and contingencies and no assurances can be given that such projections or forecasts will be realized).

(b) If applicable, as of the Effective Date, to the best knowledge of the Company, the information included in the Beneficial Ownership Certification provided on or prior to the Effective Date to any Bank in connection with this Agreement is true and correct in all respects.

SECTION 4.15 [Reserved].

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

SECTION 4.17 Sanctioned Persons; Anti-Corruption Laws; Patriot Act. None of the Company or any of its Subsidiaries or, to the knowledge of the Company, any of their respective directors, officers, employees, agents or Affiliates is subject to any sanctions or economic embargoes administered or enforced by the U.S. Department of State or the Office of Foreign Assets Control of the U.S. Department of Treasury (collectively, "Sanctions"), and the associated laws, rules, regulations and orders, collectively, "Sanctions Laws"), except to the extent that being subject to such Sanctions would not reasonably be expected to have a Material Adverse Effect or reasonably be expected to result in any Bank violating any Sanctions Laws. Each of the Company and its Subsidiaries and their respective directors, officers and, to the knowledge of the Company, employees, agents and Affiliates is in compliance, in all material respects, with (i) all Sanctions Laws, (ii) the United States Foreign Corrupt Practices Act of 1977, as amended, and any other applicable anti-bribery or anti-corruption laws, rules, regulations and orders (collectively, "Anti-Corruption Laws") and (iii) USA PATRIOT Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001) the "Patriot Act") and any other applicable terrorism and money laundering laws, rules, regulations and orders (collectively, "Anti-Money Laundering Laws"), except in each case to the extent that such non-compliance therewith would not reasonably be expected to have a Material Adverse Effect or reasonably be expected to result in any Bank violating any such Sanctions Laws, Anti-Corruption Laws or Anti-Money Laundering Laws. No part of the proceeds of the Loans or Letters of Credit will be used by the Company or any Applicant, directly or indirectly, (A) for the purpose of funding, financing or facilitating any activities or business of or with, or making any payments to, any Person or in any country or territory in violation of any Sanctions Law or (B) for any payments to any governmental official or employee, political party, official of a political party, candidate for political office, or anyone else acting in an official capacity, in order to obtain, retain or direct business or obtain any improper advantage, in violation of any Anti-Corruption Laws, except in each case to the extent that such use would not reasonably be expected to have a Material Adverse Effect or reasonably be expected to result in any Bank violating any Sanctions Laws, Anti-Corruption Laws or Anti-Money Laundering Laws.

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

ARTICLE V
COVENANTS

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

SECTION 5.01 Information.

The Company will deliver to each of the Banks:

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

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

(c) (I) substantially concurrently with the delivery of each set of financial statements referred to in clauses (a) and (b) above a certificate of a Financial Officer of the Company (i) setting forth in reasonable detail the calculations required to establish whether the Company was in compliance with the requirements of Sections 5.07 and 5.12 on the date of such financial statements, (ii) stating that such Financial Officer, as the case may be, has no knowledge of any Default existing on the date of such certificate or, if such Financial Officer has knowledge of the existence on such date of any Default, setting forth the details thereof and the action which the Company is taking or proposes to take with respect thereto, and (iii) a reconciliation to such financial statements of any inclusions to, or exclusions from, the calculations of Adjusted Consolidated Net Worth, Consolidated Total Indebtedness and Consolidated Total Capitalization, and (II) simultaneously with the delivery of each set of financial statements referred to in

clause (a) and (b) above a certificate of a Financial Officer of the Company specifying any changes to the list of Material Subsidiaries as of the last day of the fiscal period to which such financial statements relate;

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

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

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

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

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

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

Officer of the Company setting forth details as to such occurrence and action, if any, which the Company or applicable member of the ERISA Group is required or proposes to take;

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

(k) from time to time such additional information regarding the financial position or business of the Company as the Administrative Agent or any Bank, may reasonably request, including information and documentation requested for purposes of compliance with applicable "know your customer" and anti-money laundering rules and regulations, including the Patriot Act and the Beneficial Ownership Regulation.

Documents required to be delivered pursuant to Section 5.01(a), (b), (d), (e), (g) or (h) or pursuant to Section 4.04(a) or (c) may be delivered electronically on the following Internet websites: (a) the Company's website at an address to be designated in writing to the Administrative Agent, (b) with respect to Section 5.01(a), (b), (g), (h) or Section 4.04(a) the SEC's website www.sec.gov (to the extent that any such documents are included in materials otherwise filed with the SEC) or (c) such other third party website that shall have been identified by the Company in a notice to the Administrative Agent and the Banks and that is accessible by the Banks without charge, and in each case if so delivered shall be deemed to have been delivered on the date such materials are publicly available; provided that (i) the Company shall deliver paper copies of such information to any Bank promptly upon the request of such Bank through the Administrative Agent and (ii) the Company shall have notified the Administrative Agent of the posting of such documents delivered pursuant to Section 5.01(a), (b), (d), (e), (g) and Section 4.04(a). The Administrative Agent shall have no obligation to request the delivery of or to maintain paper copies of the documents referred to above, and in any event shall have no responsibility to monitor compliance by the Company with any such request by a Bank for delivery, and each Bank shall be solely responsible for requesting delivery to it or maintaining its copies of such documents.

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

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

SECTION 5.04 Maintenance of Property; Insurance.

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

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

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

SECTION 5.06 Inspection of Property, Books and Records. The Company will keep, and will cause each Material Subsidiary to keep, proper books of record and account in which entries that are full, true and correct in all material respects shall be made of all dealings and transactions in relation to its business and activities; and, subject in all cases to Section 10.11, will permit, and will cause each Material Subsidiary to permit, representatives of any Bank to visit and inspect any of their respective properties, to examine and make abstracts from any of their respective books and records and to discuss their respective affairs, finances and accounts with their respective officers, employees, actuaries and independent public

accountants, all upon reasonable notice, at such reasonable times during ordinary business hours and as often as may reasonably be desired; provided that neither the Company nor any of its Subsidiaries shall be required to disclose any information subject to attorney-client privilege to the extent disclosure thereof would impair such privilege.

SECTION 5.07 Financial Covenants.

(a) Minimum Adjusted Consolidated Net Worth. The Company will not at any time permit its Adjusted Consolidated Net Worth, calculated as of the end of each fiscal quarter, to be less than an amount equal to the sum of (A) 72% of the actual Adjusted Consolidated Net Worth of the Company (determined as of the end of the first fiscal quarter ending after August 4, 2017) plus (B) 50% of the aggregate amount of (x) Equity Issuances by the Company and its Subsidiaries after the end of the first fiscal quarter ending after August 4, 2017 and (y) the Hybrid Instrument Amount with respect to Hybrid Instruments issued after the end of the first fiscal quarter ending after August 4, 2017.

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

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

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

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

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

SECTION 5.12 Certain Debt. The Company will not at any time permit the sum of (i) Non-Operating Indebtedness of the Company that is secured by a Lien on any property or assets of the Company and its Subsidiaries and (ii) Non-Operating Indebtedness of the Subsidiaries of the Company to exceed \$250,000,000, except:

- (a) Debt of any Subsidiary of the Company owing to the Company or another Subsidiary of the Company (but including any Debt owing to any other Affiliate of the Company); and
- (b) Debt consisting of surplus notes issued by Subsidiaries of the Company that are operating Insurance Subsidiaries in an amount not to exceed \$1,000,000,000.

ARTICLE VI

DEFAULTS

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

- (a) (i) the Company shall fail to pay when due any principal of any Loan or any reimbursement obligation in respect of an LC Disbursement or (ii) the Company shall fail to pay when due any interest on any Loan or LC Disbursement or any fees or any other amounts payable hereunder and such failure under this clause (ii) shall continue for four Domestic Business Days;
- (b) the Company shall fail to observe or perform any covenant of the Company, contained in Section 5.03 or Sections 5.07 through 5.12 inclusive, or its obligation to provide cash collateral pursuant to the last sentence of Section 2.01(d);
- (c) the Company shall fail to observe or perform any covenant or agreement of the Company contained in this Agreement or the other Credit Documents (other than those covered by clause (a) or (b) above) for 30 days after written notice thereof has been given to the Company by the Administrative Agent at the request of any Bank;
- (d) any representation, warranty, certification or statement made by the Company in this Agreement, any other Credit Document or in any certificate, financial statement or other document delivered pursuant to this Agreement shall prove to have been incorrect in any material respect when made (or deemed made);

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

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

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

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

(i) any of the following events or conditions shall occur, which, in the aggregate, would reasonably be expected to involve possible taxes, penalties and other liabilities in an aggregate amount in excess of \$150,000,000: (i) any member of the ERISA Group shall fail to pay when due any amount or amounts which it shall have become liable to pay under Title IV of ERISA; (ii) notice of intent to terminate

a Plan shall be filed under Title IV of ERISA by any member of the ERISA Group, any plan administrator or any combination of the foregoing; (iii) the PBGC shall institute proceedings under Title IV of ERISA to terminate, to impose liability (other than for premiums under Section 4007 of ERISA) in respect of, or to cause a trustee to be appointed to administer, any Plan; (iv) a condition shall exist by reason of which the PBGC would reasonably be expected to obtain a decree adjudicating that any Plan must be terminated; or (v) there shall occur a complete or partial withdrawal from, or a default, within the meaning of Section 4219(c)(5) of ERISA, with respect to, one or more Multiemployer Plans;

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

(k) a Change of Control shall have occurred;

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

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

ARTICLE VII

THE ADMINISTRATIVE AGENT

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

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

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

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

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

SECTION 7.06 Liability of Agent. Neither the Administrative Agent nor any of its directors, officers, agents or employees shall be liable to any Bank for any action taken or not taken by it in connection herewith (i) with the consent or at the request of the Required Banks or (ii) in the absence of its own gross negligence or willful misconduct as determined by a court of competent jurisdiction. The Administrative Agent shall be deemed not to have knowledge of any Default unless and until written notice thereof is given to the Administrative Agent by the Company or a Bank. Neither the Administrative Agent nor any of its directors, officers, agents or employees shall be responsible to any Bank for or have any duty to any Bank to ascertain, inquire into or verify (i) any statement, warranty or representation made in connection with this Agreement or any borrowing hereunder or the issuance, amendment, renewal or extension of any Letter of Credit; (ii) the performance or observance of any of the covenants or agreements of the Company; (iii)

the satisfaction of any condition specified in Article III, except receipt of items required to be delivered to the Administrative Agent; (iv) the validity, effectiveness or genuineness of this Agreement, any other Credit Document or any other instrument or writing furnished in connection herewith; (v) the existence or possible existence of any Default; (vi) the financial condition of the Company or any of its Subsidiaries; or (vii) the contents of any certificate, report or other document delivered hereunder or in connection herewith. The Administrative Agent shall not incur any liability by acting in reliance upon any notice, consent, certificate, statement, or other writing believed by it in good faith to be genuine or to be signed by the proper party or parties.

SECTION 7.07 Indemnification. Each Bank shall, ratably in accordance with its Commitment (determined as of the time that the applicable unreimbursed expense or indemnity payment is sought), indemnify the Administrative Agent (to the extent not reimbursed by the Company) against any cost, expense (including counsel fees and disbursements), claim, demand, action, loss or liability (except such as result from the Administrative Agent's gross negligence or willful misconduct as determined by a court of competent jurisdiction) that the Administrative Agent may suffer or incur in connection with this Agreement or any action taken or omitted by the Administrative Agent hereunder. The Administrative Agent shall be fully justified in failing or refusing to take any action hereunder unless it shall first be indemnified to its satisfaction by the Banks pro rata against any and all liability, cost and expense that it may incur by reason of taking or continuing to take any such action.

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

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

retiring Administrative Agent's resignation hereunder as Administrative Agent, the provisions of this Article shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Administrative Agent.

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

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

SECTION 7.12 ERISA.

(a) Each Bank (x) represents and warrants as of the date such Person became a Bank party hereto, to, and (y) covenants, from the date such Person became a Bank party hereto to the date such Person ceases being a Bank party hereto, for the benefit of the Administrative Agent and its Affiliates, and not, for the avoidance of doubt, for the benefit of the Company, that at least one of the following is and will be true:

(i) such Bank is not using "plan assets" (within the meaning of the Plan Asset Regulations) of one or more Benefit Plans in connection with the Loans or the Commitments;

(ii) (ii) the transaction exemption set forth in one or more PTEs, such as PTE 84-14 (a class exemption for certain transactions determined by independent qualified professional asset managers), PTE 95-60 (a class exemption for certain transactions involving insurance company general accounts), PTE 90-1 (a class exemption for certain transactions involving insurance pooled separate accounts), PTE 96-23 (a class exemption for certain transactions determined by in-house asset managers), is applicable with respect to such Bank's entrance into, participation in, administration of and performance of the Loans, the Commitments and this Agreement;

(iii) (A) such Bank is an investment fund managed by a "Qualified Professional Asset Manager" (within the meaning of Part VI of PTE 84-14), (B) such Qualified Professional Asset Manager made the investment decision on behalf of such Bank to enter into, participate in, administer, and perform the Loans, the Commitments, and this Agreement, (C) the entrance into, participation in, administration of and performance of the Loans, the Commitments and this Agreement satisfies the requirements of sub-sections (b) through (g) of Part I of PTE 84-14 and (D) to the best knowledge of such Bank, the requirements of subsection (a) of Part I of PTE 84-14 are satisfied with respect to such Banks entrance into, participation in, administration of and performance of the Loans, the Commitments and this Agreement; or

(iv) such other representation, warranty and covenants as may be agreed in writing between the Administrative Agent, in its sole discretion, and such Bank.

(b) (b) In addition, unless sub-clause (i) in the immediately preceding clause (a) is true with respect to a Bank or such Bank has not provided another representation, warranty and covenant as provided in sub-clause (iv) in the immediately preceding clause (a), such Bank further (x) represents and warrants, as of the date such Person became a Bank party hereto, to and (y) covenants from the date such Person became a Bank party hereto to the date such Person ceases being a Bank party hereto, for the benefit of the Administrative Agent and its Affiliates, and not, for the avoidance of doubt, for the benefit of the Company, that none of the Administrative Agent, or any Joint Lead Arranger, Syndication Agent, or any of their respective Affiliates is a fiduciary with respect to the assets of such Bank (including in connection with the reservation or exercise of any rights by the Administrative Agent under this Agreement, any Credit Document, or any documents related hereto or thereto);

(c) The Administrative Agent, each Joint Lead Arranger, and each Syndication Agent hereby informs the Banks that such Person is not undertaking to provide investment advice or to give advice in a fiduciary capacity, in connection with the transactions contemplated hereby, and that such Person has a financial interest in the transactions contemplated hereby in that such Person or an Affiliate thereof (i) may receive interest or other payments with respect to the Loans, the Commitments, this Agreement and any other Credit Documents, (ii) may recognize a gain if it extended the Loans or the Commitments for an amount less than the amount being paid for an interest in the Loans or the Commitments by such Bank, or (iii) may receive fees or other payments in connection with the transactions contemplated hereby, the Credit Documents or otherwise, including structuring fees, commitment fees, arrangement fees, facility fees, upfront fees, underwriting fees, ticking fees, agency fees, administrative agent fees, utilization fees, amendment fees, processing fees, breakage or other early termination fees or other fees similar to the foregoing.

ARTICLE VIII CHANGE IN CIRCUMSTANCES

SECTION 8.01 [Reserved].

SECTION 8.02 Illegality. If, after the date of this Agreement, the adoption of any applicable law, rule or regulation, or any change in any applicable law, rule or regulation, or any change in the interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by any Bank (or its Applicable Lending Office) with any request or directive (whether or not having the force of law) of any such authority, central bank or comparable agency shall make it unlawful or impossible for any Bank (or its Applicable Lending Office) to make, continue, maintain or fund its Euro-Dollar Loans and such Bank shall so notify the Administrative Agent, the Administrative Agent shall forthwith give notice thereof to the other Banks and the Company, whereupon until such Bank notifies the Company and the Administrative Agent that the circumstances giving rise to such suspension no longer exist, the obligation of such Bank to make Euro-Dollar Loans shall be suspended. Before giving any notice to the Administrative Agent pursuant to this

Section, such Bank shall designate a different Applicable Lending Office if such designation will avoid the need for giving such notice and will not, in the judgment of such Bank, be otherwise disadvantageous to such Bank. If such Bank shall determine that it may not lawfully continue to maintain and fund any of its outstanding Euro-Dollar Loans to maturity and shall so specify in such notice, the Company shall immediately prepay in full the then outstanding principal amount of each such Euro-Dollar Loan, together with accrued interest thereon. Concurrently with prepaying each such Euro-Dollar Loan, the Company shall borrow Base Rate Loans in an equal principal amount from such Bank (on which interest and principal shall be payable contemporaneously with the related Euro-Dollar Loans of the other Banks), and such Bank shall make such Base Rate Loans.

SECTION 8.03 Increased Cost and Reduced Return.

(a) If on or after the date hereof, in the case of any Loan or any obligation to make Loans or in the case of any Letter of Credit or any obligation to issue, participate in, renew or extend any Letter of Credit, the adoption of any applicable law, rule or regulation, or any change in any applicable law, rule or regulation, or any change in the interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by any Bank (or its Applicable Lending Office) with any request or directive (whether or not having the force of law) of any such authority, central bank or comparable agency shall impose, modify or deem applicable any reserve (including, without limitation, any such requirement imposed by the Board of Governors of the Federal Reserve System, but excluding with respect to any Euro-Dollar Loan any such requirement included in an applicable Euro-Dollar Reserve Percentage), special deposit, compulsory loan, insurance assessment or similar requirement against assets of, deposits with or for the account of, or credit extended by, any Bank (or its Applicable Lending Office) or shall impose on any Bank (or its Applicable Lending Office) or the London interbank market any other condition affecting its Euro-Dollar Loans, its Notes or its obligation to make Euro-Dollar Loans or its obligation to issue or participate in Letters of Credit, any outstanding Letters of Credit or reimbursement claims in respect of LC Disbursements (other than Excluded Taxes and Taxes indemnified under Section 8.05) and the result of any of the foregoing is to increase the cost or expense to such Bank (or its Applicable Lending Office) of making, continuing, converting to or maintaining any Euro-Dollar Loan or of issuing, participating in or maintaining any Letter of Credit, or to reduce the amount of any sum received or receivable by such Bank (or its Applicable Lending Office) under this Agreement or under other Credit Document with respect thereto, by an amount deemed by such Bank to be material, then, within 15 days after demand by such Bank (with a copy to the Administrative Agent), the Company shall pay to such Bank such additional amount or amounts as will compensate such Bank for such increased cost or reduction.

(b) If any Bank shall have determined that, after the Effective Date (subject to clause (d) below), the adoption of any applicable law, rule or regulation regarding capital adequacy, or any change in any applicable law, rule or regulation regarding capital adequacy or liquidity requirements, or any change in the interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or any request or directive regarding capital adequacy or liquidity requirements (whether or not having the force of law) of any such authority,

central bank or comparable agency, has or would have the effect of reducing the rate of return on capital of such Bank (or its Parent) as a consequence of such Bank's obligations hereunder to a level below that which such Bank (or its Parent) could have achieved but for such adoption, change, request or directive (taking into consideration its policies with respect to capital adequacy) by an amount deemed by such Bank to be material, then from time to time, within 15 days after demand by such Bank (with a copy to the Administrative Agent), the Company shall pay to such Bank such additional amount or amounts as will compensate such Bank (or its Parent) for such reduction.

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

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

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

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

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

SECTION 8.05 Taxes.

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

“FATCA” means Sections 1471 through 1474 of the Code, as of the date of this Agreement (or any amended or successor version that is substantively comparable and not materially more onerous to comply with), any current or future regulations or official interpretations thereof, any agreement entered into pursuant to Section 1471(b)(1) of the Code and any fiscal or regulatory legislation, rules or practices adopted pursuant to any intergovernmental agreement, treaty or convention among governmental authorities and implementing such Sections of the Code.

“Taxes” means any and all present or future taxes, duties, levies, imposts, deductions, charges or withholdings of any nature with respect to any payment by the Company pursuant to this Agreement or any other Credit Document, and all liabilities with respect thereto, but excluding, in the case of each Bank and the Administrative Agent, (i) taxes imposed on its net income, and franchise, branch profits or similar taxes imposed on it, by a jurisdiction under the laws of which such Bank or the Administrative Agent (as the case may be) is organized or in which its principal executive office is located or, in the case of each Bank, in which its Applicable Lending Office is located, (ii) taxes imposed by reason of any present or former connection between such recipient and the jurisdiction (or any political subdivision thereof) imposing such taxes, other than solely as a result of the execution and delivery of this Agreement, the making of any Credit Extensions hereunder or the performance of any action provided for hereunder, (iii) in the case of each Bank, U.S. federal withholding taxes imposed on amounts payable to or for the account of such Bank with respect to an applicable interest in the Loan or this Agreement pursuant to a law in effect on the date on which such Bank acquires such interest in the Loan or this Agreement or such Bank changes its lending office, except in each case to the extent that, pursuant to this Section 8.05, amounts with respect to such taxes were payable either to such Bank’s assignor immediately before such Bank became a party hereto or to such Bank immediately before it changed its lending office, (iv) taxes attributable to such recipient’s failure to comply with Section 8.05(d) or Section 8.05(e), and (v) any withholding Taxes imposed by FATCA (all such excluded taxes, “Excluded Taxes”). If the form provided by a Bank pursuant to Section 8.05(d) at the time such Bank first becomes a party to this Agreement indicates a United States interest withholding tax rate in excess of zero, any United States interest withholding tax at such rate imposed on payments by the Company under this Agreement or any other Credit Document shall be excluded from the definition of “Taxes”.

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

“Withholding Agent” means the Company or the Administrative Agent.

(b) Any and all payments by any Withholding Agent to or for the account of any Bank or the Administrative Agent hereunder or under any other Credit Document shall be made free and clear and without deduction or withholding for any Taxes or Other Taxes; provided that, if any Withholding Agent shall be required by law to deduct any Taxes or Other Taxes from any such payments, (i) the sum

payable by the Company shall be increased as necessary so that after making all required deductions and withholdings (including deductions and withholdings applicable to additional sums payable under this Section) such Bank or the Administrative Agent (as the case may be) receives an amount equal to the sum it would have received had no such deductions or withholdings been made, (ii) such Withholding Agent (as the case may be) shall make such deductions or withholdings, (iii) such Withholding Agent (as the case may be) shall pay the full amount deducted or withheld to the relevant taxation authority or other authority in accordance with applicable law and (iv) the Company shall promptly furnish to the Administrative Agent, at its address referred to in Section 10.01(a), the original or a certified copy of a receipt evidencing payment thereof, and, if such receipt relates to Taxes or Other Taxes in respect of a sum payable to any Bank, the Administrative Agent shall promptly deliver such original or certified copy to such Bank.

(c) The Company agrees to indemnify each Bank and the Administrative Agent for the full amount of Taxes or Other Taxes (including, without limitation, any Taxes or Other Taxes imposed or asserted on amounts payable under this Section), whether or not correctly or legally imposed, paid by such Bank or the Administrative Agent (as the case may be) and reasonable expenses arising therefrom or with respect thereto. This indemnification shall be paid within 30 days after such Bank or Agent, as the case may be, makes demand therefor.

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

(e) If a payment made to a Bank under any Credit Document would be subject to U.S. federal withholding tax imposed by FATCA if such Bank fails to comply with the applicable reporting requirements of FATCA (including those contained in Section 1471(b) or 1472(b) of the Code, as applicable), such Bank shall deliver to the Company and the Withholding Agent at the time prescribed by law and at such times reasonably requested by the Withholding Agent or the Company such documentation prescribed by applicable law (including as prescribed by Section 1471(b)(3)(C)(i) of the Code) and such additional

documentation reasonably requested by the Withholding Agent or the Company sufficient for the Withholding Agent to comply with its obligations under FATCA and to determine that such Bank has complied with such applicable reporting requirements or to determine the amount to deduct and withhold from such payment. Solely for purposes of this clause (e), "FATCA" shall include any amendments made to FATCA after the date of this Agreement. Each Bank agrees that if any form or certification it previously delivered expires or becomes obsolete or inaccurate in any respect, it shall update such form or certification or promptly notify the Company and the Withholding Agent in writing of its legal inability to do so.

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

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

(h) Each Bank shall severally indemnify the Administrative Agent, within 10 days after demand therefor, for (i) any indemnified Taxes attributable to such Bank (but only to the extent that the Company has not already indemnified the Administrative Agent for such Taxes or Other Taxes and without limiting the obligation of the Company to do so), (ii) any Taxes attributable to such Bank's failure to comply with the provisions of Section 10.06 relating to the maintenance of a Participant Register and (iii) any Excluded Taxes attributable to such Bank, in each case, that are payable or paid by the Administrative Agent in connection with any Credit Document, and any reasonable expenses arising therefrom or with

respect thereto, whether or not such Taxes were correctly or legally imposed or asserted by the relevant governmental authority. A certificate as to the amount of such payment or liability delivered to any Bank by the Administrative Agent shall be conclusive absent manifest error. Each Bank hereby authorizes the Administrative Agent to set off and apply any and all amounts at any time owing to such Bank under any Credit Document or otherwise payable by the Administrative Agent to the Bank from any other source against any amount due to the Administrative Agent under this paragraph (h).

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

SECTION 8.06 [Reserved].

SECTION 8.07 Mitigation Obligations; Replacement of Banks.

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

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

law. A Bank shall not be required to make any such assignment and delegation if, prior thereto, as a result of a waiver by such Bank or otherwise, the circumstances entitling the Company to require such assignment and delegation cease to apply.

ARTICLE IX

[RESERVED]

ARTICLE X

MISCELLANEOUS

SECTION 10.01 Notices.

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

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

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

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

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

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

(c) To the extent permitted by applicable law, the Company shall not assert, and hereby waives, any claim against any Indemnitee, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result

of, this Agreement or any agreement or instrument contemplated hereby, the transactions contemplated hereby, any Loan, any Letter of Credit or the use of the proceeds thereof.

(d) [Reserved].

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

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

SECTION 10.05 Amendments and Waivers. Any provision of this Agreement may be amended or waived if, but only if, such amendment or waiver is in writing and is signed by the Company and the Required Banks or by the Administrative Agent (with the consent of the Required Banks) (and, if the rights or duties of the Administrative Agent or any Fronting Issuing Bank, in such capacity, are affected thereby, by the Administrative Agent or such Fronting Issuing Bank, as the case may be); provided that the Administrative Agent may, with the consent of the Company (which shall not be unreasonably withheld), specify by notice to the Banks modifications in the procedures set forth in Section 2.01(b); provided, further, that no such amendment or waiver shall (i) increase the amount or extend the expiry date of the Commitment of any Bank or increase the LC Exposure of any Bank, without the written consent of such Bank, (ii) reduce the principal amount of any Loan or the amount of any reimbursement obligation of the Company in respect of any LC Disbursement, the rate or amount of interest thereon or any fees payable to any Bank hereunder, without the written consent of each Bank affected thereby, (iii) postpone the scheduled date of payment of the principal amount of any Loan or for reimbursement of any LC Disbursement, or any interest thereon,

or any fees payable hereunder, or waive or excuse any such payment, or postpone the scheduled date of expiration of any Commitment, without the written consent of each Bank affected thereby, (iv) change Section 2.13(b) or (c) or Section 10.04 in a manner that would alter the pro rata sharing of payments required thereby, without the written consent of each Bank affected thereby, (v) change any of the provisions of this Section or the definition of “Required Banks” or any other provision hereof specifying the number or percentage of Banks required to waive, amend or modify any rights hereunder or make any determination or grant any consent hereunder, without the written consent of each Bank, or (vi) the release of any of the collateral provided for the LC Exposure pursuant to Sections 2.03(e) and 6.01 (other than as expressly provided in Section 2.03(e)), without the written consent of each Bank. Notwithstanding the above, subject to compliance with the procedures described in Section 2.11, the Commitments may be increased after the Effective Date in accordance with Section 2.11.

SECTION 10.06 Successors and Assigns.

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

(b) Any Bank may at any time grant to one or more banks or other institutions (each a “Participant”) participating interests in its Commitment or the Loans or any or all of its Letters of Credit. In the event of any such grant by a Bank of a participating interest to a Participant, whether or not upon notice to the Company and the Administrative Agent, such Bank shall remain solely responsible for the performance of its obligations hereunder, and the Company and the Administrative Agent shall continue to deal solely and directly with such Bank in connection with such Bank’s rights and obligations under this Agreement. Any agreement pursuant to which any Bank may grant such a participating interest shall provide that such Bank shall retain the sole right and responsibility to enforce the obligations of the Company hereunder including, without limitation, the right to approve any amendment, modification or waiver of any provision of this Agreement; provided that such participation agreement may provide that such Bank will not agree to any modification, amendment or waiver of this Agreement described in the proviso of Section 10.05 without the consent of the Participant. The Company agrees that each Participant shall, to the extent provided in its participation agreement, be entitled to the benefits of Article VIII with respect to its participating interest, subject to clause (e) of this Section. To the extent permitted by law, each Participant also shall be entitled to the benefits of Section 10.17 as though it were a Bank; provided that such Participant agrees to be subject to Section 10.04 as though it were a Bank. An assignment or other transfer which is not permitted by subsection (c) or (d) of this Section shall be given effect for purposes of this Agreement only to the extent of a participating interest granted in accordance with this subsection (b). Each Bank that grants a participation shall, acting solely for this purpose as a non-fiduciary agent of the Company, maintain a register on which it enters the name and address of each Participant and the principal amounts (and stated interest) of each Participant’s interest in the Loans, Letters of Credit or other obligations under this Agreement (the “Participant Register”); provided that no Bank shall have any obligation to disclose all or any portion of the Participant Register to any Person (including the identity of any Participant or any

information relating to a Participant's interest in any Commitment, Loan, Letter of Credit or other obligations under any Loan Document) except to the extent that such disclosure is necessary to establish that such Commitment, Loan, Letter of Credit or other obligation is in registered form under Section 5f.103-1(c) of the United States Treasury Regulations. The entries in the Participant Register shall be conclusive absent manifest error, and such Bank shall treat each Person whose name is recorded in the Participant Register as the owner of such participation for all purposes of this Agreement notwithstanding any notice to the contrary. For the avoidance of doubt, the Administrative Agent (in its capacity as Administrative Agent) shall have no responsibility for maintaining a Participant Register.

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

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

(e) No Participant shall be entitled to receive any greater payment under Section 8.03, 8.05 or 8.06 than such Bank would have been entitled to receive with respect to the rights transferred, unless such transfer is made (i) with the Company's prior written consent or (ii) by reason of the provisions of Section 8.02 or 8.07 requiring such Participant to designate a different Applicable Lending Office under certain circumstances.

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

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

SECTION 10.09 Judicial Proceedings.

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

(b) [Reserved].

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

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

SECTION 10.10 Counterparts; Integration; Headings.

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

(b) The words “execute,” “execution,” “signed,” “signature,” and words of like import in or related to any document to be signed in connection with this Agreement and the transactions contemplated hereby (including without limitation Assignment and Assumptions, amendments or other modifications, Notices of Borrowing, waivers and consents) shall be deemed to include electronic signatures, the electronic matching of assignment terms and contract formations on electronic platforms approved by the Administrative Agent, or the keeping of records in electronic form, each of which shall be of the same legal effect, validity or enforceability as a manually executed signature or the use of a paper-based recordkeeping system, as the case may be, to the extent and as provided for in any applicable law, including the Federal Electronic Signatures in Global and National Commerce Act, the New York State Electronic Signatures and Records Act, or any other similar state laws based on the Uniform Electronic Transactions Act; provided that notwithstanding anything contained herein to the contrary the Administrative Agent is under no obligation to agree to accept electronic signatures in any form or in any format unless expressly agreed to by the Administrative Agent pursuant to procedures approved by it.

(c) Posting of Communications. The Company agrees that the Administrative Agent may, but shall not be obligated to, make any communications available to the Banks by posting the communications on IntraLinks™, DebtDomain, SyndTrak, ClearPar or any other electronic platform chosen by the Administrative Agent to be its electronic transmission system (the “Approved Electronic Platform”). Although the Approved Electronic Platform and its primary web portal are secured with generally-applicable security procedures and policies implemented or modified by the Administrative Agent from time to time (including, as of the Effective Date, a user ID/password authorization system) and the Approved Electronic Platform is secured through a per-deal authorization method whereby each user may access the Approved Electronic Platform only on a deal-by-deal basis, each of the Banks and the Company acknowledges and agrees that the distribution of material through an electronic medium is not necessarily secure, that the Administrative Agent is not responsible for approving or vetting the representatives or contacts of any Bank that are added to the Approved Electronic Platform, and that there may be confidentiality and other risks associated with such distribution. Each of the Banks and the Company hereby approves distribution of the communications through the Approved Electronic Platform and understands and assumes the risks of such distribution.

(d) THE APPROVED ELECTRONIC PLATFORM AND THE COMMUNICATIONS ARE PROVIDED “AS IS” AND “AS AVAILABLE”. THE APPLICABLE PARTIES (AS DEFINED BELOW) DO NOT WARRANT THE ACCURACY OR COMPLETENESS OF THE COMMUNICATIONS, OR THE ADEQUACY OF THE APPROVED ELECTRONIC PLATFORM AND

EXPRESSLY DISCLAIM LIABILITY FOR ERRORS OR OMISSIONS IN THE APPROVED ELECTRONIC PLATFORM AND THE COMMUNICATIONS. NO WARRANTY OF ANY KIND, EXPRESS, IMPLIED OR STATUTORY, INCLUDING ANY WARRANTY OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, NON-INFRINGEMENT OF THIRD PARTY RIGHTS OR FREEDOM FROM VIRUSES OR OTHER CODE DEFECTS, IS MADE BY THE APPLICABLE PARTIES IN CONNECTION WITH THE COMMUNICATIONS OR THE APPROVED ELECTRONIC PLATFORM. IN NO EVENT SHALL THE ADMINISTRATIVE AGENT, ANY JOINT LEAD ARRANGER, ANY DOCUMENTATION AGENT, ANY SYNDICATION AGENT OR ANY OF THEIR RESPECTIVE RELATED PARTIES (COLLECTIVELY, “APPLICABLE PARTIES”) HAVE ANY LIABILITY TO THE COMPANY, ANY BANK OR ANY OTHER PERSON OR ENTITY FOR DAMAGES OF ANY KIND, INCLUDING DIRECT OR INDIRECT, SPECIAL, INCIDENTAL OR CONSEQUENTIAL DAMAGES, LOSSES OR EXPENSES (WHETHER IN TORT, CONTRACT OR OTHERWISE) ARISING OUT OF THE COMPANY’S OR THE ADMINISTRATIVE AGENT’S TRANSMISSION OF COMMUNICATIONS THROUGH THE INTERNET OR THE APPROVED ELECTRONIC PLATFORM OR DAMAGES ARISING FROM THE USE BY OTHERS OF ANY INFORMATION OR OTHER MATERIALS OBTAINED THROUGH THE APPROVED ELECTRONIC PLATFORM IN CONNECTION WITH THIS AGREEMENT OR ANY OTHER CREDIT DOCUMENT EXCEPT TO THE EXTENT THAT SUCH LOSSES, CLAIMS, DAMAGES, LIABILITIES OR EXPENSES ARE DETERMINED BY A COURT OF COMPETENT JURISDICTION BY A FINAL AND NON-APPEALABLE JUDGMENT TO HAVE RESULTED FROM THE GROSS NEGLIGENCE, WILLFUL MISCONDUCT OR BAD FAITH OF SUCH APPLICABLE PARTY.

(e) Each Bank agrees that notice to it (as provided in the next sentence) specifying that communications have been posted to the Approved Electronic Platform shall constitute effective delivery of the communications to such Bank for purposes of the Credit Documents. Each Bank agrees (i) to notify the Administrative Agent in writing (which could be in the form of electronic communication) from time to time of such Bank’s (as applicable) email address to which the foregoing notice may be sent by electronic transmission and (ii) that the foregoing notice may be sent to such email address.

(f) Each Bank and the Company agrees that the Administrative Agent may, but (except as may be required by applicable law) shall not be obligated to, store the communications on the Approved Electronic Platform in accordance with the Administrative Agent’s generally applicable document retention procedures and policies. Nothing herein shall prejudice the right of the Administrative Agent or any Bank to give any notice or other communication pursuant to any Credit Document in any other manner specified in such Credit Document.

SECTION 10.11 Confidentiality. The Administrative Agent and each Bank agree that they will maintain the confidentiality of, and will not use for any purpose (other than exercising its rights and enforcing its remedies hereunder and under the other Credit Documents), any written or oral information provided under this Agreement by or on behalf of the Company (hereinafter collectively called “Confidential Information”), subject to the Administrative Agent’s and each Bank’s (a) obligation to disclose any such Confidential Information pursuant to a request or order under applicable laws and regulations or by a self-

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

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

SECTION 10.13 [Reserved].

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

SECTION 10.15 No Fiduciary Duty. The Administrative Agent, each Bank and their Affiliates (collectively, solely for purposes of this Section, the “Banks”), may have economic interests that conflict with those of the Company and each Applicant, their respective stockholders and/or their affiliates. The Company agrees that nothing in the Credit Documents or otherwise will be deemed to create an advisory,

fiduciary or agency relationship or fiduciary or other implied duty between any Bank, on the one hand, and the Company, its stockholders or its affiliates, on the other. The Company acknowledges and agrees that (i) the transactions contemplated by the Credit Documents (including the exercise of rights and remedies hereunder and thereunder) are arm's-length commercial transactions between the Banks, on the one hand, and the Company, on the other, and (ii) in connection therewith and with the process leading thereto, (x) no Bank has assumed an advisory or fiduciary responsibility in favor of the Company, its stockholders or its affiliates with respect to the transactions contemplated hereby (or the exercise of rights or remedies with respect thereto) or the process leading thereto (irrespective of whether any Bank has advised, is currently advising or will advise the Company, its stockholders or its Affiliates on other matters) or any other obligation to the Company except the obligations expressly set forth in the Credit Documents and (y) each Bank is acting solely as principal and not as the agent or fiduciary of the Company, its management, stockholders or creditors or any other Person. The Company acknowledges and agrees that the Company has consulted its own legal and financial advisors to the extent it deemed appropriate and that it is responsible for making its own independent judgment with respect to such transactions and the process leading thereto. The Company agrees that the Company will not claim that any Bank has rendered advisory services of any nature or respect, or owes a fiduciary or similar duty to it, in connection with such transaction or the process leading thereto.

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

- (a) the application of any Write-Down and Conversion Powers by an EEA Resolution Authority to any such liabilities arising hereunder which may be payable to it by any party hereto that is an EEA Financial Institution; and
- (b) the effects of any Bail-In Action on any such liability, including, if applicable:
 - (i) a reduction in full or in part or cancellation of any such liability;
 - (ii) a conversion of all, or a portion of, such liability into shares or other instruments of ownership in such EEA Financial Institution, its parent entity, or a bridge institution that may be issued to it or otherwise conferred on it, and that such shares or other instruments of ownership will be accepted by it in lieu of any rights with respect to any such liability under this Agreement or any other Credit Document; or
 - (iii) the variation of the terms of such liability in connection with the exercise of the write-down and conversion powers of any EEA Resolution Authority.

SECTION 10.17 Right of Setoff. If an Event of Default shall have occurred and be continuing, each Bank, and each of their respective Affiliates is hereby authorized at any time and from time to time, to the fullest extent permitted by law, to setoff and apply any and all deposits (general or special, time or demand, provisional or final) at any time held, and other obligations at any time due and owing, by such Bank or any such Affiliate, to or for the credit or the account of the Company against any and all of the obligations of the Company now or hereafter existing under this Agreement or any other Credit Document to such Bank or their respective Affiliates, irrespective of whether or not such Bank or Affiliate shall have made any demand under this Agreement or any other Credit Document and although such obligations of the Company may be contingent or unmatured or are owed to a branch office or Affiliate of such Bank different from the branch office or Affiliate holding such deposit or obligated on such indebtedness; provided that in the event that any Defaulting Bank shall exercise any such right of setoff, (x) all amounts so setoff shall be paid over immediately to the Administrative Agent for further application in accordance with the provisions of Section 2.17 and, pending such payment, shall be segregated by such Defaulting Bank from its other funds and deemed held in trust for the benefit of the Administrative Agent and the Banks, and (y) the Defaulting Bank shall provide promptly to the Administrative Agent a statement describing in reasonable detail the Obligations owing to such Defaulting Bank as to which it exercised such right of setoff. The rights of each Bank and their respective Affiliates under this Section are in addition to other rights and remedies (including other rights of setoff) that such Bank or their respective Affiliates may have. Each Bank agrees to notify the Company and the Administrative Agent promptly after any such setoff and application; provided that the failure to give such notice shall not affect the validity of such setoff and application.

SECTION 10.18 Amendment and Restatement of Existing Credit Agreement. On the Effective Date this Agreement shall amend, restate and supersede the Existing Credit Agreement in its entirety, except as provided in this Section 10.18, and the Commitments (as defined in the Existing Credit Agreement) shall be terminated. On the Effective Date, (a) all Loans and Letters of Credit and (b) all the rights and obligations of the parties hereto evidenced by the Existing Credit Agreement shall be evidenced by this Agreement and shall not in any event be terminated, extinguished or annulled but shall hereafter be governed by this Agreement. All references to the Existing Credit Agreement in any Credit Document or other document or instrument delivered in connection therewith shall be deemed to refer to this Agreement and the provisions hereof. Nothing contained herein shall be construed as a novation of the “Obligations” outstanding under and as defined in the Existing Credit Agreement, which shall remain in full force and effect, except as modified hereby.

[Signature Pages Follow]

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

COMPANY:

BRIGHTHOUSE FINANCIAL, INC.

By: /s/ Conor E. Murphy

Name: Conor E. Murphy

Title: Executive Vice President, Chief Operating
Officer and Interim Chief Financial Officer

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

11225 North Community House Road

Charlotte, NC 28277

Attention: Jin Chang, Treasurer

Tel: (980) 949-4289

Fax: (980) 949-3934

BANKS:

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

By: /s/ Kristen Murphy

Name: Kristen Murphy

Title: Vice President

Address for Notices (for the Administrative Agent):

JPMorgan Chase Bank, N.A.

500 Stanton Christiana Road, NCC5, 1st Floor

Newark, DE, 19713

Attention: JPM Loan and Agency Services

Tel: (302) 634-1964

Fax: (302) 634-4733

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

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

U.S. BANK NATIONAL ASSOCIATION

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

Wells Fargo Bank, National Association

By: /s/ Karen Hanke

Name: Karen Hanke

Title: Managing Director

BARCLAYS BANK PLC

By: /s/ Ronnie Glenn

Name: Ronnie Glenn

Title: Director

BNP Paribas

By: /s/ Michael Albanese

Name: Michael Albanese

Title: Managing Director

By: /s/ Marguerite L. Lebon

Name: Marguerite L. Lebon

Title: Vice President

CITIBANK, N.A.

By: /s/ Peter Bickford

Name: Peter Bickford

Title: Vice President & Managing Director

CREDIT SUISSE AG, NEW YORK BRANCH

By: /s/ Doreen Barr

Name: Doreen Barr

Title: Authorized Signatory

By: /s/ Brady Bingham

Name: Brady Bingham

Title: Authorized Signatory

DEUTSCHE BANK AG NEW YORK BRANCH

By: /s/ Ming K. Chu

Name: Ming K. Chu

Title: Director

By: /s/ Virginia Cosenza

Name: Virginia Cosenza

Title: Vice President

GOLDMAN SACHS BANK USA,

By: /s/ Ryan Durkin

Name: Ryan Durkin

Title: Authorized Signatory

HSBC Bank USA, National Association

By: /s/ Daniel Hartmann

Name: Daniel Hartmann

Title: Vice President, Financial Institutions Group

MUFG Bank, Ltd.

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

MORGAN STANLEY BANK, N.A.

By: /s/ Michael King

Name: Michael King

Title: Authorized Signatory

PNC Bank, National Association

By: /s/ Paul Gleason

Name: Paul Gleason

Title: Vice President

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: May 7, 2019

/s/ Eric T. Steigerwalt

Eric T. Steigerwalt
President and Chief Executive Officer

CERTIFICATIONS

I, Conor E. Murphy, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Brighthouse Financial, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 7, 2019

/s/ Conor E. Murphy

Conor E. Murphy
Executive Vice President, Chief Operating Officer and Interim Chief
Financial Officer

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 March 31, 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: May 7, 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.

SECTION 906 CERTIFICATION

CERTIFICATION PURSUANT TO SECTION 1350 OF CHAPTER 63 OF TITLE 18 OF THE UNITED STATES CODE

I, Conor E. Murphy, certify that, to my knowledge, (i) Brighthouse Financial, Inc.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 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: May 7, 2019

/s/ Conor E. Murphy

Conor E. Murphy

Executive Vice President, Chief Operating Officer and Interim
Chief Financial Officer

This certification accompanies this Quarterly Report on Form 10-Q pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by such Act, be deemed filed by Brighthouse Financial, Inc. (the "Company") for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Such certification will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except to the extent that the Company specifically incorporates it by reference.