METLIFE INC
Form 10-Q
August 07, 2012

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

(Mark One)

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2012**

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: 001-15787

MetLife, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**13-4075851**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*
200 Park Avenue, New York, N.Y.	**10166-0188**
(Address of principal executive offices)	*(Zip Code)*

(212) 578-2211

(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 þ No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes þ No ¨

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

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

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

At July 31, 2012, 1,062,250,517 shares of the registrant s common stock, $0.01 par value per share, were outstanding.

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As used in this Form 10-Q, MetLife, the Company, we, our and us refer to MetLife, Inc., a Delaware corporation incorporated in 199 subsidiaries and affiliates.

Note Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q, including Management s Discussion and Analysis of Financial Condition and Results of Operations, may contain or incorporate by reference information that includes or is based upon forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements give expectations or forecasts of future events. These statements can be identified by the fact that they do not relate strictly to historical or current facts. They use words such as anticipate, estimate, expect, project intend, plan, believe and other words and terms of similar meaning in connection with a discussion of future operating or financial performance. In particular, these include statements relating to future actions, prospective services or products, future performance or results of current and anticipated services or products, sales efforts, expenses, the outcome of contingencies such as legal proceedings, trends in operations and financial results.

Any or all forward-looking statements may turn out to be wrong. They can be affected by inaccurate assumptions or by known or unknown risks and uncertainties. Many such factors will be important in determining the actual future results of MetLife, Inc., its subsidiaries and affiliates. These statements are based on current expectations and the current economic environment. They involve a number of risks and uncertainties that are difficult to predict. These statements are not guarantees of future performance. Actual results could differ materially from those expressed or implied in the forward-looking statements. Risks, uncertainties, and other factors that might cause such differences include the risks, uncertainties and other factors identified in MetLife, Inc. s filings with the U.S. Securities and Exchange Commission (the SEC). These factors include: (1) difficult conditions in the global capital markets; (2) concerns over U.S. fiscal policy and the fiscal cliff in the U.S., as well as rating agency downgrades of U.S. Treasury securities; (3) uncertainty about the effectiveness of governmental and regulatory actions to stabilize the financial system, the imposition of fees relating thereto, or the promulgation of additional regulations; (4) increased volatility and disruption of the capital and credit markets, which may affect our ability to seek financing or access our credit facilities; (5) impact of comprehensive financial services regulation reform on us; (6) economic, political, legal, currency and other risks relating to our international operations, including with respect to fluctuations of exchange rates; (7) exposure to financial and capital market risk, including as a result of the disruption in Europe and possible withdrawal of one or more countries from the Euro zone; (8) changes in general economic conditions, including the performance of financial markets and interest rates, which may affect our ability to raise capital, generate fee income and market-related revenue and finance statutory reserve requirements and may require us to pledge collateral or make payments related to declines in value of specified assets; (9) potential liquidity and other risks resulting from our participation in a securities lending program and other transactions; (10) investment losses and defaults, and changes to investment valuations; (11) impairments of goodwill and realized losses or market value impairments to illiquid assets; (12) defaults on our mortgage loans; (13) the defaults or deteriorating credit of other financial institutions that could adversely affect us; (14) our ability to address unforeseen liabilities, asset impairments, or rating actions arising from acquisitions or dispositions, including our acquisition of American Life Insurance Company and Delaware American Life Insurance Company (collectively, ALICO) and to successfully integrate and manage the growth of acquired businesses with minimal disruption; (15) uncertainty with respect to the outcome of the closing agreement entered into with the United States Internal Revenue Service in connection with the acquisition of ALICO; (16) the dilutive impact on our stockholders resulting from the settlement of common equity units issued in connection with the acquisition of ALICO or otherwise; (17) MetLife, Inc. s primary reliance, as a holding company, on dividends from its subsidiaries to meet debt payment obligations and the applicable regulatory restrictions on the ability of the subsidiaries to pay such dividends; (18) downgrades in our claims paying ability, financial strength or credit ratings; (19) ineffectiveness of risk management policies and procedures; (20) availability and effectiveness of reinsurance or indemnification arrangements, as well as default or failure of counterparties to perform; (21) discrepancies between actual claims experience and assumptions used in setting prices for our products and establishing the liabilities for our obligations for future

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policy benefits and claims; (22) catastrophe losses; (23) heightened competition, including with respect to pricing, entry of new competitors, consolidation of distributors, the development of new products by new and existing competitors, distribution of amounts available under U.S. government programs, and for personnel; (24) unanticipated changes in industry trends; (25) changes in assumptions related to investment valuations, deferred policy acquisition costs, deferred sales inducements, value of business acquired or goodwill; (26) changes in accounting standards, practices and/or policies; (27) increased expenses relating to pension and postretirement benefit plans, as well as health care and other employee benefits; (28) exposure to losses related to variable annuity guarantee benefits, including from significant and sustained downturns or extreme volatility in equity markets, reduced interest rates, unanticipated policyholder behavior, mortality or longevity, and the adjustment for nonperformance risk; (29) deterioration in the experience of the closed block established in connection with the reorganization of Metropolitan Life Insurance Company; (30) adverse results or other consequences from litigation, arbitration or regulatory investigations; (31) inability to protect our intellectual property rights or claims of infringement of the intellectual property rights of others; (32) discrepancies between actual experience and assumptions used in establishing liabilities related to other contingencies or obligations; (33) regulatory, legislative or tax changes relating to our insurance, banking, international, or other operations that may affect the cost of, or demand for, our products or services, or increase the cost or administrative burdens of providing benefits to employees; (34) the effects of business disruption or economic contraction due to disasters such as terrorist attacks, cyberattacks, other hostilities, or natural catastrophes, including any related impact on our disaster recovery systems, cyber- or other information security systems and management continuity planning; (35) the effectiveness of our programs and practices in avoiding giving our associates incentives to take excessive risks; and (36) other risks and uncertainties described from time to time in MetLife, Inc. s filings with the SEC.

MetLife, Inc. does not undertake any obligation to publicly correct or update any forward-looking statement if MetLife, Inc. later becomes aware that such statement is not likely to be achieved. Please consult any further disclosures MetLife, Inc. makes on related subjects in reports to the SEC.

Note Regarding Reliance on Statements in Our Contracts

See Exhibit Index Note Regarding Reliance on Statements in Our Contracts for information regarding agreements included as exhibits to this Quarterly Report on Form 10-Q.

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Part I Financial Information

Item 1. ***Financial Statements***

MetLife, Inc.

Interim Condensed Consolidated Balance Sheets

June 30, 2012 (Unaudited) and December 31, 2011

(In millions, except share and per share data)

	June 30, 2012	December 31, 2011
Assets		
Investments:		
Fixed maturity securities available-for-sale, at estimated fair value (amortized cost: $338,871 and $329,811, respectively;includes $3,289 and $3,225, respectively, relating to variable interest entities)	$ 366,339	$ 350,271
Equity securities available-for-sale, at estimated fair value (cost: $2,973 and $3,208, respectively)	2,882	3,023
Trading and other securities, at estimated fair value (includes $535 and $473, respectively, of actively traded securities;and $166 and $280, respectively, relating to variable interest entities)	18,328	18,268
Mortgage loans:		
Held-for-investment, principally at amortized cost (net of valuation allowances of $361 and $481, respectively; includes $2,981 and $3,187, respectively, at estimated fair value, relating to variable interest entities)	57,201	56,915
Held-for-sale, principally at estimated fair value (includes $461 and $10,716, respectively, under the fair value option)	1,740	15,178
Mortgage loans, net	58,941	72,093
Policy loans	11,912	11,892
Real estate and real estate joint ventures (includes $10 and $15, respectively, relating to variable interest entities)	8,477	8,563
Other limited partnership interests (includes $252 and $259, respectively, relating to variable interest entities)	6,726	6,378
Short-term investments, principally at estimated fair value	18,526	17,310
Other invested assets, principally at estimated fair value (includes $81 and $98, respectively, relating to variable interest entities)	24,288	23,581
Total investments	516,419	511,379
Cash and cash equivalents, principally at estimated fair value (includes $131 and $176, respectively, relating to variable interest entities)	16,035	10,461
Accrued investment income (includes $14 and $16, respectively, relating to variable interest entities)	4,404	4,344
Premiums, reinsurance and other receivables (includes $3 and $12, respectively, relating to variable interest entities)	23,974	22,481
Deferred policy acquisition costs and value of business acquired	24,505	24,619
Goodwill	11,823	11,935
Other assets (includes $5 and $5, respectively, relating to variable interest entities)	7,711	7,984
Separate account assets	220,317	203,023
Total assets	$ 825,188	$ 796,226
Liabilities and Equity		
Liabilities		
Future policy benefits	$ 188,509	$ 184,275
Policyholder account balances	225,909	217,700
Other policy-related balances	15,664	15,599
Policyholder dividends payable	786	774
Policyholder dividend obligation	3,369	2,919
Payables for collateral under securities loaned and other transactions	40,302	33,716
Bank deposits	6,832	10,507
Short-term debt	101	686
	18,879	23,692

Long-term debt (includes $2,821 and $3,068, respectively, at estimated fair value, relating to variable interest entities)		
Collateral financing arrangements	4,196	4,647
Junior subordinated debt securities	3,192	3,192
Current income tax payable	310	193
Deferred income tax liability	8,603	6,395
Other liabilities (includes $54 and $60, respectively, relating to variable interest entities; and $257 and $7,626, respectively, under the fair value option)	25,395	30,914
Separate account liabilities	220,317	203,023
Total liabilities	762,364	738,232
Contingencies, Commitments and Guarantees (Note 11)		
Redeemable noncontrolling interests in partially owned consolidated subsidiaries	95	105
Equity		
MetLife, Inc. s stockholders equity:		
Preferred stock, par value $0.01 per share; 200,000,000 shares authorized: 84,000,000 shares issued and outstanding;		
$2,100 aggregate liquidation preference	1	1
Common stock, par value $0.01 per share; 3,000,000,000 shares authorized; 1,065,380,456 and 1,061,150,915 shares issued at June 30, 2012 and December 31, 2011, respectively; 1,062,186,569 and 1,057,957,028 shares outstanding at June 30, 2012 and December 31, 2011, respectively	11	11
Additional paid-in capital	26,927	26,782
Retained earnings	26,904	24,814
Treasury stock, at cost; 3,193,887 shares at June 30, 2012 and December 31, 2011	(172)	(172)
Accumulated other comprehensive income (loss)	8,735	6,083
Total MetLife, Inc. s stockholders equity	62,406	57,519
Noncontrolling interests	323	370
Total equity	62,729	57,889
Total liabilities and equity	$ 825,188	$ 796,226

See accompanying notes to the interim condensed consolidated financial statements.

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MetLife, Inc.

Interim Condensed Consolidated Statements of Operations and Comprehensive Income

For the Three Months and Six Months Ended June 30, 2012 and 2011 (Unaudited)

(In millions, except per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Revenues				
Premiums	$ 9,161	$ 9,294	$ 18,290	$ 17,848
Universal life and investment-type product policy fees	2,097	1,969	4,175	3,858
Net investment income	4,719	5,094	10,919	10,406
Other revenues	393	592	990	1,158
Net investment gains (losses):				
Other-than-temporary impairments on fixed maturity securities	(118)	(298)	(253)	(430)
Other-than-temporary impairments on fixed maturity securities transferred to other comprehensive income (loss)	27	175	29	184
Other net investment gains (losses)	27	(32)	50	(8)
Total net investment gains (losses)	(64)	(155)	(174)	(254)
Net derivative gains (losses)	2,092	352	114	37
Total revenues	18,398	17,146	34,314	33,053
Expenses				
Policyholder benefits and claims	8,911	9,121	18,015	17,358
Interest credited to policyholder account balances	1,022	1,442	3,579	3,366
Policyholder dividends	352	374	695	746
Other expenses	4,775	4,699	9,096	8,789
Total expenses	15,060	15,636	31,385	30,259
Income (loss) from continuing operations before provision for income tax	3,338	1,510	2,929	2,794
Provision for income tax expense (benefit)	1,038	448	763	808
Income (loss) from continuing operations, net of income tax	2,300	1,062	2,166	1,986
Income (loss) from discontinued operations, net of income tax	3	31	17	(9)
Net income (loss)	2,303	1,093	2,183	1,977
Less: Net income (loss) attributable to noncontrolling interests	8	(7)	32	
Net income (loss) attributable to MetLife, Inc.	2,295	1,100	2,151	1,977
Less: Preferred stock dividends	31	31	61	61
Preferred stock redemption premium				146
Net income (loss) available to MetLife, Inc. s common shareholders	$ 2,264	$ 1,069	$ 2,090	$ 1,770
Comprehensive income (loss)	$ 3,765	$ 3,351	$ 4,819	$ 4,325
Less: Comprehensive income (loss) attributable to noncontrolling interests, net of income tax	1	(7)	16	(9)
Comprehensive income (loss) attributable to MetLife, Inc.	$ 3,764	$ 3,358	$ 4,803	$ 4,334

Income (loss) from continuing operations, net of income tax, available to MetLife, Inc. s common shareholders per common share:				
Basic	$ 2.13	$ 0.98	$ 1.95	$ 1.68
Diluted	$ 2.12	$ 0.97	$ 1.93	$ 1.66
Net income (loss) available to MetLife, Inc. s common shareholders per common share:				
Basic	$ 2.13	$ 1.01	$ 1.97	$ 1.67
Diluted	$ 2.12	$ 1.00	$ 1.95	$ 1.65

See accompanying notes to the interim condensed consolidated financial statements.

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MetLife, Inc.

Interim Condensed Consolidated Statements of Equity

For the Six Months Ended June 30, 2012 (Unaudited)

(In millions)

	Preferred Stock	Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock at Cost	Accumulated Other Comprehensive Income (Loss): Net Unrealized Investment Gains (Losses)	Other-Than-Temporary Impairments	Foreign Currency Translation Adjustments	Defined Benefit Plans Adjustment	Total MetLife, Inc.'s Stockholders' Equity	Noncontrolling Interests (1)	Total Equity
Balance at December 31, 2011	$ 1	$ 11	$ 26,782	$ 24,814	$ (172)	$ 9,115	$ (441)	$ (648)	$ (1,943)	$ 57,519	$ 370	$ 57,889
Stock-based compensation			145							145		145
Dividends on preferred stock				(61)						(61)		(61)
Change in equity of noncontrolling interests											(63)	(63)
Net income (loss)				2,151						2,151	20	2,171
Other comprehensive income (loss), net of income tax						2,805	26	(229)	50	2,652	(4)	2,648
Balance at June 30, 2012	$ 1	$ 11	$ 26,927	$ 26,904	$ (172)	$ 11,920	$ (415)	$ (877)	$ (1,893)	$ 62,406	$ 323	$ 62,729

(1) Net income (loss) attributable to noncontrolling interests excludes gains (losses) of redeemable noncontrolling interests in partially owned consolidated subsidiaries of $12 million.

See accompanying notes to the interim condensed consolidated financial statements.

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MetLife, Inc.

Interim Condensed Consolidated Statements of Equity

Interim Condensed Consolidated Statements of Equity (Continued)

For the Six Months Ended June 30, 2011 (Unaudited)

(In millions)

						Accumulated Other Comprehensive Income (Loss)						
	Preferred Stock	Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock at Cost	Net Unrealized Investment Gains (Losses)	Other-Than-Temporary Impairments	Foreign Currency Translation Adjustments	Defined Benefit Plans Adjustment	Total MetLife, Inc. s Stockholders Equity	Noncontrolling Interests (1)	Total Equity
Balance at December 31, 2010	$ 1	$ 10	$ 26,423	$ 21,363	$ (172)	$ 3,356	$ (366)	$ (541)	$ (1,449)	$ 48,625	$ 371	$ 48,996
Cumulative effect of change in accounting principle, net of income tax (Note 1)				(1,917)		132		13		(1,772)	(6)	(1,778)
Balance at January 1, 2011	1	10	26,423	19,446	(172)	3,488	(366)	(528)	(1,449)	46,853	365	47,218
Redemption of convertible preferred stock			(2,805)							(2,805)		(2,805)
Preferred stock redemption premium				(146)						(146)		(146)
Common stock issuance newly issued shares		1	2,949							2,950		2,950
Stock-based compensation			147							147		147
Dividends on preferred stock				(61)						(61)		(61)
Change in equity of noncontrolling interests											38	38
Net income (loss)				1,977						1,977	(4)	1,973
Other comprehensive income (loss), net of income tax						1,789	(94)	619	43	2,357	(5)	2,352
Balance at June 30, 2011	$ 1	$ 11	$ 26,714	$ 21,216	$ (172)	$ 5,277	$ (460)	$ 91	$ (1,406)	$ 51,272	$ 394	$ 51,666

(1) Net income (loss) attributable to noncontrolling interests excludes gains (losses) of redeemable noncontrolling interests in partially owned consolidated subsidiaries of $4 million.

See accompanying notes to the interim condensed consolidated financial statements.

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MetLife, Inc.

Interim Condensed Consolidated Statements of Cash Flows

For the Six Months Ended June 30, 2012 and 2011 (Unaudited)

(In millions)

	Six Months Ended June 30, 2012	Six Months Ended June 30, 2011
Net cash provided by operating activities	$ 12,102	$ 6,788
Cash flows from investing activities		
Sales, maturities and repayments of:		
Fixed maturity securities	51,495	54,958
Equity securities	789	1,027
Mortgage loans	4,625	5,152
Real estate and real estate joint ventures	544	268
Other limited partnership interests	453	676
Purchases of:		
Fixed maturity securities	(61,507)	(66,861)
Equity securities	(393)	(489)
Mortgage loans	(4,877)	(6,686)
Real estate and real estate joint ventures	(279)	(417)
Other limited partnership interests	(586)	(576)
Cash received in connection with freestanding derivatives	1,011	1,470
Cash paid in connection with freestanding derivatives	(1,549)	(2,632)
Net change in securitized reverse residential mortgage loans	(1,116)	
Sale of interest in joint venture		269
Net change in policy loans	(46)	(77)
Net change in short-term investments	(1,037)	(2,896)
Net change in other invested assets	(225)	(1)
Other, net	(79)	(78)
Net cash used in investing activities	(12,777)	(16,893)
Cash flows from financing activities		
Policyholder account balances:		
Deposits	49,224	44,671
Withdrawals	(44,889)	(40,842)
Net change in payables for collateral under securities loaned and other transactions	6,586	2,807
Net change in bank deposits	(3,717)	(341)
Net change in short-term debt	(585)	(204)
Long-term debt issued		1,221
Long-term debt repaid	(1,022)	(715)
Collateral financing arrangements repaid	(349)	
Cash received in connection with collateral financing arrangements		100
Cash paid in connection with collateral financing arrangements	(44)	
Debt issuance costs		(1)
Net change in liability for securitized reverse residential mortgage loans	1,116	
Common stock issued, net of issuance costs		2,950
Stock options exercised	79	73
Redemption of convertible preferred stock		(2,805)
Preferred stock redemption premium		(146)
Dividends on preferred stock	(61)	(61)
Other, net	(47)	(121)
Net cash provided by financing activities	6,291	6,586

Effect of change in foreign currency exchange rates on cash and cash equivalents balances		(42)		146
Change in cash and cash equivalents		5,574		(3,373)
Cash and cash equivalents, beginning of period		10,461		13,046
Cash and cash equivalents, end of period	$	16,035	$	9,673
Cash and cash equivalents, subsidiaries held-for-sale, beginning of period	$		$	89
Cash and cash equivalents, subsidiaries held-for-sale, end of period	$		$	45
Cash and cash equivalents, from continuing operations, beginning of period	$	10,461	$	12,957
Cash and cash equivalents, from continuing operations, end of period	$	16,035	$	9,628
Supplemental disclosures of cash flow information:				
Net cash paid during the period for:				
Interest	$	494	$	834
Income tax	$	302	$	586
Non-cash transactions during the period:				
Real estate and real estate joint ventures acquired in satisfaction of debt	$	221	$	74
Collateral financing arrangements repaid	$	102	$	
Redemption of advances agreements in long-term debt (1)	$	3,806	$	
Issuance of funding agreements in policyholder account balances (1)	$	3,806	$	

(1) See Note 2.

See accompanying notes to the interim condensed consolidated financial statements.

MetLife, Inc.

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)

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

Business

MetLife or the Company refers to MetLife, Inc., a Delaware corporation incorporated in 1999, its subsidiaries and affiliates. MetLife is a leading global provider of insurance, annuities and employee benefit programs throughout the United States, Japan, Latin America, Asia, Europe and the Middle East. Through its subsidiaries and affiliates, MetLife offers life insurance, annuities, property & casualty insurance, and other financial services to individuals, as well as group insurance and retirement & savings products and services to corporations and other institutions.

MetLife is organized into six segments: Retail; Group, Voluntary & Worksite Benefits; Corporate Benefit Funding; and Latin America (collectively, The Americas); Asia; and Europe, the Middle East and Africa (EMEA). See Note 16 for further information on the reorganization of the Company s segments in the first quarter of 2012, which was retrospectively applied.

Basis of Presentation

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to adopt accounting policies and make estimates and assumptions that affect amounts reported in the interim condensed consolidated financial statements.

Certain international subsidiaries have a fiscal year-end of November 30. Accordingly, the Company s interim condensed consolidated financial statements reflect the assets and liabilities of such subsidiaries as of May 31, 2012 and November 30, 2011 and the operating results of such subsidiaries for the three months and six months ended May 31, 2012 and 2011.

In applying the Company s accounting policies, management makes 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 the Company s business and operations. Actual results could differ from these estimates.

The accompanying interim condensed consolidated financial statements include the accounts of MetLife, Inc. and its subsidiaries, as well as partnerships and joint ventures in which the Company has control, and variable interest entities (VIEs) for which the Company is the primary beneficiary. Closed block assets, liabilities, revenues and expenses are combined on a line-by-line basis with the assets, liabilities, revenues and expenses outside the closed block based on the nature of the particular item. See Note 9. Intercompany accounts and transactions have been eliminated.

The Company uses the equity method of accounting for investments in equity securities in which it has a significant influence or more than a 20% interest and for real estate joint ventures and other limited partnership interests in which it has more than a minor ownership interest or more than a minor influence over the joint venture s or partnership s operations, but does not have a controlling interest and is not the primary beneficiary. The Company uses the cost method of accounting for investments in real estate joint ventures and other limited partnership interests in which it has a minor equity investment and virtually no influence over the joint venture s or the partnership s operations.

Certain amounts in the prior year periods interim condensed consolidated financial statements and related footnotes thereto have been reclassified to conform with the 2012 presentation as discussed throughout the Notes to the Interim Condensed Consolidated Financial Statements. See Adoption of New Accounting Pronouncements for discussion of accounting pronouncements adopted in the first quarter of 2012, which were retrospectively applied.

MetLife, Inc.

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

The accompanying interim condensed consolidated financial statements reflect all adjustments (including normal recurring adjustments) necessary to present fairly the consolidated financial position of the Company at June 30, 2012, its consolidated results of operations and comprehensive income for the three months and six months ended June 30, 2012 and 2011, its consolidated statements of equity for the six months ended June 30, 2012 and 2011, and its consolidated statements of cash flows for the six months ended June 30, 2012 and 2011, in conformity with GAAP. Interim results are not necessarily indicative of full year performance. The December 31, 2011 consolidated balance sheet data was derived from audited consolidated financial statements included in MetLife, Inc. s Annual Report on Form 10-K for the year ended December 31, 2011, as revised by MetLife, Inc. s Current Report on Form 8-K filed with the U.S. Securities and Exchange Commission (SEC) on May 23, 2012 (as revised, the 2011 Annual Report), which include all disclosures required by GAAP. Therefore, these interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements of the Company included in the 2011 Annual Report.

Adoption of New Accounting Pronouncements

Effective January 1, 2012, the Company adopted new guidance regarding comprehensive income that defers the effective date pertaining to reclassification adjustments out of accumulated other comprehensive income. The amendments in this guidance are being made to allow the Financial Accounting Standards Board (FASB) time to re-deliberate whether to present on the face of the financial statements the effects of reclassifications out of accumulated other comprehensive income on the components of net income and other comprehensive income for all periods presented. All other requirements in the new comprehensive income standard are not affected by this guidance, including the requirement to report comprehensive income either in a single continuous financial statement or in two separate but consecutive financial statements on an annual basis.

On January 1, 2012, the Company adopted new guidance regarding comprehensive income, which was retrospectively applied, that provides companies with the option to present the total of comprehensive income, components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements in annual financial statements. The objective of the standard is to increase the prominence of items reported in other comprehensive income and to facilitate convergence of GAAP and International Financial Reporting Standards (IFRS). The standard eliminates the option to present components of other comprehensive income as part of the statement of changes in stockholders equity. The amendments in this guidance do not change the items that must be reported in other comprehensive income or when an item of other comprehensive income must be reclassified in net income. The Company adopted the two-statement approach for annual financial statements.

Effective January 1, 2012, the Company adopted new guidance on goodwill impairment testing that simplifies how an entity tests goodwill for impairment. This new guidance allows an entity to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying value as a basis for determining whether it needs to perform the quantitative two-step goodwill impairment test. Only if an entity determines, based on qualitative assessment, that it is more likely than not that a reporting unit s fair value is less than its carrying value will it be required to calculate the fair value of the reporting unit. The adoption did not have a material impact on the Company s consolidated financial statements.

Effective January 1, 2012, the Company adopted new guidance regarding fair value measurements that establishes common requirements for measuring fair value and for disclosing information about fair value measurements in accordance with GAAP and IFRS. Some of the amendments clarify the FASB s intent on the application of existing fair value measurement requirements. Other amendments change a particular principle or requirement for measuring fair value or for disclosing information about fair value measurements. The adoption did not have a material impact on the Company s consolidated financial statements. See also expanded disclosures in Note 5.

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MetLife, Inc.

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

Effective January 1, 2012, the Company adopted new guidance regarding effective control in repurchase agreements. The guidance removes from the assessment of effective control the criterion requiring the transferor to have the ability to repurchase or redeem the financial assets. The adoption did not have a material impact on the Company s consolidated financial statements.

On January 1, 2012, the Company adopted new guidance regarding accounting for deferred policy acquisition costs (DAC), which was retrospectively applied. The guidance specifies that only costs related directly to successful acquisition of new or renewal contracts can be capitalized as DAC; all other acquisition-related costs must be expensed as incurred. Under the new guidance, advertising costs may only be included in DAC if the capitalization criteria in the direct-response advertising guidance in Subtopic 340-20, *Other Assets and Deferred Costs Capitalized Advertising Costs*, are met. As a result, certain direct marketing, sales manager compensation and administrative costs previously capitalized by the Company will no longer be deferred.

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MetLife, Inc.

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

The following table presents the effects of the retrospective application of the adoption of such new accounting guidance to the Company s previously reported consolidated statements of operations and comprehensive income:

	Three Months Ended June 30, 2011			Six Months Ended June 30, 2011		
	As Previously Reported	Adjustment	As Adjusted	As Previously Reported	Adjustment	As Adjusted
	(In millions)					
Revenues						
Net investment income	$ 5,096(1)	$ (2)	$ 5,094	$ 10,410(1)	$ (4)	$ 10,406
Expenses						
Policyholder benefits and claims	$ 9,119	$ 2	$ 9,121	$ 17,350	$ 8	$ 17,358
Other expenses	$ 4,495	$ 204	$ 4,699	$ 8,397	$ 392	$ 8,789
Income (loss) from continuing operations before provision for income tax	$ 1,718(1)	$ (208)	$ 1,510	$ 3,198(1)	$ (404)	$ 2,794
Provision for income tax expense (benefit)	$ 519	$ (71)	$ 448	$ 946(1)	$ (138)	$ 808
Income (loss) from continuing operations, net of income tax	$ 1,199(1)	$ (137)	$ 1,062	$ 2,252(1)	$ (266)	$ 1,986
Net income (loss)	$ 1,230	$ (137)	$ 1,093	$ 2,243	$ (266)	$ 1,977
Net income (loss) attributable to MetLife, Inc.	$ 1,237	$ (137)	$ 1,100	$ 2,243	$ (266)	$ 1,977
Net income (loss) available to MetLife, Inc. s common shareholders	$ 1,206	$ (137)	$ 1,069	$ 2,036	$ (266)	$ 1,770
Income (loss) from continuing operations, net of income tax, available to MetLife, Inc. s common shareholders per common share:						
Basic	$ 1.11	$ (0.13)	$ 0.98	$ 1.93	$ (0.25)	$ 1.68
Diluted	$ 1.10	$ (0.13)	$ 0.97	$ 1.91	$ (0.25)	$ 1.66
Net income (loss) available to MetLife, Inc. s common shareholders per common share:						
Basic	$ 1.14	$ (0.13)	$ 1.01	$ 1.92	$ (0.25)	$ 1.67
Diluted	$ 1.13	$ (0.13)	$ 1.00	$ 1.90	$ (0.25)	$ 1.65

(1) Amounts in the table above differ from the amounts previously reported in the consolidated statements of operations and comprehensive income due to the inclusion of the impact of discontinued real estate operations of $2 million for the three months ended June 30, 2011 and $3 million (net investment income of $4 million, net of $1 million of income tax) for the six months ended June 30, 2011.

MetLife, Inc.

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

The following table presents the effects of the retrospective application of the adoption of such new accounting guidance to the Company s previously reported consolidated statement of cash flows:

	Six Months Ended June 30, 2011		
	As Previously Reported	Adjustment	As Adjusted
	(In millions)		
Net cash provided by operating activities	$ 6,793	$ (5)	$ 6,788
Net change in other invested assets	$ (6)	$ 5	$ (1)

Future Adoption of New Accounting Pronouncements

In December 2011, the FASB issued new guidance regarding balance sheet offsetting disclosures (Accounting Standards Update (ASU) 2011-11, *Balance Sheet (Topic 210): Disclosures about Offsetting Assets and Liabilities),* effective for annual reporting periods beginning on or after January 1, 2013, and interim periods within those annual periods. The guidance should be applied retrospectively for all comparative periods presented. The amendments in ASU 2011-11 require an entity to disclose information about offsetting and related arrangements to enable users of its financial statements to understand the effects of those arrangements on its financial position. Entities are required to disclose both gross information and net information about both instruments and transactions eligible for offset in the statement of financial position and instruments and transactions subject to an agreement similar to a master netting arrangement. The objective of ASU 2011-11 is to facilitate comparison between those entities that prepare their financial statements on the basis of GAAP and those entities that prepare their financial statements on the basis of IFRS. The Company is currently evaluating the impact of this guidance on its consolidated financial statements and related disclosures.

In December 2011, the FASB issued new guidance regarding derecognition of in substance real estate (ASU 2011-10, *Property, Plant and Equipment (Topic 360): Derecognition of in Substance Real Estate a Scope Clarification (a consensus of the FASB Emerging Issues Task Force),* effective for fiscal years, and interim periods within those fiscal years, beginning on or after June 15, 2012. The amendments should be applied prospectively to deconsolidation events occurring after the effective date. Under the amendments in ASU 2011-10, when a parent ceases to have a controlling financial interest in a subsidiary that is in substance real estate as a result of a default on the subsidiary s nonrecourse debt, the reporting entity should apply the guidance in Subtopic 360-20: *Property, Plant, and Equipment Real Estate Sales* to determine whether it should derecognize the in substance real estate. Generally, a reporting entity would not satisfy the requirements to derecognize in substance real estate before the legal transfer of the real estate to the lender and the extinguishment of the related nonrecourse indebtedness. The Company is currently evaluating the impact of this guidance on its consolidated financial statements.

In July 2011, the FASB issued new guidance on other expenses (ASU 2011-06, *Other Expenses (Topic 720): Fees Paid to the Federal Government by Health Insurers)*, effective for calendar years beginning after December 31, 2013. The objective of this standard is to address how health insurers should recognize and classify in their income statements fees mandated by the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act. The amendments in this standard specify that the liability for the fee should be estimated and recorded in full once the entity provides qualifying health insurance in the applicable calendar year in which the fee is payable with a corresponding deferred cost that is amortized to expense using the straight-line method of allocation unless another method better allocates the fee over the calendar year that it is payable. The Company is currently evaluating the impact of this guidance on its consolidated financial statements.

MetLife, Inc.

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

2. Acquisitions and Dispositions

2012 Pending Dispositions

MetLife Bank

In December 2011, MetLife Bank, National Association (MetLife Bank) and MetLife, Inc. entered into a definitive agreement to sell most of the depository business of MetLife Bank to GE Capital Financial Inc. (GE Capital Bank). The transaction is subject to the receipt of regulatory approvals from the Federal Deposit Insurance Corporation (the FDIC) and to the satisfaction of other customary closing conditions. The Utah Department of Financial Institutions has approved the transaction and the Office of the Comptroller of the Currency (the OCC) has granted approval of a change in the composition of all or substantially all of MetLife Bank s assets in connection with the transaction. GE Capital Bank has filed an application with the FDIC seeking approval of the assumption of the deposits to be transferred to it, and MetLife Bank has filed an application with the FDIC to terminate MetLife Bank s FDIC deposit insurance contingent upon certification that MetLife Bank has no remaining deposits (which is dependent on the assumption by GE Capital Bank of the deposits to be transferred to it). The parties have each responded to questions on their applications from the staff of the FDIC, and GE Capital Bank is in the process of responding to recent additional requests from the FDIC. The parties are awaiting action by the FDIC on their applications. Additionally, in January 2012, MetLife, Inc. announced it was exiting the business of originating forward residential mortgages and, in April 2012, announced it was exiting the businesses of originating and servicing reverse residential mortgages and that it and MetLife Bank entered into a definitive agreement to sell MetLife Bank s reverse mortgage servicing portfolio.

On June 29, 2012, the Company sold the majority of MetLife Bank s reverse mortgage servicing rights and related assets and liabilities for $25 million in net consideration. The net assets sold were $127 million, resulting in a loss on disposal of $67 million, net of income tax, for the six months ended June 30, 2012. As a result of this sale, the Company de-recognized $8.7 billion of the associated securitized reverse residential mortgage loans that previously did not qualify as sales, as well as the corresponding liability of $8.7 billion related to these mortgages in the consolidated balance sheet at June 30, 2012. See Note 1 of the Notes to the Consolidated Financial Statements included in the 2011 Annual Report. The remaining loans and corresponding liability are expected to be de-recognized upon transfer of the remaining mortgage servicing rights anticipated in the second half of 2012.

In conjunction with exiting the depository and origination businesses, for the three months and six months ended June 30, 2012, the Company recorded a net loss of $50 million and $43 million, respectively, net of income tax, which included lease impairments, other employee-related charges, impairments on mortgage loans, and gains (losses) on securities and mortgage loans sold. The total assets and liabilities recorded in the consolidated balance sheets related to these businesses were approximately $7.0 billion and $6.2 billion at June 30, 2012, respectively, and $11.3 billion and $10.5 billion at December 31, 2011, respectively.

The Company expects to incur additional charges of $5 million to $50 million, net of income tax, during the remainder of 2012, related to exiting these four businesses. These businesses did not qualify for discontinued operations accounting treatment under GAAP.

MetLife Bank has historically taken advantage of collateralized borrowing opportunities with the Federal Home Loan Bank of New York (FHLB of NY). In January 2012, MetLife Bank discontinued taking advances from the FHLB of NY. In April 2012, MetLife Bank transferred cash to Metropolitan Life Insurance Company (MLIC) related to $3.8 billion of outstanding advances which had been included in long-term debt, and MLIC assumed the associated obligations under terms similar to those of the transferred advances by issuing funding agreements which are included in policyholder account balances (PABs).

MetLife, Inc.

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

Caribbean Business

In November 2011, the Company entered into an agreement to sell its insurance operations in the Caribbean region, Panama and Costa Rica (the Caribbean Business). The total assets and liabilities recorded in the consolidated balance sheets related to these insurance operations were $782 million and $623 million at June 30, 2012, respectively, and $859 million and $707 million at December 31, 2011, respectively. Subsequent to June 30, 2012, regulatory approvals have been received and closings have taken place in approximately half of the jurisdictions. There was no additional gain or loss recorded upon any of the closings. See Note 2 of the Notes to the Consolidated Financial Statements included in the 2011 Annual Report. Sales in the remaining jurisdictions are expected to close in the third quarter of 2012, subject to regulatory approval and other customary closing conditions in each of the jurisdictions. The results of the Caribbean Business are included in continuing operations.

2010 Acquisition

American Life Insurance Company

Contingent Consideration

Related to the 2010 acquisition of American Life Insurance Company (American Life), the Company guaranteed that the fair value of a fund of assets backing certain United Kingdom unit-linked contracts will have a value of at least £1 per unit on July 1, 2012. If the shortfall between the aggregate guaranteed amount and the fair value of the fund exceeds £106 million (as adjusted for withdrawals), American International Group, Inc. (AIG) will pay the difference to the Company and, conversely, if the shortfall at July 1, 2012 is less than £106 million, the Company will pay the difference to AIG. At July 1, 2012, the shortfall between the aggregate guaranteed amount and the fair value of the fund was less than £106 million, resulting in a contingent consideration liability of $108 million at June 30, 2012, which is expected to be settled in the third quarter of 2012. The contingent consideration liability was $109 million at December 31, 2011. The decrease in the contingent consideration liability amount from December 31, 2011 to June 30, 2012 was recorded in net derivative gains (losses) in the interim condensed consolidated statement of operations and comprehensive income. See Note 2 of the Notes to the Consolidated Financial Statements included in the 2011 Annual Report.

Branch Restructuring

During the second quarter of 2012, and in accordance with the closing agreement American Life entered into on March 4, 2010 (the Closing Agreement) with the Commissioner of the Internal Revenue Service, the Company transferred the business of the Japan branch to a newly incorporated wholly-owned subsidiary in Japan, MetLife Alico Life Insurance K. K. (MLKK). Also during the second quarter of 2012, the Company revised the estimate of the valuation allowance required for U.S. deferred tax assets relating to the ongoing restructuring of American Life s other non-U.S. branches. As of December 31, 2011 the Company had recorded a valuation allowance related to the branch restructuring of $720 million to reduce the net amount of U.S. deferred tax assets to an amount that is more likely than not realizable. This valuation allowance was reduced to $118 million as of June 30, 2012. The net reduction in the valuation allowance was primarily due to the following factors:

- Additional U.S. deferred tax assets that were determined to be realizable in the second quarter of 2012;

- Additional tax basis in assets as a result of the gain recognized during the second quarter of 2012 related to the branch restructuring that more likely than not will not be realizable; and

- A reduction in both the gross deferred tax asset and the valuation allowance related to the completion of the Company s transfer of the Japan branch business to MLKK.

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MetLife, Inc.

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

The following table provides a rollforward of the deferred tax asset valuation allowance associated with the branch restructuring:

	Japan	Other Non-U.S. Branches (In millions)	Total
Balance, beginning of period	$ 566	$ 154	$ 720
Income tax expense (benefit)	10	(11)	(1)
Deferred income tax expense (benefit) related to unrealized investment gains (losses)	320	(25)	295
Offsetting reduction in gross deferred tax asset related to the branch transfer to subsidiary	(896)		(896)
Balance, end of period	$	$ 118	$ 118

A liability of $277 million was recognized in purchase accounting as of November 1, 2010 for the anticipated and estimated costs associated with restructuring American Life s foreign branches into subsidiaries in connection with the Closing Agreement. This liability has been reduced based on payments through June 30, 2012. In addition, based on revised estimates of anticipated costs, this liability was reduced by $35 million for both the three months and six months ended June 30, 2012, which was recorded as a reduction in other expenses in the interim condensed consolidated statements of operations and comprehensive income, resulting in a liability of $120 million at June 30, 2012.

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MetLife, Inc.

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

3. Investments

Fixed Maturity and Equity Securities Available-for-Sale

Presented below is certain information about fixed maturity and equity securities for the periods shown. The unrealized loss amounts presented below include the noncredit loss component of other-than-temporary impairment (OTTI) losses:

	June 30, 2012					
	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Temporary Losses	Gross Unrealized OTTI Losses	Estimated Fair Value	% of Total
	(In millions)					
Fixed Maturity Securities:						
U.S. corporate securities	$ 101,275	$ 9,941	$ 843	$	$ 110,373	30.1%
Foreign corporate securities	59,878	4,116	648	1	63,345	17.3
Foreign government securities	51,582	4,780	169		56,193	15.3
U.S. Treasury and agency securities	41,217	6,629	5		47,841	13.1
Residential mortgage-backed securities (RMBS)	40,077	2,378	726	665	41,064	11.2
Commercial mortgage-backed securities (CMBS)	18,270	850	103		19,017	5.2
State and political subdivision securities	12,744	1,962	92		14,614	4.0
Asset-backed securities (ABS)	13,828	294	217	13	13,892	3.8
Total fixed maturity securities	$ 338,871	$ 30,950	$ 2,803	$ 679	$ 366,339	100.0%
Equity Securities:						
Common stock	$ 2,060	$ 95	$ 61	$	$ 2,094	72.7%
Non-redeemable preferred stock	913	35	160		788	27.3
Total equity securities	$ 2,973	$ 130	$ 221	$	$ 2,882	100.0%

	December 31, 2011					
	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Temporary Losses	Gross Unrealized OTTI Losses	Estimated Fair Value	% of Total
	(In millions)					
Fixed Maturity Securities:						
U.S. corporate securities	$ 98,621	$ 8,544	$ 1,380	$	$ 105,785	30.2%
Foreign corporate securities	61,568	3,789	1,338	1	64,018	18.3
Foreign government securities	49,840	3,053	357		52,536	15.0
U.S. Treasury and agency securities	34,132	5,882	2		40,012	11.4
RMBS	42,092	2,281	1,033	703	42,637	12.2
CMBS	18,565	730	218	8	19,069	5.4
State and political subdivision securities	11,975	1,416	156		13,235	3.8
ABS	13,018	278	305	12	12,979	3.7

Total fixed maturity securities	$ 329,811	$ 25,973	$ 4,789	$ 724	$ 350,271	100.0%
Equity Securities:						
Common stock	$ 2,219	$ 83	$ 97	$	$ 2,205	72.9%
Non-redeemable preferred stock	989	31	202		818	27.1
Total equity securities	$ 3,208	$ 114	$ 299	$	$ 3,023	100.0%

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MetLife, Inc.

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

The Company held non-income producing fixed maturity securities with an estimated fair value of $50 million and $62 million with unrealized gains (losses) of $0 and ($19) million at June 30, 2012 and December 31, 2011, respectively.

Concentrations of Credit Risk Summary. The Company was not exposed to any concentrations of credit risk of any single issuer within its fixed maturity securities and equity securities greater than 10% of the Company s equity, other than the government and agency securities summarized in the table below at:

	June 30, 2012	December 31, 2011
	Carrying Value (1) (In millions)	
U.S. Treasury and agency securities included in:		
Fixed maturity securities	$ 47,841	$ 40,012
Short-term investments	15,860	15,775
Cash equivalents	2,266	1,748
Total U.S. Treasury and agency securities	$ 65,967	$ 57,535
Japan government and agency securities included in:		
Fixed maturity securities	$ 21,746	$ 21,003
Cash equivalents	29	
Total Japan government and agency securities	$ 21,775	$ 21,003

(1) Represents estimated fair value for fixed maturity securities, and for short-term investments and cash equivalents, estimated fair value or amortized cost, which approximates estimated fair value.

Maturities of Fixed Maturity Securities. The amortized cost and estimated fair value of fixed maturity securities, by contractual maturity date (excluding scheduled sinking funds), were as follows at:

	June 30, 2012		December 31, 2011	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
	(In millions)			
Due in one year or less	$ 18,012	$ 18,173	$ 16,747	$ 16,862
Due after one year through five years	70,897	73,297	62,819	64,414
Due after five years through ten years	80,653	88,403	82,694	88,036
Due after ten years	97,134	112,493	93,876	106,274

Subtotal	266,696	292,366	256,136	275,586
RMBS, CMBS and ABS	72,175	73,973	73,675	74,685
Total fixed maturity securities	$ 338,871	$ 366,339	$ 329,811	$ 350,271

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 included in the above table in the year of final contractual maturity. RMBS, CMBS and ABS are shown separately in the table, as they are not due at a single maturity.

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MetLife, Inc.

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

Evaluating Available-for-Sale Securities for Other-Than-Temporary Impairment

As described more fully in Note 1 of the Notes to the Consolidated Financial Statements included in the 2011 Annual Report, the Company performs a regular evaluation, on a security-by-security basis, of its available-for-sale securities holdings, including fixed maturity securities, equity securities and perpetual hybrid securities, in accordance with its impairment policy in order to evaluate whether such investments are other-than-temporarily impaired.

Net Unrealized Investment Gains (Losses)

The components of net unrealized investment gains (losses), included in accumulated other comprehensive income (loss), were as follows at:

	June 30, 2012	December 31, 2011
	(In millions)	
Fixed maturity securities	$ 28,068	$ 21,096
Fixed maturity securities with noncredit OTTI losses in accumulated other comprehensive income (loss)	(679)	(724)
Total fixed maturity securities	27,389	20,372
Equity securities	(52)	(167)
Derivatives	1,832	1,514
Other	31	72
Subtotal	29,200	21,791
Amounts allocated from:		
Insurance liability loss recognition	(5,669)	(3,996)
DAC and VOBA related to noncredit OTTI losses recognized in accumulated other comprehensive income (loss)	42	47
DAC and VOBA	(2,205)	(1,800)
Policyholder dividend obligation	(3,369)	(2,919)
Subtotal	(11,201)	(8,668)
Deferred income tax benefit (expense) related to noncredit OTTI losses recognized in accumulated other comprehensive income (loss)	222	236
Deferred income tax benefit (expense)	(6,722)	(4,694)
Net unrealized investment gains (losses)	11,499	8,665
Net unrealized investment gains (losses) attributable to noncontrolling interests	6	9
Net unrealized investment gains (losses) attributable to MetLife, Inc.	$ 11,505	$ 8,674

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MetLife, Inc.

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

The changes in fixed maturity securities with noncredit OTTI losses included in accumulated other comprehensive income (loss), were as follows:

	Six Months Ended June 30, 2012	Year Ended December 31, 2011
	(In millions)	
Balance, beginning of period	$ (724)	$ (601)
Noncredit OTTI losses recognized (1)	(29)	31
Securities sold with previous noncredit OTTI loss	76	125
Subsequent changes in estimated fair value	(2)	(279)
Balance, end of period	$ (679)	$ (724)

(1) Noncredit OTTI losses recognized, net of DAC, were ($61) million and $33 million for the six months ended June 30, 2012 and year ended December 31, 2011, respectively.

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

	Six Months Ended June 30, 2012 (In millions)
Balance, beginning of period	$ 8,674
Fixed maturity securities on which noncredit OTTI losses have been recognized	45
Unrealized investment gains (losses) during the period	7,364
Unrealized investment gains (losses) relating to:	
Insurance liability gain (loss) recognition	(1,673)
DAC and VOBA related to noncredit OTTI losses recognized in accumulated other comprehensive income (loss)	(5)
DAC and VOBA	(405)
Policyholder dividend obligation	(450)
Deferred income tax benefit (expense) related to noncredit OTTI losses recognized in accumulated other comprehensive income (loss)	(14)
Deferred income tax benefit (expense)	(2,028)
Net unrealized investment gains (losses)	11,508
Net unrealized investment gains (losses) attributable to noncontrolling interests	(3)
Balance, end of period	$ 11,505
Change in net unrealized investment gains (losses)	$ 2,834

Change in net unrealized investment gains (losses) attributable to noncontrolling interests		(3)
Change in net unrealized investment gains (losses) attributable to MetLife, Inc.	$	2,831

Continuous Gross Unrealized Losses and OTTI Losses for Fixed Maturity and Equity Securities Available-for-Sale by Sector

Presented below is certain information about the estimated fair value and gross unrealized losses of fixed maturity and equity securities in an unrealized loss position. The unrealized loss amounts presented below include the noncredit component of OTTI loss. Fixed maturity securities on which a noncredit OTTI loss has been recognized in accumulated other comprehensive income (loss) are categorized by length of time as being

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

less than 12 months or equal to or greater than 12 months in a continuous unrealized loss position based on the point in time that the estimated fair value initially declined to below the amortized cost basis and not the period of time since the unrealized loss was deemed a noncredit OTTI loss.

	June 30, 2012					
	Less than 12 Months		Equal to or Greater than 12 Months		Total	
	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses
	(In millions, except number of securities)					
Fixed Maturity Securities:						
U.S. corporate securities	$ 9,639	$ 276	$ 4,461	$ 567	$ 14,100	$ 843
Foreign corporate securities	7,694	279	3,733	370	11,427	649
Foreign government securities	1,811	97	784	72	2,595	169
U.S. Treasury and agency securities	13,208	5			13,208	5
RMBS	2,532	342	4,734	1,049	7,266	1,391
CMBS	1,159	28	775	75	1,934	103
State and political subdivision securities	339	4	415	88	754	92
ABS	3,484	62	1,513	168	4,997	230
Total fixed maturity securities	$ 39,866	$ 1,093	$ 16,415	$ 2,389	$ 56,281	$ 3,482
Equity Securities:						
Common stock	$ 527	$ 59	$ 20	$ 2	$ 547	$ 61
Non-redeemable preferred stock	38	11	312	149	350	160
Total equity securities	$ 565	$ 70	$ 332	$ 151	$ 897	$ 221
Total number of securities in an unrealized loss position	3,191		1,646			

	December 31, 2011					
	Less than 12 Months		Equal to or Greater than 12 Months		Total	
	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses
	(In millions, except number of securities)					
Fixed Maturity Securities:						
U.S. corporate securities	$ 15,642	$ 590	$ 5,135	$ 790	$ 20,777	$ 1,380
Foreign corporate securities	12,618	639	5,957	700	18,575	1,339
Foreign government securities	11,227	230	1,799	127	13,026	357
U.S. Treasury and agency securities	2,611	1	50	1	2,661	2
RMBS	4,040	547	4,724	1,189	8,764	1,736
CMBS	2,825	135	678	91	3,503	226
State and political subdivision securities	177	2	1,007	154	1,184	156
ABS	4,972	103	1,316	214	6,288	317

Total fixed maturity securities	$ 54,112	$ 2,247	$ 20,666	$ 3,266	$ 74,778	$ 5,513
Equity Securities:						
Common stock	$ 581	$ 96	$ 5	$ 1	$ 586	$ 97
Non-redeemable preferred stock	204	30	370	172	574	202
Total equity securities	$ 785	$ 126	$ 375	$ 173	$ 1,160	$ 299
Total number of securities in an unrealized loss position	3,978		1,963			

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MetLife, Inc.

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

Aging of Gross Unrealized Losses and OTTI Losses for Fixed Maturity and Equity Securities Available-for-Sale

Presented below is certain information about the aging and severity of gross unrealized losses on fixed maturity and equity securities, including the portion of OTTI loss on fixed maturity securities recognized in accumulated other comprehensive income (loss) at:

	June 30, 2012					
	Cost or Amortized Cost		Gross Unrealized Losses		Number of Securities	
	Less than 20%	20% or more	Less than 20%	20% or more	Less than 20%	20% or more
	(In millions, except number of securities)					
Fixed Maturity Securities:						
Less than six months	$ 30,061	$ 1,073	$ 340	$ 272	2,142	125
Six months or greater but less than nine months	2,582	337	110	98	276	51
Nine months or greater but less than twelve months	7,520	1,256	354	397	567	72
Twelve months or greater	14,401	2,533	1,009	902	1,314	180
Total	$ 54,564	$ 5,199	$ 1,813	$ 1,669		
Percentage of amortized cost			3%	32%		
Equity Securities:						
Less than six months	$ 333	$ 72	$ 24	$ 19	118	33
Six months or greater but less than nine months	84	43	8	12	10	2
Nine months or greater but less than twelve months	148	112	19	34	32	7
Twelve months or greater	103	223	5	100	22	15
Total	$ 668	$ 450	$ 56	$ 165		
Percentage of cost			8%	37%		

	December 31, 2011					
	Cost or Amortized Cost		Gross Unrealized Losses		Number of Securities	
	Less than 20%	20% or more	Less than 20%	20% or more	Less than 20%	20% or more
	(In millions, except number of securities)					
Fixed Maturity Securities:						
Less than six months	$ 49,249	$ 4,736	$ 1,346	$ 1,332	3,260	320
Six months or greater but less than nine months	4,104	1,049	279	349	375	63
Nine months or greater but less than twelve months	1,160	288	55	93	143	14
Twelve months or greater	17,590	2,115	1,216	843	1,523	167
Total	$ 72,103	$ 8,188	$ 2,896	$ 2,617		
Percentage of amortized cost			4%	32%		

Equity Securities:						
Less than six months	$ 714	$ 376	$ 64	$ 123	154	42
Six months or greater but less than nine months	22	8	2	4	19	3
Nine months or greater but less than twelve months	18		2		8	
Twelve months or greater	98	223	8	96	24	20
Total	$ 852	$ 607	$ 76	$ 223		
Percentage of cost			9%	37%		

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MetLife, Inc.

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

Equity securities with gross unrealized losses of 20% or more for twelve months or greater increased from $96 million at December 31, 2011 to $100 million at June 30, 2012. As shown in the section Evaluating Temporarily Impaired Available-for-Sale Securities below, all of the equity securities with gross unrealized losses of 20% or more for twelve months or greater at June 30, 2012 were financial services industry investment grade non-redeemable preferred stock, of which 75% were rated A or better.

Concentration of Gross Unrealized Losses and OTTI Losses for Fixed Maturity and Equity Securities Available-for-Sale

The gross unrealized losses related to fixed maturity and equity securities, including the portion of OTTI losses on fixed maturity securities recognized in accumulated other comprehensive income (loss) were $3.7 billion and $5.8 billion at June 30, 2012 and December 31, 2011, respectively. The concentration, calculated as a percentage of gross unrealized losses (including OTTI losses), by sector and industry was as follows at:

	June 30, 2012	December 31, 2011
Sector:		
RMBS	38%	30%
U.S. corporate securities	23	24
Foreign corporate securities	17	23
ABS	6	5
Foreign government securities	5	6
CMBS	3	4
State and political subdivision securities	2	3
Other	6	5
Total	100%	100%
Industry:		
Mortgage-backed	41%	34%
Finance	20	27
Utility	7	8
Asset-backed	6	5
Consumer	6	6
Foreign government securities	5	6
Communications	3	3
State and political subdivision securities	2	3
Industrial	2	2
Other	8	6
Total	100%	100%

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MetLife, Inc.

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

Evaluating Temporarily Impaired Available-for-Sale Securities

The following table presents fixed maturity and equity securities, each with gross unrealized losses of greater than $10 million, the number of securities, total gross unrealized losses and percentage of total gross unrealized losses at:

	June 30, 2012		December 31, 2011	
	Fixed Maturity Securities	Equity Securities	Fixed Maturity Securities	Equity Securities
	(In millions, except number of securities)			
Number of securities	56	6	96	8
Total gross unrealized losses	$ 1,049	$ 99	$ 1,703	$ 117
Percentage of total gross unrealized losses	30%	45%	31%	39%

Fixed maturity and equity securities, each with gross unrealized losses greater than $10 million, decreased $672 million during the six months ended June 30, 2012. The decline in, or improvement in, gross unrealized losses for the six months ended June 30, 2012 was primarily attributable to a decrease in interest rates and narrowing credit spreads. These securities were included in the Company s OTTI review process.

As of June 30, 2012, $1.4 billion of unrealized losses were from fixed maturity securities with an unrealized loss position of 20% or more of amortized cost for six months or greater. Of the $1.4 billion, $572 million, or 41%, was related to unrealized losses on investment grade securities. Unrealized losses on investment grade securities were principally related to widening credit spreads or rising interest rates since purchase. Of the $1.4 billion, $825 million, or 59%, was related to unrealized losses on below investment grade securities. Unrealized losses on below investment grade securities were principally related to non-agency RMBS (primarily alternative residential mortgage loans and sub-prime residential mortgage loans), U.S. and foreign corporate securities (primarily utility and financial services industry securities) and ABS (primarily collateralized debt obligations) and were the result of significantly wider credit spreads resulting from higher risk premiums since purchase, largely due to economic and market uncertainties including concerns over the financial services sector, unemployment levels and valuations of residential real estate supporting non-agency RMBS. See Note 1 of the Notes to the Consolidated Financial Statements included in the 2011 Annual Report for the factors management considers in evaluating these corporate and structured securities. See Aging of Gross Unrealized Losses and OTTI Losses for Fixed Maturity and Equity Securities Available-for-Sale for a discussion of equity securities with an unrealized loss position of 20% or more of cost for 12 months or greater.

In the Company s impairment review process, the duration and severity of an unrealized loss position for equity securities are given greater weight and consideration than for fixed maturity securities. An extended and severe unrealized loss position on a fixed maturity security may not have any impact on the ability of the issuer to service all scheduled interest and principal payments and the Company s evaluation of recoverability of all contractual cash flows or the ability to recover an amount at least equal to its amortized cost based on the present value of the expected future cash flows to be collected. In contrast, for an equity security, greater weight and consideration are given by the Company to a decline in market value and the likelihood such market value decline will recover.

MetLife, Inc.

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

The following table presents certain information about the Company s equity securities available-for-sale with gross unrealized losses of 20% or more at June 30, 2012:

	All Equity Securities	All Types of Non-Redeemable Preferred Stock		Non-Redeemable Preferred Stock Investment Grade				
				All Industries		Financial Services Industry		
	Gross Unrealized Losses	Gross Unrealized Losses	% of All Equity Securities	Gross Unrealized Losses	% of All Non-Redeemable Preferred Stock	Gross Unrealized Losses	% of All Industries	% A Rated or Better
	(In millions)			(In millions)		(In millions)		
Less than six months	$ 19	$ 10	53%	$ 7	70%	$ 7	100%	86%
Six months or greater but less than twelve months	46	46	100%	27	59%	27	100%	37%
Twelve months or greater	100	100	100%	100	100%	100	100%	75%
All equity securities with gross unrealized losses of 20% or more	$ 165	$ 156	95%	$ 134	86%	$ 134	100%	68%

In connection with the equity securities impairment review process, the Company evaluated its holdings in non-redeemable preferred stock, particularly those in the financial services sector. The Company considered several factors including whether there has been any deterioration in credit of the issuer and the likelihood of recovery in value of non-redeemable preferred stock with a severe or an extended unrealized loss. The Company also considered whether any issuers of non-redeemable preferred stock with an unrealized loss held by the Company, regardless of credit rating, have deferred any dividend payments. No such dividend payments had been deferred.

With respect to common stock holdings, the Company considered the duration and severity of the unrealized losses for securities in an unrealized loss position of 20% or more; and the duration of unrealized losses for securities in an unrealized loss position of less than 20% in an extended unrealized loss position (i.e., 12 months or greater).

Based on the Company s current evaluation of available-for-sale securities in an unrealized loss position in accordance with its impairment policy, and the Company s current intentions and assessments (as applicable to the type of security) about holding, selling and any requirements to sell these securities, the Company has concluded that these securities are not other-than-temporarily impaired.

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

MetLife, Inc.

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

Trading and Other Securities

The table below presents certain information about the Company s trading securities that are actively purchased and sold (Actively Traded Securities) and other securities for which the fair value option (FVO) has been elected at:

	June 30, 2012	December 31, 2011
	(In millions)	
Actively Traded Securities	$ 535	$ 473
FVO general account securities	264	267
FVO contractholder-directed unit-linked investments	17,459	17,411
FVO securities held by CSEs	70	117
Total trading and other securities at estimated fair value	$ 18,328	$ 18,268
Actively Traded Securities at estimated fair value	$ 535	$ 473
Short sale agreement liabilities at estimated fair value	(140)	(127)
Net long/short position at estimated fair value	$ 395	$ 346
Investments pledged to secure short sale agreement liabilities	$ 601	$ 558

See Note 1 of the Notes to the Consolidated Financial Statements included in the 2011 Annual Report for a discussion of FVO contractholder-directed unit-linked investments and Variable Interest Entities for a discussion of consolidated securitization entities (CSEs) included in the table above. See Net Investment Income and Net Investment Gains (Losses) for the net investment income recognized on trading and other securities and the related changes in estimated fair value subsequent to purchase included in earnings for securities still held as of the end of the respective periods.

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MetLife, Inc.

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

Net Investment Gains (Losses)

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
	(In millions)			
Total gains (losses) on fixed maturity securities:				
Total OTTI losses recognized	$ (118)	$ (298)	$ (253)	$ (430)
Less: Noncredit portion of OTTI losses transferred to and recognized in other comprehensive income (loss)	27	175	29	184
Net OTTI losses on fixed maturity securities recognized in earnings	(91)	(123)	(224)	(246)
Fixed maturity securities net gains (losses) on sales and disposals (1)	73	18	66	(22)
Total gains (losses) on fixed maturity securities	(18)	(105)	(158)	(268)
Other net investment gains (losses):				
Equity securities	19	(70)	10	(34)
Trading and other securities FVO general account securities changes in estimated fair value subsequent to purchase	(1)		3	
Mortgage loans (1)	13	68	49	115
Real estate and real estate joint ventures	(16)	4	(20)	5
Other limited partnership interests	(9)	5	(11)	8
Other investment portfolio gains (losses)	(10)	(6)	(35)	(2)
Subtotal investment portfolio gains (losses)	(22)	(104)	(162)	(176)
FVO CSEs changes in estimated fair value:				
Commercial mortgage loans	(7)	7	(1)	25
Securities		39		(1)
Long-term debt related to commercial mortgage loans	10	(8)	10	(8)
Long-term debt related to securities	1	(54)	(10)	(7)
Other gains (losses) (2)	(46)	(35)	(11)	(87)
Subtotal FVO CSEs and other gains (losses)	(42)	(51)	(12)	(78)
Total net investment gains (losses)	$ (64)	$ (155)	$ (174)	$ (254)

(1)

Net investment gains (losses) for the three months and six months ended June 30, 2012 includes a net gain (loss) of ($35) million and $60 million, respectively, as a result of the pending disposition of certain operations of MetLife Bank, which is comprised of gains (losses) on securities and mortgage loans sold of ($27) million and $75 million, and impairments on mortgage loans of ($8) million and ($15) million, for the three months and six months ended June 30, 2012, respectively. See Note 2.

(2) Other gains (losses) for the three months and six months ended June 30, 2011 includes a loss of $7 million and $87 million, respectively, related to the sale of the Company s investment in Mitsui Sumitomo MetLife Insurance Co., Ltd (MSI MetLife). See Note 2 of the Notes to the Consolidated Financial Statements included in the 2011 Annual Report.

See Variable Interest Entities for discussion of CSEs included in the table above.

Gains (losses) from foreign currency transactions included within net investment gains (losses) were $25 million and $83 million for the three months and six months ended June 30, 2012, respectively, and ($49) million and ($14) million for the three months and six months ended June 30, 2011, respectively.

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MetLife, Inc.

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

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

	Three Months Ended June 30,					
	2012	2011	2012	2011	2012	2011
	Fixed Maturity Securities		Equity Securities		Total	
	(In millions)					
Proceeds	$ 15,625	$ 19,316	$ 238	$ 489	$ 15,863	$ 19,805
Gross investment gains	$ 225	$ 235	$ 23	$ 26	$ 248	$ 261
Gross investment losses	(152)	(217)	(2)	(49)	(154)	(266)
Total OTTI losses recognized in earnings:						
Credit-related	(68)	(70)			(68)	(70)
Other (1)	(23)	(53)	(2)	(47)	(25)	(100)
Total OTTI losses recognized in earnings	(91)	(123)	(2)	(47)	(93)	(170)
Net investment gains (losses)	$ (18)	$ (105)	$ 19	$ (70)	$ 1	$ (175)

	Six Months Ended June 30,					
	2012	2011	2012	2011	2012	2011
	Fixed Maturity Securities		Equity Securities		Total	
	(In millions)					
Proceeds	$ 35,019	$ 35,848	$ 363	$ 805	$ 35,382	$ 36,653
Gross investment gains	$ 550	$ 428	$ 33	$ 74	$ 583	$ 502
Gross investment losses	(484)	(450)	(6)	(55)	(490)	(505)
Total OTTI losses recognized in earnings:						
Credit-related	(141)	(113)			(141)	(113)
Other (1)	(83)	(133)	(17)	(53)	(100)	(186)
Total OTTI losses recognized in earnings	(224)	(246)	(17)	(53)	(241)	(299)
Net investment gains (losses)	$ (158)	$ (268)	$ 10	$ (34)	$ (148)	$ (302)

(1) Other OTTI losses recognized in earnings include impairments on equity securities, impairments on perpetual hybrid securities classified within fixed maturity securities where the primary reason for the impairment was the severity and/or the duration of an unrealized loss position and fixed maturity securities where there is an intent-to-sell or it is more likely than not that the Company will be required to sell the security before recovery of the decline in estimated fair value.

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MetLife, Inc.

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

Fixed maturity security OTTI losses recognized in earnings related to the following sectors and industries within the U.S. and foreign corporate securities sector:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
	(In millions)			
Sector:				
U.S. and foreign corporate securities by industry:				
Utility	$ 13	$	$ 51	$ 1
Finance		40	32	41
Communications	1	1	18	14
Consumer	9	27	12	29
Industrial			1	
Other industries	6		6	
Total U.S. and foreign corporate securities	29	68	120	85
CMBS	20		50	3
RMBS (1)	37	42	46	66
ABS (1)	5		7	3
State and political subdivision securities			1	
Foreign government securities		13		89
Total	$ 91	$ 123	$ 224	$ 246

(1) See Note 3 of the Notes to the Consolidated Financial Statements included in the 2011 Annual Report for discussion of a reclassification from the ABS sector to the RMBS sector for securities backed by sub-prime residential mortgage loans.

Equity security OTTI losses recognized in earnings related to the following sectors and industries:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
	(In millions)			
Sector:				
Common stock	$ 2	$ 9	$ 17	$ 15
Non-redeemable preferred stock		38		38
Total	$ 2	$ 47	$ 17	$ 53

Industry:				
Financial services industry perpetual hybrid securities	$	$ 38	$	$ 38
Other industries	2	9	17	15
Total	$ 2	$ 47	$ 17	$ 53

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MetLife, Inc.

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

Credit Loss Rollforward

Presented below is a rollforward of the cumulative credit loss component of OTTI loss recognized in earnings on fixed maturity securities still held for which a portion of the OTTI loss was recognized in other comprehensive income (loss):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
	(In millions)			
Balance, beginning of period	$ 381	$ 389	$ 471	$ 443
Additions:				
Initial impairments credit loss OTTI on securities not previously impaired	21	18	37	26
Additional impairments credit loss OTTI on securities previously impaired	20	24	26	40
Reductions:				
Sales, maturities, pay downs and prepayments during the period on securities previously impaired as credit loss OTTI	(15)	(26)	(119)	(55)
Securities impaired to net present value of expected future cash flows	(15)		(23)	(44)
Increases in cash flows accretion of previous credit loss OTTI	(1)	(4)	(1)	(9)
Balance, end of period	$ 391	$ 401	$ 391	$ 401

Net Investment Income

The components of net investment income were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
	(In millions)			
Investment income:				
Fixed maturity securities	$ 3,737	$ 3,791	$ 7,545	$ 7,474
Equity securities	38	48	70	78
Trading and other securities Actively Traded Securities and FVO general account securities (1)	(1)	16	44	44
Mortgage loans	764	766	1,594	1,525
Policy loans	156	160	314	320
Real estate and real estate joint ventures	280	187	457	333
Other limited partnership interests	266	159	448	402
Cash, cash equivalents and short-term investments	39	44	75	90
International joint ventures (2)	1	7	4	(14)
Other	80	101	121	69
Subtotal	5,360	5,279	10,672	10,321

Less: Investment expenses	258	249	517	494
Subtotal, net	5,102	5,030	10,155	9,827
Trading and other securities FVO contractholder-directed unit-linked investments (1)	(517)	(32)	498	387
Securitized reverse residential mortgage loans	89		174	
FVO CSEs:				
Commercial mortgage loans	44	96	89	191
Securities	1		3	1
Subtotal	(383)	64	764	579
Net investment income	$ 4,719	$ 5,094	$ 10,919	$ 10,406

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MetLife, Inc.

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

(1) Changes in estimated fair value subsequent to purchase for securities still held as of the end of the respective periods included in net investment income were:

Actively Traded Securities and FVO general account securities	$ (5)	$	$ 24	$ 21
FVO contractholder-directed unit-linked investments	$ (378)	$ (84)	$ 499	$ 232

(2) Amounts are presented net of changes in estimated fair value of derivatives related to economic hedges of the Company s investment in these equity method international joint venture investments that do not qualify for hedge accounting of $0 for both the three months and six months ended June 30, 2012, and less than $1 million and $23 million for the three months and six months ended June 30, 2011, respectively.

See Variable Interest Entities for discussion of CSEs included in the table above.

Securities Lending

As described more fully in Note 1 of the Notes to the Consolidated Financial Statements included in the 2011 Annual Report, the Company participates in a securities lending program whereby blocks of securities are loaned to third parties. These transactions are treated as financing arrangements and the associated cash collateral received is recorded as a liability. The Company is obligated to return the cash collateral received to its counterparties.

Elements of the securities lending program are presented below at:

	June 30, 2012	December 31, 2011
	(In millions)	
Securities on loan: (1)		
Amortized cost	$ 24,580	$ 20,613
Estimated fair value	$ 28,719	$ 24,072
Cash collateral on deposit from counterparties (2)	$ 29,491	$ 24,223
Security collateral on deposit from counterparties	$ 165	$ 371
Reinvestment portfolio estimated fair value	$ 29,340	$ 23,940

(1) Included within fixed maturity securities, short-term investments, equity securities and cash and cash equivalents.

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

Security collateral on deposit from counterparties in connection with the securities lending transactions may not be sold or repledged, unless the counterparty is in default, and is not reflected in the interim condensed consolidated financial statements.

MetLife, Inc.

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

Invested Assets on Deposit, Held in Trust and Pledged as Collateral

Invested assets on deposit, held in trust and pledged as collateral are presented in the table below at estimated fair value for cash and cash equivalents, short-term investments, fixed maturity securities, equity securities, and trading and other securities and at carrying value for mortgage loans.

	June 30, 2012	December 31, 2011
	(In millions)	
Invested assets on deposit (1)	$ 2,364	$ 1,660
Invested assets held in trust (2)	10,934	11,135
Invested assets pledged as collateral (3)	22,948	29,899
Total invested assets on deposit, held in trust and pledged as collateral	$ 36,246	$ 42,694

(1) The Company has invested assets on deposit with regulatory agencies consisting primarily of cash and cash equivalents, short-term investments, fixed maturity securities and equity securities.

(2) The Company held in trust cash and securities, primarily fixed maturity and equity securities, to satisfy requirements under certain collateral financing agreements and certain reinsurance agreements.

(3) The Company has pledged fixed maturity securities, mortgage loans and cash and cash equivalents in connection with various agreements and transactions, including funding and advances agreements (see Notes 8 and 11 of the Notes to the Consolidated Financial Statements included in the 2011 Annual Report), collateralized borrowings (see Note 11 of the Notes to the Consolidated Financial Statements included in the 2011 Annual Report), collateral financing arrangements (see Note 12 of the Notes to the Consolidated Financial Statements included in the 2011 Annual Report), derivative transactions (see Note 4), and short sale agreements (see Trading and Other Securities).

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MetLife, Inc.

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

Mortgage Loans

Mortgage loans are summarized as follows at:

	June 30, 2012		December 31, 2011	
	Carrying Value (In millions)	% of Total	Carrying Value (In millions)	% of Total
Mortgage loans held-for-investment:				
Commercial	$ 41,035	69.6%	$ 40,440	56.1%
Agricultural	12,848	21.8	13,129	18.2
Residential	747	1.3	689	1.0
Subtotal	54,630	92.7	54,258	75.3
Valuation allowances	(361)	(0.6)	(481)	(0.7)
Subtotal mortgage loans held-for-investment, net	54,269	92.1	53,777	74.6
Commercial mortgage loans held by CSEs	2,932	5.0	3,138	4.4
Total mortgage loans held-for-investment, net	57,201	97.1	56,915	79.0
Mortgage loans held-for-sale:				
Residential (1)	202	0.3	3,064	4.2
Mortgage loans lower of amortized cost or estimated fair value (1)	1,279	2.2	4,462	6.2
Securitized reverse residential mortgage loans (1)	259	0.4	7,652	10.6
Total mortgage loans held-for-sale	1,740	2.9	15,178	21.0
Total mortgage loans, net	$ 58,941	100.0%	$ 72,093	100.0%

(1) In connection with the pending dispositions of certain operations of MetLife Bank, the Company is exiting the businesses of originating forward and reverse residential mortgage loans. Additionally, as a result of the sale of the majority of MetLife Bank s reverse mortgage servicing rights, the Company de-recognized the majority of the securitized reverse residential mortgage loans. See Note 2.

See Variable Interest Entities for discussion of CSEs included in the table above.

Certain of the Company s real estate joint ventures have mortgage loans with the Company. The carrying values of such mortgage loans were $284 million and $286 million at June 30, 2012 and December 31, 2011, respectively.

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MetLife, Inc.

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

The following tables present certain information about mortgage loans held-for-investment and valuation allowances, by portfolio segment, at:

	Commercial	Agricultural	Residential	Total
		(In millions)		
June 30, 2012:				
Mortgage loans:				
Evaluated individually for credit losses	$ 202	$ 99	$ 12	$ 313
Evaluated collectively for credit losses	40,833	12,749	735	54,317
Total mortgage loans	41,035	12,848	747	54,630
Valuation allowances:				
Specific credit losses	64	28	1	93
Non-specifically identified credit losses	236	31	1	268
Total valuation allowances	300	59	2	361
Mortgage loans, net of valuation allowance	$ 40,735	$ 12,789	$ 745	$ 54,269
December 31, 2011:				
Mortgage loans:				
Evaluated individually for credit losses	$ 96	$ 159	$ 13	$ 268
Evaluated collectively for credit losses	40,344	12,970	676	53,990
Total mortgage loans	40,440	13,129	689	54,258
Valuation allowances:				
Specific credit losses	59	45	1	105
Non-specifically identified credit losses	339	36	1	376
Total valuation allowances	398	81	2	481
Mortgage loans, net of valuation allowance	$ 40,042	$ 13,048	$ 687	$ 53,777

MetLife, Inc.

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

The following tables present the changes in the valuation allowance, by portfolio segment:

	Mortgage Loan Valuation Allowances (In millions)			
	Commercial	Agricultural	Residential	Total
For the Three Months Ended June 30, 2012:				
Balance, beginning of period	$ 368	$ 75	$ 3	$ 446
Provision (release)	(68)		5	(63)
Charge-offs, net of recoveries		(16)		(16)
Transfers to held-for-sale			(6)	(6)
Balance, end of period	$ 300	$ 59	$ 2	$ 361
For the Three Months Ended June 30, 2011:				
Balance, beginning of period	$ 532	$ 76	$ 13	$ 621
Provision (release)	(63)	3	5	(55)
Charge-offs, net of recoveries				
Balance, end of period	$ 469	$ 79	$ 18	$ 566
For the Six Months Ended June 30, 2012:				
Balance, beginning of period	$ 398	$ 81	$ 2	$ 481
Provision (release)	(98)	(6)	6	(98)
Charge-offs, net of recoveries		(16)		(16)
Transfers to held-for-sale			(6)	(6)
Balance, end of period	$ 300	$ 59	$ 2	$ 361
For the Six Months Ended June 30, 2011:				
Balance, beginning of period	$ 562	$ 88	$ 14	$ 664
Provision (release)	(93)	(6)	5	(94)
Charge-offs, net of recoveries		(3)	(1)	(4)
Balance, end of period	$ 469	$ 79	$ 18	$ 566

See Note 1 of the Notes to the Consolidated Financial Statements included in the 2011 Annual Report for a discussion of all credit quality indicators presented herein. Recorded investment data presented herein is prior to valuation allowance. Unpaid principal balance data presented herein is generally prior to charge-offs.

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

Commercial Mortgage Loans by Credit Quality Indicators with Estimated Fair Value. Presented below is certain information about the credit quality of the commercial mortgage loans held-for-investment at:

	Commercial						
	Recorded Investment						
	Debt Service Coverage Ratios						
	> 1.20x	1.00x - 1.20x	< 1.00x	Total	% of Total	Estimated Fair Value	% of Total
		(In millions)				(In millions)	
June 30, 2012:							
Loan-to-value ratios:							
Less than 65%	$ 28,022	$ 607	$ 455	$ 29,084	70.9%	$ 30,840	71.8%
65% to 75%	7,218	398	200	7,816	19.0	8,132	18.9
76% to 80%	831	96	229	1,156	2.8	1,182	2.7
Greater than 80%	1,933	717	329	2,979	7.3	2,824	6.6
Total	$ 38,004	$ 1,818	$ 1,213	$ 41,035	100.0%	$ 42,978	100.0%
December 31, 2011:							
Loan-to-value ratios:							
Less than 65%	$ 24,983	$ 448	$ 564	$ 25,995	64.3%	$ 27,581	65.5%
65% to 75%	8,275	336	386	8,997	22.3	9,387	22.3
76% to 80%	1,150	98	226	1,474	3.6	1,473	3.5
Greater than 80%	2,714	880	380	3,974	9.8	3,664	8.7
Total	$ 37,122	$ 1,762	$ 1,556	$ 40,440	100.0%	$ 42,105	100.0%

Agricultural Mortgage Loans by Credit Quality Indicator. Presented below is certain information about the credit quality of agricultural mortgage loans held-for-investment. The estimated fair value of agricultural mortgage loans held-for-investment was $13.3 billion and $13.6 billion at June 30, 2012 and December 31, 2011, respectively.

	Agricultural			
	June 30, 2012		December 31, 2011	
	Recorded Investment (In millions)	% of Total	Recorded Investment (In millions)	% of Total
Loan-to-value ratios:				
Less than 65%	$ 11,896	92.6%	$ 11,802	89.9%
65% to 75%	644	5.0	874	6.7
76% to 80%	16	0.1	76	0.6
Greater than 80%	292	2.3	377	2.8
Total	$ 12,848	100.0%	$ 13,129	100.0%

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Residential Mortgage Loans by Credit Quality Indicator. Presented below is certain information about the credit quality of residential mortgage loans held-for-investment. The estimated fair value of residential mortgage loans held-for-investment was $814 million and $737 million at June 30, 2012 and December 31, 2011, respectively.

	Residential			
	June 30, 2012		December 31, 2011	
	Recorded Investment (In millions)	% of Total	Recorded Investment (In millions)	% of Total
Performance indicators:				
Performing	$ 730	97.7%	$ 671	97.4%
Nonperforming	17	2.3	18	2.6
Total	$ 747	100.0%	$ 689	100.0%

Past Due and Interest Accrual Status of Mortgage Loans. The Company has a high quality, well performing, mortgage loan portfolio, with approximately 99% of all mortgage loans classified as performing at both June 30, 2012 and December 31, 2011. The Company defines delinquent mortgage loans consistent with industry practice, when interest and principal payments are past due as follows: commercial and residential mortgage loans 60 days or more and agricultural mortgage loans 90 days or more. Presented below is the recorded investment of past due and interest accrual status of mortgage loans held-for-investment at:

	Past Due		Greater than 90 Days Past Due Still Accruing Interest		Nonaccrual Status	
	June 30, 2012	December 31, 2011	June 30, 2012	December 31, 2011	June 30, 2012	December 31, 2011
	(In millions)					
Commercial	$	$ 63	$	$	$	$ 63
Agricultural	139	146	47	29	95	157
Residential	6	8			16	17
Total	$ 145	$ 217	$ 47	$ 29	$ 111	$ 237

Impaired Mortgage Loans. Presented below is certain information about impaired mortgage loans, included within mortgage loans held-for-investment, including those modified in a troubled debt restructuring, by portfolio segment, at:

	Impaired Mortgage Loans							
	Loans with a Valuation Allowance				Loans without a Valuation Allowance		All Impaired Loans	
	Unpaid Principal Balance	Recorded Investment	Valuation Allowances	Carrying Value	Unpaid Principal Balance	Recorded Investment	Unpaid Principal Balance	Carrying Value
	(In millions)							
June 30, 2012:								

Commercial	$ 214	$ 202	$ 64	$ 138	$ 102	$ 102	$ 316	$ 240
Agricultural	100	99	28	71	105	99	205	170
Residential	12	12	1	11			12	11
Total	$ 326	$ 313	$ 93	$ 220	$ 207	$ 201	$ 533	$ 421
December 31, 2011:								
Commercial	$ 96	$ 96	$ 59	$ 37	$ 252	$ 237	$ 348	$ 274
Agricultural	160	159	45	114	71	69	231	183
Residential	13	13	1	12	1	1	14	13
Total	$ 269	$ 268	$ 105	$ 163	$ 324	$ 307	$ 593	$ 470

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The average recorded investment in impaired mortgage loans held-for-investment, including those modified in a troubled debt restructuring, and the related interest income, by portfolio segment, was:

	Impaired Mortgage Loans		
	Average Recorded Investment	Interest Income Recognized	
		Cash Basis	Accrual Basis
	(In millions)		
For the Three Months Ended June 30, 2012:			
Commercial	$ 258	$	$
Agricultural	214		2
Residential	12		
Total	$ 484	$	$ 2
For the Three Months Ended June 30, 2011:			
Commercial	$ 292	$	$
Agricultural	255		1
Residential	32		
Total	$ 579	$	$ 1
For the Six Months Ended June 30, 2012:			
Commercial	$ 283	$ 3	$
Agricultural	219	1	2
Residential	13		
Total	$ 515	$ 4	$ 2
For the Six Months Ended June 30, 2011:			
Commercial	$ 264	$ 3	$ 1
Agricultural	268	2	1
Residential	28		
Total	$ 560	$ 5	$ 2

Mortgage Loans Modified in a Troubled Debt Restructuring. See Note 1 of the Notes to the Consolidated Financial Statements included in the 2011 Annual Report for a discussion of loan modifications that are classified as troubled debt restructuring and the types of concessions typically granted. There were no mortgage loans modified during the three months and six months ended June 30, 2012. The number of mortgage loans and carrying value of mortgage loans modified during the period in a troubled debt restructuring were as follows:

	Mortgage Loans Modified in a Troubled Debt Restructuring	
	Number of Mortgage	Carrying Value after Specific Valuation Allowance

	Loans	Pre-Modification		Post-Modification	
		(In millions)			
For the Three Months Ended June 30, 2011:					
Commercial	1	$	6	$	7
Agricultural	5		17		16
Total	6	$	23	$	23
For the Six Months Ended June 30, 2011:					
Commercial	2	$	59	$	60
Agricultural	7		26		27
Total	9	$	85	$	87

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During the three months and six months ended June 30, 2012 and 2011, there were no mortgage loans with subsequent payment default which were modified as a troubled debt restructuring during the previous 12 months. Payment default is determined in the same manner as delinquency status when interest and principal payments are past due as described above.

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 $5.3 billion and $5.0 billion at June 30, 2012 and December 31, 2011, respectively.

Purchased Credit Impaired Investments

See Note 3 of the Notes to the Consolidated Financial Statements included in the 2011 Annual Report for information about investments acquired with evidence of credit quality deterioration since origination and for which it was probable at the acquisition date that the Company would be unable to collect all contractually required payments.

Variable Interest Entities

The Company holds investments in certain entities that are VIEs. In certain instances, the Company holds both the power to direct the most significant activities of the entity, as well as an economic interest in the entity and, as such, is deemed to be the primary beneficiary or consolidator of the entity. The following table presents the total assets and total liabilities relating to VIEs for which the Company has concluded that it is the primary beneficiary and which are consolidated at June 30, 2012 and December 31, 2011. Creditors or beneficial interest holders of VIEs where the Company is the primary beneficiary have no recourse to the general credit of the Company, as the Company s obligation to the VIEs is limited to the amount of its committed investment.

	June 30, 2012		December 31, 2011	
	Total Assets	Total Liabilities	Total Assets	Total Liabilities
	(In millions)			
CSEs (1)	$ 3,037	$ 2,846	$ 3,299	$ 3,103
MRSC collateral financing arrangement (2)	3,383		3,333	
Other limited partnership interests	320	15	360	6
Trading and other securities	96		163	
Other invested assets	85		102	1
Real estate joint ventures	11	14	16	18
Total	$ 6,932	$ 2,875	$ 7,273	$ 3,128

(1) The Company consolidates former qualified special purpose entities (QSPEs) that are structured as CMBS and former QSPEs that are structured as collateralized debt obligations. The assets of these entities can only be used to settle their respective liabilities, and under no circumstances is the Company liable for any principal or interest shortfalls should any arise. The Company s exposure was limited to that of its remaining investment in the former QSPEs of $177 million and $172 million at estimated fair value at June 30, 2012 and December 31, 2011, respectively. The long-term debt presented below bears interest primarily at fixed rates ranging from 2.25% to 5.57%, payable primarily on a monthly basis and is expected to be repaid over the next four years. Interest expense related to these obligations, included in

other expenses, was $42 million and $85 million for the three months and six months ended June 30, 2012,

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

respectively, and $92 million and $184 million for the three months and six months ended June 30, 2011, respectively. The assets and liabilities of these CSEs, at estimated fair value, were as follows at:

	June 30, 2012	December 31, 2011
	(In millions)	
Assets:		
Mortgage loans held-for-investment (commercial mortgage loans)	$ 2,932	$ 3,138
Trading and other securities	70	117
Accrued investment income	14	16
Cash and cash equivalents	21	21
Premiums, reinsurance and other receivables		7
Total assets	$ 3,037	$ 3,299
Liabilities:		
Long-term debt	$ 2,821	$ 3,068
Other liabilities	25	35
Total liabilities	$ 2,846	$ 3,103

(2) See Note 12 of the Notes to the Consolidated Financial Statements included in the 2011 Annual Report for a description of the MetLife Reinsurance Company of South Carolina (MRSC) collateral financing arrangement. These assets consist of the following, at estimated fair value, except for mortgage loans, which are presented at carrying value, at:

	June 30, 2012	December 31, 2011
	(In millions)	
Fixed maturity securities available-for-sale:		
ABS	$ 1,456	$ 1,356
U.S. corporate securities	891	833
RMBS	483	502
CMBS	300	369
Foreign corporate securities	125	126
State and political subdivision securities	34	39
Mortgage loans	49	49
Cash and cash equivalents	45	59
Total	$ 3,383	$ 3,333

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The following table presents the carrying amount and maximum exposure to loss relating to VIEs for which the Company holds significant variable interests but is not the primary beneficiary and which have not been consolidated at:

	June 30, 2012		December 31, 2011	
	Carrying Amount	Maximum Exposure to Loss (1)	Carrying Amount	Maximum Exposure to Loss (1)
	(In millions)			
Fixed maturity securities available-for-sale:				
RMBS (2)	$ 41,064	$ 41,064	$ 42,637	$ 42,637
CMBS (2)	19,017	19,017	19,069	19,069
ABS (2)	13,892	13,892	12,979	12,979
U.S. corporate securities	2,892	2,892	2,911	2,911
Foreign corporate securities	2,005	2,005	2,087	2,087
Other limited partnership interests	4,508	5,994	4,340	6,084
Other invested assets	920	1,223	799	1,194
Trading and other securities	609	609	671	671
Mortgage loans	370	370	456	456
Real estate joint ventures	108	121	61	79
Total	$ 85,385	$ 87,187	$ 86,010	$ 88,167

(1) The maximum exposure to loss relating to the fixed maturity and trading and other securities is equal to their estimated fair value. The maximum exposure to loss relating to the other limited partnership interests, real estate joint ventures and mortgage loans is equal to the carrying amounts plus any unfunded commitments of the Company. Such a maximum loss would be expected to occur only upon bankruptcy of the issuer, borrower or investee. For certain of its investments in other invested assets, the Company s return is in the form of income tax credits which are guaranteed by a creditworthy third party. For such investments, the maximum exposure to loss is equal to the carrying amounts plus any unfunded commitments, reduced by income tax credits guaranteed by third parties of $348 million and $267 million at June 30, 2012 and December 31, 2011, respectively.

(2) For these variable interests, the Company s involvement is limited to that of a passive investor.

As described in Note 11, the Company makes commitments to fund partnership investments in the normal course of business. Excluding these commitments, the Company did not provide financial or other support to investees designated as VIEs during the six months ended June 30, 2012 and 2011.

4. Derivative Financial Instruments

Accounting for Derivative Financial Instruments

Derivatives are financial instruments whose values are 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. The Company uses a variety of derivatives, including swaps, forwards, futures and option contracts, to manage various risks relating to its ongoing business operations. To a lesser extent, the Company uses credit default swaps and structured interest rate swaps to synthetically replicate investment risks and returns which are not readily available in the cash market. The Company also purchases certain securities, issues certain insurance policies and investment contracts and engages in certain reinsurance agreements that have embedded derivatives.

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Freestanding derivatives are carried in the Company s consolidated balance sheets either as assets within other invested assets or as liabilities within other liabilities at estimated fair value as determined through the use of quoted market prices for exchange-traded derivatives and interest rate forwards to sell certain to be announced securities or through the use of pricing models for OTC derivatives. The determination of estimated fair value of freestanding derivatives, when quoted market values are not available, is based on market standard valuation methodologies and inputs that management believes are consistent with what other market participants would use when pricing the instruments. Derivative valuations can be affected by changes in interest rates, foreign currency exchange rates, financial indices, credit spreads, default risk, nonperformance risk, volatility, liquidity and changes in estimates and assumptions used in the pricing models.

Accruals on derivatives are generally recorded in accrued investment income or within other liabilities in the consolidated balance sheets. However, accruals that are not scheduled to settle within one year are included with the derivative carrying value in other invested assets or other liabilities.

The Company does not offset the 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 generally reported in net derivative gains (losses) except for those (i) in policyholder benefits and claims for economic hedges of variable annuity guarantees included in future policy benefits; (ii) in net investment income for (a) economic hedges of equity method investments in joint ventures, (b) all derivatives held in relation to the trading portfolios, and (c) derivatives held within contractholder-directed unit-linked investments; (iii) in other revenues for derivatives held in connection with the Company s mortgage banking activities; and (iv) in other expenses for economic hedges of foreign currency exposure related to the Company s international subsidiaries. The fluctuations in estimated fair value of derivatives which have not been designated for hedge accounting can result in significant volatility in net income.

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 as either (i) a hedge of the estimated fair value of a recognized asset or liability (fair value hedge); (ii) a hedge of a forecasted transaction or of the variability of cash flows to be received or paid related to a recognized asset or liability (cash flow hedge); or (iii) a hedge of a net investment in a foreign operation. In this documentation, the Company sets forth how the hedging instrument is expected to hedge the designated risks related to the hedged item and sets forth the method that will be used to retrospectively and prospectively assess the hedging instrument s effectiveness and the method which will be used to measure ineffectiveness. A derivative designated as a hedging instrument must be assessed as being highly effective in offsetting the designated risk of the hedged item. Hedge effectiveness is formally assessed at inception and periodically throughout the life of the designated hedging relationship. Assessments of hedge effectiveness and measurements of ineffectiveness are also subject to interpretation and estimation and different interpretations or estimates may have a material effect on the amount reported in net income.

The accounting for derivatives is complex and interpretations of the primary accounting guidance continue to evolve in practice. Judgment is applied in determining the availability and application of hedge accounting designations and the appropriate accounting treatment under such accounting guidance. If it was determined that hedge accounting designations were not appropriately applied, reported net income could be materially affected.

Under a fair value hedge, changes in the estimated fair value of the hedging derivative, including amounts measured as ineffectiveness, and changes in the estimated fair value of the hedged item related to the designated

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

risk being hedged, are reported within net derivative gains (losses). The estimated fair values of the hedging derivatives are exclusive of any accruals that are separately reported in the consolidated statement of operations and comprehensive income within interest income or interest expense to match the location of the hedged item.

Under a cash flow hedge, changes in the estimated fair value of the hedging derivative measured as effective are reported within other comprehensive income (loss), a separate component of stockholders equity, and the deferred gains or losses on the derivative are reclassified into the consolidated statement of operations and comprehensive income when the Company s earnings are affected by the variability in cash flows of the hedged item. Changes in the estimated fair value of the hedging instrument measured as ineffectiveness are reported within net derivative gains (losses). The estimated fair values of the hedging derivatives are exclusive of any accruals that are separately reported in the consolidated statement of operations and comprehensive income within interest income or interest expense to match the location of the hedged item.

In a hedge of a net investment in a foreign operation, changes in the estimated fair value of the hedging derivative that are measured as effective are reported within other comprehensive income (loss) consistent with the translation adjustment for the hedged net investment in the foreign operation. Changes in the estimated fair value of the hedging instrument measured as ineffectiveness are reported within net derivative gains (losses).

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

When hedge accounting is discontinued because it is determined that the derivative is not highly effective in offsetting changes in the estimated fair value or cash flows of a hedged item, the derivative continues to be carried in the consolidated balance sheets at its estimated fair value, with changes in estimated fair value recognized currently 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 other comprehensive income (loss) related to discontinued cash flow hedges are released into the consolidated statements of operations and comprehensive income when the Company s earnings are affected by the variability in cash flows of the hedged item.

When hedge accounting is discontinued because it is no longer probable that the forecasted transactions will occur on the anticipated date or within two months of that date, the derivative continues to be carried in the consolidated balance sheets at its estimated fair value, with changes in estimated fair value recognized currently in net derivative gains (losses). Deferred gains and losses of a derivative recorded in other comprehensive income (loss) pursuant to the discontinued cash flow hedge of a forecasted transaction that is no longer probable are recognized immediately in net derivative gains (losses).

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

The Company issues certain products and purchases certain investments that contain embedded derivatives. The Company assesses each identified embedded derivative to determine whether it is required to be bifurcated. If the instrument would not be accounted for in its entirety at estimated fair value and it is determined that the terms of the embedded derivative are not clearly and closely related to the economic characteristics of the host

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contract, and that a separate instrument with the same terms would qualify as a derivative instrument, the embedded derivative is bifurcated from the host contract and accounted for as a freestanding derivative. Such embedded derivatives are carried in the consolidated balance sheets at estimated fair value with the host contract and changes in their estimated fair value are generally reported in net derivative gains (losses) except for those in policyholder benefits and claims related to ceded reinsurance of guaranteed minimum income benefits (GMIB). If the Company is unable to properly identify and measure an embedded derivative for separation from its host contract, the entire contract is carried on the balance sheet at estimated fair value, with changes in estimated fair value recognized in the current period in net investment gains (losses) or net investment income. Additionally, the Company may elect to carry an entire contract on the balance sheet at estimated fair value, with changes in estimated fair value recognized in the current period in net investment gains (losses) or net investment income if that contract contains an embedded derivative that requires bifurcation.

See Note 5 for information about the fair value hierarchy for derivatives.

Primary Risks Managed by Derivative Financial Instruments and Non-Derivative Financial Instruments

The Company is exposed to various risks relating to its ongoing business operations, including interest rate risk, foreign currency risk, credit risk and equity market risk. The Company uses a variety of strategies to manage these risks, including the use of derivative instruments. The following table presents the gross notional amount, estimated fair value and primary underlying risk exposure of the Company s derivative financial instruments, excluding embedded derivatives, held at:

Primary Underlying Risk Exposure	Instrument Type	June 30, 2012 Notional Amount	June 30, 2012 Estimated Fair Value (1) Assets	June 30, 2012 Estimated Fair Value (1) Liabilities	December 31, 2011 Notional Amount	December 31, 2011 Estimated Fair Value (1) Assets	December 31, 2011 Estimated Fair Value (1) Liabilities
		(In millions)					
Interest rate	Interest rate swaps	$ 95,755	$ 9,189	$ 2,314	$ 79,733	$ 8,241	$ 2,199
	Interest rate floors	23,866	1,291	172	23,866	1,246	165
	Interest rate caps	46,045	54		49,665	102	
	Interest rate futures	14,350	16	51	14,965	25	19
	Interest rate options	16,002	927	5	16,988	896	6
	Interest rate forwards	1,377	197	12	14,033	286	91
	Synthetic GICs	4,506			4,454		
Foreign currency	Foreign currency swaps	16,841	984	1,012	16,461	1,172	1,060
	Foreign currency forwards	9,237	205	51	10,149	200	60
	Currency futures	934	2	1	633		
	Currency options	2,551	3	22	1,321	6	
Credit	Credit default swaps	13,803	168	80	13,136	326	113
	Credit forwards				20	4	
Equity market	Equity futures	7,682	1	236	7,053	26	10
	Equity options	20,315	3,315	209	17,099	3,263	179
	Variance swaps	19,833	216	144	18,801	397	75
	Total rate of return swaps (TRRs)	2,007	34	44	1,644	10	34
	Total	$ 295,104	$ 16,602	$ 4,353	$ 290,021	$ 16,200	$ 4,011

(1) The estimated fair value of all derivatives in an asset position is reported within other invested assets in the consolidated balance sheets and the estimated fair value of all derivatives in a liability position is reported within other liabilities in the consolidated balance sheets.

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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 principal amount. 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. The Company utilizes interest rate swaps in fair value, cash flow and non-qualifying hedging relationships.

The Company also enters into basis swaps to better match the cash flows from assets and related liabilities. In a basis swap, both legs of the swap are floating with each based on a different index. Generally, no cash is exchanged at the outset of the contract and no principal payments are made by either party. A single net payment is usually made by one counterparty at each due date. Basis swaps are included in interest rate swaps in the preceding table. The Company utilizes basis swaps in non-qualifying hedging relationships.

Inflation swaps are used as an economic hedge to reduce inflation risk generated from inflation-indexed liabilities. Inflation swaps are included in interest rate swaps in the preceding table. The Company utilizes inflation swaps in non-qualifying hedging relationships.

Implied volatility swaps are used by the Company primarily as economic hedges of interest rate risk associated with the Company s investments in mortgage-backed securities. In an implied volatility swap, the Company exchanges fixed payments for floating payments that are linked to certain market volatility measures. If implied volatility rises, the floating payments that the Company receives will increase, and if implied volatility falls, the floating payments that the Company receives will decrease. Implied volatility swaps are included in interest rate swaps in the preceding table. The Company utilizes implied volatility swaps in non-qualifying hedging relationships.

The Company uses structured interest rate swaps to synthetically create investments that are either more expensive to acquire or otherwise unavailable in the cash markets. These transactions are a combination of a derivative and a cash instrument such as a U.S. Treasury, agency, or other fixed maturity security. Structured interest rate swaps are included in interest rate swaps in the preceding table. Structured interest rate swaps are not designated as hedging instruments.

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 (duration mismatches), 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 non-qualifying hedging relationships.

In exchange-traded interest rate (Treasury and swap) futures transactions, the Company agrees to purchase or sell a specified number of contracts, the value of which is determined by the different classes of interest rate securities, and to post variation margin on a daily basis in an amount equal to the difference in the daily market values of those contracts. The Company enters into exchange-traded futures with regulated futures commission merchants that are members of the exchange. Exchange-traded interest rate (Treasury and swap) futures are used primarily to hedge mismatches between the duration of assets in a portfolio and the duration of liabilities supported by those assets, to hedge against changes in value of securities the Company owns or anticipates acquiring and to hedge against changes in interest rates on anticipated liability issuances by replicating Treasury or swap curve performance. The Company utilizes exchange-traded interest rate futures in non-qualifying hedging relationships.

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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. Swaptions are included in interest rate options in the preceding table. The Company utilizes swaptions in non-qualifying hedging relationships.

The Company writes covered call options on its portfolio of U.S. Treasury securities as an income generation strategy. In a covered call transaction, the Company receives a premium at the inception of the contract in exchange for giving the derivative counterparty the right to purchase the referenced security from the Company at a predetermined price. The call option is covered because the Company owns the referenced security over the term of the option. Covered call options are included in interest rate options in the preceding table. The Company utilizes covered call options in non-qualifying hedging relationships.

The Company enters into interest rate forwards to buy and sell securities. The price is agreed upon at the time of the contract and payment for such a contract is made at a specified future date. The Company also uses interest rate forwards to sell to be announced securities as economic hedges against the risk of changes in the fair value of mortgage loans held-for-sale and interest rate lock commitments. The Company utilizes interest rate forwards in cash flow and non-qualifying hedging relationships.

Interest rate lock commitments are short-term commitments to fund mortgage loan applications in process (the pipeline) for a fixed term for a fixed rate or spread. During the term of an interest rate lock commitment, the Company is exposed to the risk that interest rates will change from the rate quoted to the potential borrower. Interest rate lock commitments to fund mortgage loans that will be held-for-sale are considered derivative instruments. Interest rate lock commitments are included in interest rate forwards in the preceding table. Interest rate lock commitments are not designated as hedging instruments.

A synthetic GIC is a contract that simulates the performance of a traditional guaranteed interest contract through the use of financial instruments. Under a synthetic GIC, the policyholder owns the underlying assets. The Company guarantees a rate return on those assets for a premium. Synthetic GICs are not designated as hedging instruments.

Foreign currency derivatives, including foreign currency swaps, foreign currency forwards, currency options, and currency futures contracts, are used by the Company to reduce the risk from fluctuations in foreign currency exchange rates associated with its assets and liabilities denominated in foreign currencies. The Company also uses foreign currency forwards and options to hedge the foreign currency risk associated with certain of its net investments in foreign operations.

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 principal amount. The principal amount of each currency is exchanged at the inception and termination of the currency swap by each party. The Company utilizes foreign currency swaps in fair value, cash flow and non-qualifying hedging relationships.

In a foreign currency forward transaction, the Company agrees with another party to deliver a specified amount of an identified currency at a specified future date. The price is agreed upon at the time of the contract and payment for such a contract is made in a different currency at the specified future date. The Company utilizes foreign currency forwards in fair value, net investment in foreign operations and non-qualifying hedging relationships.

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

In exchange-traded currency futures transactions, the Company agrees to purchase or sell a specified number of contracts, the value of which is determined by referenced currencies, and to post variation margin on a daily basis in an amount equal to the difference in the daily market values of those contracts. The Company enters into exchange-traded futures with regulated futures commission merchants that are members of the exchange. Exchange-traded currency futures are used primarily to hedge currency mismatches between assets and liabilities. The Company utilizes exchange-traded currency futures in non-qualifying hedging relationships.

The Company enters into currency option contracts that give it the right, but not the obligation, to sell the foreign currency amount in exchange for a functional currency amount within a limited time at a contracted price. The contracts may also be net settled in cash, based on differentials in the foreign exchange rate and the strike price. The Company uses currency options to hedge against the foreign currency exposure inherent in certain of its variable annuity products. The Company also uses currency options as an economic hedge of foreign currency exposure related to the Company s international subsidiaries. The Company utilizes currency options in net investment in foreign operations and non-qualifying hedging relationships.

The Company uses certain of its foreign currency denominated funding agreements to hedge portions of its net investments in foreign operations against adverse movements in exchange rates. Such contracts are included in non-derivative hedging instruments.

Certain credit default swaps are used by the Company to hedge against credit-related changes in the value of its investments. In a credit default swap transaction, the Company agrees with another party, at specified intervals, to pay a premium to hedge credit risk. If a credit event, as defined by the contract, occurs, 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 in exchange for the payment of cash amounts by the counterparty equal to the par value of the investment surrendered. The Company utilizes credit default swaps in non-qualifying hedging relationships.

Credit default swaps are also used to synthetically create credit investments that are either more expensive to acquire or otherwise unavailable in the cash markets. These transactions are a combination of a derivative and one or more cash instruments such as U.S. Treasury securities, agency securities or other fixed maturity securities. The Company also enters into certain credit default swaps held in relation to trading portfolios for the purpose of generating profits on short-term differences in price. These credit default swaps are not designated as hedging instruments.

The Company enters into forwards to lock in the price to be paid for forward purchases of certain securities. The price is agreed upon at the time of the contract and payment for the contract is made at a specified future date. When the primary purpose of entering into these transactions is to hedge against the risk of changes in purchase price due to changes in credit spreads, the Company designates these as credit forwards. The Company utilizes credit forwards in cash flow hedging relationships.

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

Equity index options are used by the Company primarily to hedge minimum guarantees embedded in certain variable annuity products offered by the Company. To hedge against adverse changes in equity indices, the

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

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. Equity index options are included in equity options in the preceding table. The Company utilizes equity index options in non-qualifying 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. Equity variance swaps are included in variance swaps in the preceding table. The Company utilizes equity variance swaps in non-qualifying hedging relationships.

TRRs are swaps whereby the Company agrees with another party to exchange, at specified intervals, the difference between the economic risk and reward of an asset or a market index and the London Inter-Bank Offered Rate (LIBOR), calculated by reference to an agreed notional principal 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. The Company uses TRRs to hedge its equity market guarantees in certain of its insurance products. TRRs can be used as hedges or to synthetically create investments. The Company utilizes TRRs in non-qualifying hedging relationships.

Hedging

The following table presents the gross notional amount and estimated fair value of derivatives designated as hedging instruments by type of hedge designation at:

	June 30, 2012			December 31, 2011		
	Notional	Estimated Fair Value		Notional	Estimated Fair Value	
Derivatives Designated as Hedging Instruments	**Amount**	**Assets**	**Liabilities**	**Amount**	**Assets**	**Liabilities**
			(In millions)			
Fair value hedges:						
Foreign currency swaps	$ 3,125	$ 274	$ 104	$ 3,220	$ 500	$ 98
Foreign currency forwards	1,630	29		1,830	2	10
Interest rate swaps	5,163	2,056	93	4,580	1,884	92
Subtotal	9,918	2,359	197	9,630	2,386	200
Cash flow hedges:						
Foreign currency swaps	6,506	423	273	6,370	352	306
Interest rate swaps	3,927	1,053		3,230	947	
Interest rate forwards	1,295	197	12	965	210	
Credit forwards				20	4	
Subtotal	11,728	1,673	285	10,585	1,513	306
Foreign operations hedges:						
Foreign currency forwards	2,034	36	16	1,689	53	12
Currency options	2,150	1	22			
Subtotal	4,184	37	38	1,689	53	12

Total qualifying hedges	$ 25,830	$ 4,069	$ 520	$ 21,904	$ 3,952	$ 518

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

The following table presents the gross notional amount and estimated fair value of derivatives that were not designated or do not qualify as hedging instruments by derivative type at:

Derivatives Not Designated or Not Qualifying as Hedging Instruments	June 30, 2012 Notional Amount	June 30, 2012 Estimated Fair Value Assets	June 30, 2012 Estimated Fair Value Liabilities	December 31, 2011 Notional Amount	December 31, 2011 Estimated Fair Value Assets	December 31, 2011 Estimated Fair Value Liabilities
	(In millions)					
Interest rate swaps	$ 86,665	$ 6,080	$ 2,221	$ 71,923	$ 5,410	$ 2,107
Interest rate floors	23,866	1,291	172	23,866	1,246	165
Interest rate caps	46,045	54		49,665	102	
Interest rate futures	14,350	16	51	14,965	25	19
Interest rate options	16,002	927	5	16,988	896	6
Interest rate forwards	82			13,068	76	91
Synthetic GICs	4,506			4,454		
Foreign currency swaps	7,210	287	635	6,871	320	656
Foreign currency forwards	5,573	140	35	6,630	145	38
Currency futures	934	2	1	633		
Currency options	401	2		1,321	6	
Credit default swaps	13,803	168	80	13,136	326	113
Equity futures	7,682	1	236	7,053	26	10
Equity options	20,315	3,315	209	17,099	3,263	179
Variance swaps	19,833	216	144	18,801	397	75
TRRs	2,007	34	44	1,644	10	34
Total non-designated or non-qualifying derivatives	$ 269,274	$ 12,533	$ 3,833	$ 268,117	$ 12,248	$ 3,493

Net Derivative Gains (Losses)

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

	Three Months Ended June 30, 2012	Three Months Ended June 30, 2011	Six Months Ended June 30, 2012	Six Months Ended June 30, 2011
	(In millions)			
Derivatives and hedging gains (losses) (1)	$ 3,470	$ 746	$ (332)	$ (512)
Embedded derivatives	(1,378)	(394)	446	549
Total net derivative gains (losses)	$ 2,092	$ 352	$ 114	$ 37

(1) Includes foreign currency transaction gains (losses) on hedged items in cash flow and non-qualifying hedging relationships, which are not presented elsewhere in this note.

MetLife, Inc.

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

The following table presents earned income on derivatives for the:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
	(In millions)			
Qualifying hedges:				
Net investment income	$ 31	$ 20	$ 55	$ 42
Interest credited to policyholder account balances	38	57	83	118
Other expenses	(1)		(2)	(1)
Non-qualifying hedges:				
Net investment income	(2)	(3)	(3)	(4)
Other revenues	15	18	33	33
Net derivative gains (losses)	240	32	229	5
Policyholder benefits and claims	52	(2)	(10)	
Total	$ 373	$ 122	$ 385	$ 193

Fair Value Hedges

The Company designates and accounts for the following as fair value hedges when they have met the requirements of fair value hedging: (i) interest rate swaps to convert fixed rate investments to floating rate investments; (ii) interest rate swaps to convert fixed rate liabilities to floating rate liabilities; (iii) foreign currency swaps to hedge the foreign currency fair value exposure of foreign currency denominated investments and liabilities; and (iv) foreign currency forwards to hedge the foreign currency fair value exposure of foreign currency denominated fixed rate investments.

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

The Company recognizes gains and losses on derivatives and the related hedged items in fair value hedges within net derivative gains (losses). The following table presents the amount of such net derivative gains (losses):

Derivatives in Fair Value Hedging Relationships	Hedged Items in Fair Value Hedging Relationships	Net Derivative Gains (Losses) Recognized for Derivatives	Net Derivative Gains (Losses) Recognized for Hedged Items	Ineffectiveness Recognized in Net Derivative Gains (Losses)
			(In millions)	
For the Three Months Ended June 30, 2012:				
Interest rate swaps:	Fixed maturity securities	$ (10)	$ 9	$ (1)
	PABs (1)	414	(406)	8
Foreign currency swaps:	Foreign-denominated fixed maturity securities	(1)	1	
	Foreign-denominated PABs (2)	(133)	124	(9)
Foreign currency forwards:	Foreign-denominated fixed maturity securities	51	(50)	1
Total		$ 321	$ (322)	$ (1)
For the Three Months Ended June 30, 2011:				
Interest rate swaps:	Fixed maturity securities	$ (16)	$ 15	$ (1)
	PABs (1)	157	(150)	7
Foreign currency swaps:	Foreign-denominated fixed maturity securities			
	Foreign-denominated PABs (2)	158	(155)	3
Foreign currency forwards:	Foreign-denominated fixed maturity securities			
Total		$ 299	$ (290)	$ 9
For the Six Months Ended June 30, 2012:				
Interest rate swaps:	Fixed maturity securities	$ (4)	$ 3	$ (1)
	PABs (1)	114	(105)	9
Foreign currency swaps:	Foreign-denominated fixed maturity securities	1	(1)	
	Foreign-denominated PABs (2)	(76)	61	(15)
Foreign currency forwards:	Foreign-denominated fixed maturity securities	(7)	6	(1)
Total		$ 28	$ (36)	$ (8)
For the Six Months Ended June 30, 2011:				
Interest rate swaps:	Fixed maturity securities	$ (5)	$ 5	$
	PABs (1)	43	(34)	9
Foreign currency swaps:	Foreign-denominated fixed maturity securities	(1)	1	
	Foreign-denominated PABs (2)	235	(242)	(7)
Foreign currency forwards:	Foreign-denominated fixed maturity securities			
Total		$ 272	$ (270)	$ 2

(1) Fixed rate liabilities.

(2) Fixed rate or floating rate liabilities.

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

For the Company s foreign currency forwards, the change in the fair value of the derivative related to the changes in the difference between the spot price and the forward price is excluded from the assessment of hedge effectiveness. For all other derivatives, all components of each derivative s gain or loss were included in the assessment of hedge effectiveness. For both the three months and six months ended June 30, 2012, insignificant amounts of the change in fair value of derivatives were excluded from the assessment of hedge effectiveness, respectively. For both the three months and six months ended June 30, 2011, no component of the change in fair value of derivatives was excluded from the assessment of hedge effectiveness.

Cash Flow Hedges

The Company designates and accounts for the following as cash flow hedges when they have met the requirements of cash flow hedging: (i) interest rate swaps to convert floating rate investments to fixed rate investments; (ii) interest rate swaps to convert floating rate liabilities to fixed rate liabilities; (iii) foreign currency swaps to hedge the foreign currency cash flow exposure of foreign currency denominated investments and liabilities; (iv) interest rate forwards and credit forwards to lock in the price to be paid for forward purchases of investments; (v) interest rate swaps and interest rate forwards to hedge the forecasted purchases of fixed-rate investments; and (vi) interest rate swaps and interest rate forwards to hedge forecasted fixed-rate borrowings.

In certain instances, the Company discontinued cash flow hedge accounting because the forecasted transactions did not occur on the anticipated date, within two months of that date, or were no longer probable of occurring. The net amounts reclassified into net derivative gains (losses) related to such discontinued cash flow hedges were $1 million and $4 million for the three months and six months ended June 30, 2012, respectively, and ($1) million and ($14) million for the three months and six months ended June 30, 2011, respectively.

At both June 30, 2012 and December 31, 2011, the maximum length of time over which the Company was hedging its exposure to variability in future cash flows for forecasted transactions did not exceed nine years.

The following table presents the components of accumulated other comprehensive income (loss), before income tax, related to cash flow hedges:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
	(In millions)			
Accumulated other comprehensive income (loss), balance at beginning of period	$ 1,019	$ (237)	$ 1,514	$ (59)
Gains (losses) deferred in other comprehensive income (loss) on the effective portion of cash flow hedges	805	82	320	(103)
Amounts reclassified to net derivative gains (losses)	8	(12)	(4)	(8)
Amounts reclassified to net investment income				1
Amounts reclassified to other expenses		2	2	4
Accumulated other comprehensive income (loss), balance at end of period	$ 1,832	$ (165)	$ 1,832	$ (165)

At June 30, 2012, $25 million of deferred net gains (losses) on derivatives in accumulated other comprehensive income (loss) was expected to be reclassified to earnings within the next 12 months.

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MetLife, Inc.

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

The following table presents the effects of derivatives in cash flow hedging relationships on the interim condensed consolidated statements of operations and comprehensive income and the interim condensed consolidated statements of equity:

Derivatives in Cash Flow Hedging Relationships	Amount of Gains (Losses) Deferred in Accumulated Other Comprehensive Income (Loss) on Derivatives (Effective Portion)	Amount and Location of Gains (Losses) Reclassified from Accumulated Other Comprehensive Income (Loss) into Income (Loss) (Effective Portion) Net Derivative Gains (Losses)	Net Investment Income	Other Expenses	Amount and Location of Gains (Losses) Recognized in Income (Loss) on Derivatives (Ineffective Portion and Amount Excluded from Effectiveness Testing) Net Derivative Gains (Losses)
	(In millions)				
For the Three Months Ended June 30, 2012:					
Interest rate swaps	$ 491	$ (2)	$	$ (1)	$ (4)
Foreign currency swaps	214	(6)	(2)	1	2
Interest rate forwards	100		1		(1)
Credit forwards			1		
Total	$ 805	$ (8)	$	$	$ (3)
For the Three Months Ended June 30, 2011:					
Interest rate swaps	$ 80	$ 1	$ 1	$ (2)	$ 2
Foreign currency swaps	(36)	(11)	(1)		(1)
Interest rate forwards	33	22			(13)
Credit forwards	5				
Total	$ 82	$ 12	$	$ (2)	$ (12)
For the Six Months Ended June 30, 2012:					
Interest rate swaps	$ 198	$ (1)	$ 1	$ (3)	$
Foreign currency swaps	110	5	(3)	1	1
Interest rate forwards	12		1		
Credit forwards			1		
Total	$ 320	$ 4	$	$ (2)	$ 1
For the Six Months Ended June 30, 2011:					
Interest rate swaps	$ 17	$ 1	$ 1	$ (4)	$ 2
Foreign currency swaps	(140)	(15)	(3)	1	(2)
Interest rate forwards	18	22	1	(1)	(11)
Credit forwards	2				

Total	$ (103)	$ 8	$ (1)	$ (4)	$ (11)

All components of each derivative s gain or loss were included in the assessment of hedge effectiveness.

Hedges of Net Investments in Foreign Operations

The Company uses foreign exchange contracts, which may include forwards and options, to hedge portions of its net investments in foreign operations against adverse movements in exchange rates. The Company measures ineffectiveness on these contracts based upon the change in forward rates. In addition, the Company may also use non-derivative financial instruments to hedge portions of its net investments in foreign operations against adverse movements in exchange rates. The Company measures ineffectiveness on non-derivative financial instruments based upon the change in spot rates.

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When net investments in foreign operations are sold or substantially liquidated, the amounts in accumulated other comprehensive income (loss) are reclassified to the consolidated statements of operations, while a pro rata portion will be reclassified upon partial sale of the net investments in foreign operations.

The following table presents the effects of derivatives and non-derivative financial instruments in net investment hedging relationships in the interim condensed consolidated statements of operations and comprehensive income and the interim condensed consolidated statements of equity:

Derivatives and Non-Derivative Hedging Instruments in Net Investment Hedging Relationships (1), (2)	Amount of Gains (Losses) Deferred in Accumulated Other Comprehensive Income (Loss) (Effective Portion) (In millions)	
For the Three Months Ended June 30, 2012:		
Foreign currency forwards	$	42
Foreign currency options		(25)
Non-derivative hedging instruments		
Total	$	17
For the Three Months Ended June 30, 2011:		
Foreign currency forwards	$	(57)
Foreign currency options		
Non-derivative hedging instruments		
Total	$	(57)
For the Six Months Ended June 30, 2012:		
Foreign currency forwards	$	(10)
Foreign currency options		(24)
Non-derivative hedging instruments		
Total	$	(34)
For the Six Months Ended June 30, 2011:		
Foreign currency forwards	$	(113)
Foreign currency options		
Non-derivative hedging instruments		6
Total	$	(107)

(1)

During the three months and six months ended June 30, 2012, there were no sales or substantial liquidations of net investments in foreign operations that would have required the reclassification of gains or losses from accumulated other comprehensive income (loss) into earnings during the periods presented. During the six months ended June 30, 2011, the Company sold its interest in MSI MetLife, which was a hedged item in a net investment hedging relationship. See Note 2 of the Notes to the Consolidated Financial Statements included in the 2011 Annual Report.

(2) There was no ineffectiveness recognized for the Company s hedges of net investments in foreign operations. All components of each derivative and non-derivative hedging instrument s gain or loss were included in the assessment of hedge effectiveness.

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

At June 30, 2012 and December 31, 2011, the cumulative foreign currency translation gain (loss) recorded in accumulated other comprehensive income (loss) related to hedges of net investments in foreign operations was ($118) million and ($84) million, respectively.

Non-Qualifying Derivatives and Derivatives for Purposes Other Than Hedging

The Company enters into the following derivatives that do not qualify for hedge accounting or for purposes other than hedging: (i) interest rate swaps, implied volatility swaps, caps and floors and interest rate futures to economically hedge its exposure to interest rates; (ii) foreign currency forwards, swaps, option contracts and future contracts to economically hedge its exposure to adverse movements in exchange rates; (iii) credit default swaps to economically hedge exposure to adverse movements in credit; (iv) equity futures, equity index options, interest rate futures, TRRs and equity variance swaps to economically hedge liabilities embedded in certain variable annuity products; (v) interest rate forwards to buy and sell securities to economically hedge its exposure to interest rates; (vi) credit default swaps, TRRs and structured interest rate swaps to synthetically create investments; (vii) basis swaps to better match the cash flows of assets and related liabilities; (viii) credit default swaps held in relation to trading portfolios; (ix) swaptions to hedge interest rate risk; (x) inflation swaps to reduce risk generated from inflation-indexed liabilities; (xi) covered call options for income generation; (xii) interest rate lock commitments; (xiii) synthetic GICs; and (xiv) equity options to economically hedge certain invested assets against adverse changes in equity indices.

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

The following tables present the amount and location of gains (losses) recognized in income for derivatives that were not designated or qualifying as hedging instruments:

	Net Derivative Gains (Losses)	Net Investment Income (1)	Policyholder Benefits and Claims (2)	Other Revenues (3)
	(In millions)			
For the Three Months Ended June 30, 2012:				
Interest rate swaps	$ 1,288	$	$	$ 129
Interest rate floors	219			
Interest rate caps	(51)			
Interest rate futures	242			(2)
Equity futures	135	(9)	42	
Foreign currency swaps	106			
Foreign currency forwards	210			
Currency futures	18			
Currency options	(14)			
Equity options	555	(6)	12	
Interest rate options	471			
Interest rate forwards	8			(8)
Variance swaps	77		(4)	
Credit default swaps	(36)	2		
TRRs	25			
Total	$ 3,253	$ (13)	$ 50	$ 119
For the Three Months Ended June 30, 2011:				
Interest rate swaps	$ 644	$ (1)	$	$ 72
Interest rate floors	107			
Interest rate caps	(73)			
Interest rate futures	(47)			(4)
Equity futures	1	10	(6)	
Foreign currency swaps	(71)			
Foreign currency forwards	29			
Currency futures				
Currency options	(13)			
Equity options	52	(4)		
Interest rate options	13			6
Interest rate forwards				(31)
Variance swaps	(14)			
Credit default swaps	31	(1)		
TRRs	1			
Total	$ 660	$ 4	$ (6)	$ 43

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

	Net Derivative Gains (Losses)	Net Investment Income (1)	Policyholder Benefits and Claims (2)	Other Revenues (3)
		(In millions)		
For the Six Months Ended June 30, 2012:				
Interest rate swaps	$ 489	$	$	$ 81
Interest rate floors	39			
Interest rate caps	(62)			
Interest rate futures	121			(2)
Equity futures	(511)		(206)	
Foreign currency swaps	23			
Foreign currency forwards	(30)			
Currency futures	(11)			
Currency options	(4)			
Equity options	(387)	(8)	(19)	
Interest rate options	113			
Interest rate forwards	18			(74)
Variance swaps	(259)		12	
Credit default swaps	(120)	(7)		
TRRs	11			
Total	$ (570)	$ (15)	$ (213)	$ 5
For the Six Months Ended June 30, 2011:				
Interest rate swaps	$ 374	$ (2)	$	$ 24
Interest rate floors	(18)			
Interest rate caps	(82)			
Interest rate futures	(49)	1		(4)
Equity futures	55	3	(108)	
Foreign currency swaps	(192)			
Foreign currency forwards	(140)	(9)		
Currency futures	9			
Currency options	(45)			
Equity options	(367)	(11)		
Interest rate options	(14)			(3)
Interest rate forwards				(39)
Variance swaps	(91)	(3)		
Credit default swaps	(14)	(1)		
TRRs	(1)			
Total	$ (575)	$ (22)	$ (108)	$ (22)

(1) Changes in estimated fair value related to economic hedges of equity method investments in joint ventures; changes in estimated fair value related to derivatives held in relation to trading portfolios; and changes in estimated fair value related to derivatives held within contractholder-directed unit-linked investments.

(2) Changes in estimated fair value related to economic hedges of variable annuity guarantees included in future policy benefits.

(3) Changes in estimated fair value related to derivatives held in connection with the Company s mortgage banking activities.

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Credit Derivatives

In connection with synthetically created credit investment transactions and credit default swaps held in relation to the trading portfolio, the Company writes credit default swaps for which it receives a premium to insure credit risk. Such credit derivatives are included within the non-qualifying derivatives and derivatives for purposes other than hedging table. If a credit event occurs, as defined by the contract, the contract may be cash settled or it may be settled gross by the Company paying the counterparty the specified swap notional amount in exchange for the delivery of par quantities of the referenced credit obligation. The Company s maximum amount at risk, assuming the value of all referenced credit obligations is zero, was $8.8 billion and $7.7 billion at June 30, 2012 and December 31, 2011, respectively. The Company can terminate these contracts at any time through cash settlement with the counterparty at an amount equal to the then current fair value of the credit default swaps. At June 30, 2012 and December 31, 2011, the Company would have paid $14 million and $41 million, respectively, to terminate all of these contracts.

The following table presents the estimated fair value, maximum amount of future payments and weighted average years to maturity of written credit default swaps at:

Rating Agency Designation of Referenced Credit Obligations (1)	June 30, 2012			December 31, 2011		
	Estimated Fair Value of Credit Default Swaps	Maximum Amount of Future Payments under Credit Default Swaps (2)	Weighted Average Years to Maturity (3)	Estimated Fair Value of Credit Default Swaps	Maximum Amount of Future Payments under Credit Default Swaps (2)	Weighted Average Years to Maturity (3)
	(In millions)			(In millions)		
Aaa/Aa/A						
Single name credit default swaps (corporate)	$ 6	$ 727	3.1	$ 5	$ 737	3.5
Credit default swaps referencing indices	24	2,813	2.5	(1)	2,813	3.0
Subtotal	30	3,540	2.6	4	3,550	3.1
Baa						
Single name credit default swaps (corporate)	(14)	1,479	3.8	(17)	1,234	4.0
Credit default swaps referencing indices	(21)	3,455	5.0	(26)	2,847	4.9
Subtotal	(35)	4,934	4.7	(43)	4,081	4.6
Ba						
Single name credit default swaps (corporate)		25	3.0		25	3.5
Credit default swaps referencing indices						
Subtotal		25	3.0		25	3.5
B						
Single name credit default swaps (corporate)						
Credit default swaps referencing indices	(9)	273	5.0	(2)	25	4.8
Subtotal	(9)	273	5.0	(2)	25	4.8

Total	$ (14)	$	8,772	3.9	$ (41)	$	7,681	3.9

(1) The rating agency designations are based on availability and the midpoint of the applicable ratings among Moody s Investors Service (Moody s), Standard & Poor s Rating Services (S&P) and Fitch Ratings. If no rating is available from a rating agency, then an internally developed rating is used.

(2) Assumes the value of the referenced credit obligations is zero.

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

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

The Company has also entered into credit default swaps to purchase credit protection on certain of the referenced credit obligations in the table above. As a result, the maximum amounts of potential future recoveries available to offset the $8.8 billion and $7.7 billion from the table above were $189 million and $115 million at June 30, 2012 and December 31, 2011, respectively.

Written credit default swaps held in relation to the trading portfolio amounted to $30 million and $10 million in notional and $0 and ($1) million in fair value at June 30, 2012 and December 31, 2011, respectively.

Credit Risk on Freestanding Derivatives

The Company may be exposed to credit-related losses in the event of nonperformance by counterparties to derivative financial instruments. Generally, the current credit exposure of the Company s derivative contracts is limited to the net positive estimated fair value of derivative contracts at the reporting date after taking into consideration the existence of netting agreements and any collateral received pursuant to credit support annexes.

The Company manages its credit risk related to OTC derivatives by entering into transactions with creditworthy counterparties, maintaining collateral arrangements and through the use of master agreements that provide for a single net payment to be made by one counterparty to another at each due date and upon termination. Because exchange-traded futures and options are effected through regulated exchanges, and positions are marked to market on a daily basis, the Company has minimal exposure to credit-related losses in the event of nonperformance by counterparties to such derivative instruments. See Note 5 for a description of the impact of credit risk on the valuation of derivative instruments.

The Company enters into various collateral arrangements which require both the pledging and accepting of collateral in connection with its OTC derivative instruments. At June 30, 2012 and December 31, 2011, the Company was obligated to return cash collateral under its control of $10.8 billion and $9.5 billion, respectively. This cash collateral is included in cash and cash equivalents or in short-term investments and the obligation to return it is included in payables for collateral under securities loaned and other transactions in the consolidated balance sheets. At June 30, 2012 and December 31, 2011, the Company had received collateral consisting of various securities with a fair market value of $3.0 billion and $2.5 billion, respectively, which were held in separate custodial accounts. Subject to certain constraints, the Company is permitted by contract to sell or repledge this collateral, but at June 30, 2012, none of the collateral had been sold or repledged.

The Company s collateral arrangements for its OTC derivatives generally require the counterparty in a net liability position, after considering the effect of netting agreements, to pledge collateral when the fair value of that counterparty s derivatives reaches a pre-determined threshold. Certain of these arrangements also include credit-contingent provisions that 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, certain of the Company s netting agreements for derivative instruments 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 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 derivative instruments could terminate the transactions and demand immediate settlement and payment based on such party s reasonable valuation of the derivative instruments.

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The following table presents the estimated fair value of the Company s OTC 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 table also presents the incremental collateral that the Company would be required to provide if there was a one notch downgrade in the Company s credit rating at the reporting date or if the Company s credit rating sustained a downgrade to a level that triggered full overnight collateralization or termination of the derivative position at the reporting date. Derivatives that are not subject to collateral agreements are not included in the scope of this table.

		Estimated Fair Value of Collateral Provided:		Fair Value of Incremental Collateral Provided Upon:	
	Estimated Fair Value of Derivatives in Net Liability Position (1)	Fixed Maturity Securities (2)	Cash (3)	One Notch Downgrade in the Company s Credit Rating	Downgrade in the Company s Credit Rating to a Level that Triggers Full Overnight Collateralization or Termination of the Derivative Position
			(In millions)		
June 30, 2012:					
Derivatives subject to credit-contingent provisions	$ 538	$ 396	$ 4	$ 52	$ 131
Derivatives not subject to credit-contingent provisions	6				
Total	$ 544	$ 396	$ 4	$ 52	$ 131
December 31, 2011:					
Derivatives subject to credit-contingent provisions	$ 447	$ 405	$ 4	$ 48	$ 104
Derivatives not subject to credit-contingent provisions	28	11	4		
Total	$ 475	$ 416	$ 8	$ 48	$ 104

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

(2) Included in fixed maturity securities in the consolidated balance sheets. Subject to certain constraints, the counterparties are permitted by contract to sell or repledge this collateral.

(3) Included in premiums, reinsurance and other receivables in the consolidated balance sheets.

Without considering the effect of netting agreements, the estimated fair value of the Company s OTC derivatives with credit-contingent provisions that were in a gross liability position at June 30, 2012 was $828 million. At June 30, 2012, the Company provided collateral of $400 million in connection with these derivatives. In the unlikely event that both: (i) the Company s credit rating was downgraded to a level that triggers full overnight collateralization or termination of all derivative positions; and (ii) the Company s netting agreements were deemed to be legally unenforceable, then the additional collateral that the Company would be required to provide to its counterparties in connection with its derivatives in a gross liability position at June 30, 2012 would be $428 million. This amount does not consider gross derivative assets of $290 million for which the Company has the contractual right of offset.

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The Company also has exchange-traded futures and options, which require the pledging of collateral. At June 30, 2012 and December 31, 2011, the Company pledged securities collateral for exchange-traded futures and options of $40 million and $42 million, respectively, which is included in fixed maturity securities. Subject to certain constraints, the counterparties are permitted by contract to sell or repledge this collateral. At June 30, 2012 and December 31, 2011, the Company provided cash collateral for exchange-traded futures and options of $642 million and $680 million, respectively, which is included in premiums, reinsurance and other receivables.

Embedded Derivatives

The Company issues certain products or purchases certain investments that contain embedded derivatives that are required to be separated from their host contracts and accounted for as freestanding derivatives. These host contracts principally include: variable annuities with guaranteed minimum benefits, including guaranteed minimum withdrawal benefits (GMWBs), guaranteed minimum accumulation benefits (GMABs) and certain GMIBs; ceded reinsurance of guaranteed minimum benefits related to GMABs and certain GMIBs; assumed reinsurance of guaranteed minimum benefits related to GMWBs and GMABs; funding agreements with equity or bond indexed crediting rates; funds withheld on assumed and ceded reinsurance; and options embedded in debt or equity securities.

The following table presents the estimated fair value of the Company s embedded derivatives at:

	June 30, 2012	December 31, 2011
	(In millions)	
Net embedded derivatives within asset host contracts:		
Ceded guaranteed minimum benefits	$ 372	$ 327
Funds withheld on assumed reinsurance	39	35
Options embedded in debt or equity securities	(103)	(70)
Other	1	1
Net embedded derivatives within asset host contracts	$ 309	$ 293
Net embedded derivatives within liability host contracts:		
Direct guaranteed minimum benefits	$ 1,687	$ 2,104
Funds withheld on ceded reinsurance	126	122
Assumed guaranteed minimum benefits	2,560	2,340
Other	18	18
Net embedded derivatives within liability host contracts	$ 4,391	$ 4,584

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
	(In millions)			
Net derivative gains (losses) (1)	$ (1,378)	$ (394)	$ 446	$ 549
Policyholder benefits and claims	$ 42	$ 10	$ (5)	$ (8)

(1) The valuation of guaranteed minimum benefits includes an adjustment for nonperformance risk. The amounts included in net derivative gains (losses), in connection with this adjustment, were $608 million and ($636) million for the three months and six months ended June 30, 2012, respectively, and $108 million and $34 million for the three months and six months ended June 30, 2011, respectively.

5. 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.

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Recurring Fair Value Measurements

The assets and liabilities measured at estimated fair value on a recurring basis, including those items for which the Company has elected the FVO, were determined as described below. These estimated fair values and their corresponding placement in the fair value hierarchy are summarized as follows:

	June 30, 2012 Fair Value Measurements at Reporting Date Using			
	Quoted Prices in Active Markets for Identical Assets and Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Estimated Fair Value
	(In millions)			
Assets:				
Fixed maturity securities:				
U.S. corporate securities	$	$ 102,979	$ 7,394	$ 110,373
Foreign corporate securities		58,532	4,813	63,345
Foreign government securities		53,807	2,386	56,193
U.S. Treasury and agency securities	24,916	22,851	74	47,841
RMBS		38,701	2,363	41,064
CMBS		17,979	1,038	19,017
State and political subdivision securities		14,538	76	14,614
ABS		11,212	2,680	13,892
Total fixed maturity securities	24,916	320,599	20,824	366,339
Equity securities:				
Common stock	820	992	282	2,094
Non-redeemable preferred stock		356	432	788
Total equity securities	820	1,348	714	2,882
Trading and other securities:				
Actively Traded Securities		522	13	535
FVO general account securities		238	26	264
FVO contractholder-directed unit-linked investments	8,372	7,991	1,096	17,459
FVO securities held by CSEs		70		70
Total trading and other securities	8,372	8,821	1,135	18,328
Short-term investments (1)	11,418	5,557	717	17,692
Mortgage loans:				
Commercial mortgage loans held by CSEs		2,932		2,932
Mortgage loans held-for-sale (2), (3)		250	211	461
Total mortgage loans		3,182	211	3,393
Other invested assets:				
Mortgage Servicing Rights (MSRs)			564	564
Other investments	286	127		413

Derivative assets: (4)				
Interest rate contracts	16	11,394	264	11,674
Foreign currency contracts	2	1,139	53	1,194
Credit contracts		136	32	168
Equity market contracts	1	2,846	719	3,566
Total derivative assets	19	15,515	1,068	16,602
Total other invested assets	305	15,642	1,632	17,579
Net embedded derivatives within asset host contracts (5)		1	411	412
Separate account assets (6)	30,963	187,909	1,445	220,317
Total assets	$ 76,794	$ 543,059	$ 27,089	$ 646,942
Liabilities:				
Derivative liabilities: (4)				
Interest rate contracts	$ 52	$ 2,466	$ 36	$ 2,554
Foreign currency contracts	1	1,072	13	1,086
Credit contracts		72	8	80
Equity market contracts	236	253	144	633
Total derivative liabilities	289	3,863	201	4,353
Net embedded derivatives within liability host contracts (5)		19	4,372	4,391
Long-term debt of CSEs		2,740	81	2,821
Liability related to securitized reverse residential mortgage loans (3), (7)		159	98	257
Trading liabilities (7)	140			140
Total liabilities	$ 429	$ 6,781	$ 4,752	$ 11,962

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

	December 31, 2011 Fair Value Measurements at Reporting Date Using			
	Quoted Prices in Active Markets for Identical Assets and Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Estimated Fair Value
	(In millions)			
Assets:				
Fixed maturity securities:				
U.S. corporate securities	$	$ 99,001	$ 6,784	$ 105,785
Foreign corporate securities		59,648	4,370	64,018
Foreign government securities	76	50,138	2,322	52,536
U.S. Treasury and agency securities	19,911	20,070	31	40,012
RMBS		41,035	1,602	42,637
CMBS		18,316	753	19,069
State and political subdivision securities		13,182	53	13,235
ABS		11,129	1,850	12,979
Total fixed maturity securities	19,987	312,519	17,765	350,271
Equity securities:				
Common stock	819	1,105	281	2,205
Non-redeemable preferred stock		380	438	818
Total equity securities	819	1,485	719	3,023
Trading and other securities:				
Actively Traded Securities		473		473
FVO general account securities		244	23	267
FVO contractholder-directed unit-linked investments	7,572	8,453	1,386	17,411
FVO securities held by CSEs		117		117
Total trading and other securities	7,572	9,287	1,409	18,268
Short-term investments (1)	8,150	8,120	590	16,860
Mortgage loans:				
Commercial mortgage loans held by CSEs		3,138		3,138
Mortgage loans held-for-sale (2)		9,302	1,414	10,716
Total mortgage loans		12,440	1,414	13,854
Other invested assets:				
MSRs			666	666
Other investments	312	124		436
Derivative assets: (4)				
Interest rate contracts	32	10,426	338	10,796
Foreign currency contracts	1	1,316	61	1,378
Credit contracts		301	29	330
Equity market contracts	29	2,703	964	3,696
Total derivative assets	62	14,746	1,392	16,200
Total other invested assets	374	14,870	2,058	17,302

Net embedded derivatives within asset host contracts (5)		1	362	363
Separate account assets (6)	28,191	173,507	1,325	203,023
Total assets	$ 65,093	$ 532,229	$ 25,642	$ 622,964
Liabilities:				
Derivative liabilities: (4)				
Interest rate contracts	$ 91	$ 2,351	$ 38	$ 2,480
Foreign currency contracts		1,103	17	1,120
Credit contracts		85	28	113
Equity market contracts	12	211	75	298
Total derivative liabilities	103	3,750	158	4,011
Net embedded derivatives within liability host contracts (5)		19	4,565	4,584
Long-term debt of CSEs		2,952	116	3,068
Liability related to securitized reverse residential mortgage loans (7)		6,451	1,175	7,626
Trading liabilities (7)	124	3		127
Total liabilities	$ 227	$ 13,175	$ 6,014	$ 19,416

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

(1) Short-term investments as presented in the tables above differ from the amounts presented in the consolidated balance sheets because certain short-term investments are not measured at estimated fair value on a recurring basis.

(2) Mortgage loans held-for-sale are comprised of securitized reverse residential mortgage loans and other mortgage loans held-for-sale. The amounts in the preceding tables differ from the amount presented in the consolidated balance sheets as these tables do not include mortgage loans that are stated at lower of amortized cost or estimated fair value.

(3) In connection with the pending dispositions of certain operations of MetLife Bank, the Company is exiting the businesses of originating forward and reverse residential mortgage loans. Additionally, as a result of the sale of the majority of MetLife Bank s reverse mortgage servicing rights, the Company de-recognized the majority of the securitized reverse residential mortgage loans and corresponding liabilities presented in the table above and related fair value disclosures. See Note 2.

(4) Derivative liabilities are presented within other liabilities in the consolidated balance sheets. The amounts are presented gross in the tables above to reflect the presentation in 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.

(5) Net embedded derivatives within asset host contracts are presented primarily within premiums, reinsurance and other receivables in the consolidated balance sheets. Net embedded derivatives within liability host contracts are presented primarily within PABs in the consolidated balance sheets. At June 30, 2012, fixed maturity securities and equity securities also included embedded derivatives of $0 and ($103) million, respectively. At December 31, 2011, fixed maturity securities and equity securities included embedded derivatives of $2 million and ($72) million, respectively.

(6) Separate account assets are measured at estimated fair value. Investment performance related to separate account assets is fully offset by corresponding amounts credited to contractholders whose liability is reflected within separate account liabilities. Separate account liabilities are set equal to the estimated fair value of separate account assets.

(7) The liability related to securitized reverse residential mortgage loans and trading liabilities are presented within other liabilities in the consolidated balance sheets.

Investments

On behalf of the Company s chief investment officer and chief financial officer, a pricing and valuation committee that is independent of the trading and investing functions and comprised of senior management, provides oversight of control systems and valuation policies for securities, mortgage loans and derivatives. On a monthly basis, this committee reviews and approves new transaction types and markets, ensures that observable market prices and market-based parameters are used for valuation, wherever possible, determines that judgmental valuation adjustments, when applied, are based upon established policies and are applied consistently over time and provides oversight of the selection of independent third party pricing providers and the controls and procedures to evaluate third party pricing. Periodically, the chief accounting officer reports to the Audit Committee of MetLife, Inc. s Board of Directors regarding compliance with fair value accounting standards.

The Company reviews its valuation methodologies on an ongoing basis and revises those methodologies when necessary based on changing market conditions. Assurance is gained on the overall reasonableness and consistent application of input assumptions, valuation methodologies and compliance with fair value accounting

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

standards through controls designed to ensure valuations represent an exit price. Several controls are utilized, including certain monthly controls, which include, but are not limited to, analysis of portfolio returns to corresponding benchmark returns, comparing a sample of executed prices of securities sold to the fair value estimates, comparing fair value estimates to management s knowledge of the current market, reviewing the bid/ask spreads to assess activity, comparing prices from multiple independent pricing services and ongoing due diligence to confirm that independent pricing services use market-based parameters. The process includes a determination of the observability of inputs used in estimated fair values received from independent pricing services or brokers by assessing whether these inputs can be corroborated by observable market data. The Company ensures that prices received from independent brokers, also referred to herein as consensus pricing, represent a reasonable estimate of fair value by reviewing such pricing with the Company s knowledge of the current market dynamics and current pricing for similar financial instruments. While independent non-binding broker quotations are utilized, they are not used for a significant portion of the portfolio. For example, fixed maturity securities priced using independent non-binding broker quotations represent less than 0.4% of the total estimated fair value of fixed maturity securities and represent only 5% of the total estimated fair value of Level 3 fixed maturity securities.

The Company also applies a formal process to challenge any prices received from independent pricing services that are not considered representative of estimated fair value. If prices received from independent pricing services are not considered reflective of market activity or representative of estimated fair value, independent non-binding broker quotations are obtained, or an internally developed valuation is prepared. Internally developed valuations of current estimated fair value, which reflect internal estimates of liquidity and nonperformance risks, compared with pricing received from the independent pricing services, did not produce material differences in the estimated fair values for the majority of the portfolio; accordingly, overrides have not been material. This is, in part, because internal estimates of liquidity and nonperformance risks are generally based on available market evidence and estimates used by other market participants. In the absence of such market-based evidence, management s best estimate is used.

Securities, Short-term Investments, Other Investments, Long-term Debt of CSEs and Trading Liabilities

When available, the estimated fair value of fixed maturity securities, equity securities, trading and other securities and short-term investments are based on quoted prices in active markets that are readily and regularly obtainable. Generally, these are the most liquid of the Company s securities holdings and valuation of these securities does not involve management s judgment.

When quoted prices in active markets are not available, the determination of estimated fair value is based on market standard valuation methodologies, giving priority to observable inputs. The significant inputs to the market standard valuation methodologies for certain types of securities with reasonable levels of price transparency are inputs that are observable in the market or can be derived principally from, or corroborated by, observable market data. When observable inputs are not available, the market standard valuation methodologies for determining the estimated fair value of certain types of securities that trade infrequently, and therefore have little or no price transparency, rely on inputs that are significant to the estimated fair value that are not observable in the market or cannot be derived principally from, or corroborated by, observable market data. These unobservable inputs can be based in large part on management s judgment or estimation and cannot be supported by reference to market activity. Even though these inputs are unobservable, management believes they are consistent with what other market participants would use when pricing such securities and are considered appropriate given the circumstances.

The estimated fair value of FVO securities held by CSEs, other investments, long-term debt of CSEs and trading liabilities is determined on a basis consistent with the methodologies described herein for securities.

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

The Company consolidates certain securitization entities that hold securities that have been accounted for under the FVO and classified within trading and other securities.

The use of different methodologies, assumptions and inputs may have a material effect on the estimated fair values of the Company s securities holdings.

Level 2 Measurements:

This level includes fixed maturity securities and equity securities priced principally by independent pricing services using observable inputs. Trading and other securities, short-term investments and other investments within this level are of a similar nature and class to the Level 2 fixed maturity securities and equity securities described below. Contractholder-directed unit-linked investments reported within trading and other securities include mutual fund interests without readily determinable fair values given prices are not published publicly. Valuation of these mutual funds is based upon quoted prices or reported net asset values (NAVs) provided by the fund managers, which were based on observable inputs.

U.S. corporate and foreign corporate securities

These securities are principally valued using the market and income approaches. Valuations are based primarily on quoted prices in markets that are not active, or using matrix pricing or other similar techniques that use standard market observable inputs such as benchmark yields, spreads off benchmark yields, new issuances, issuer rating, duration, and trades of identical or comparable securities. Investment grade privately placed securities are valued using discounted cash flow (DCF) methodologies using standard market observable inputs, and inputs derived from, or corroborated by, market observable data including market yield curve, duration, call provisions, observable prices and spreads for similar publicly traded or privately traded issues that incorporate the credit quality and industry sector of the issuer. This level also includes certain below investment grade privately placed fixed maturity securities priced by independent pricing services that use observable inputs.

Structured securities comprised of RMBS, CMBS and ABS

These securities are principally valued using the market approach and income approach. Valuation is based primarily on matrix pricing, DCF methodologies or other similar techniques using standard market inputs including spreads for actively traded securities, spreads off benchmark yields, expected prepayment speeds and volumes, current and forecasted loss severity, rating, weighted average coupon, weighted average maturity, average delinquency rates, geographic region, debt-service coverage ratios and issuance-specific information including, but not limited to: collateral type, payment terms of the underlying assets, payment priority within the tranche, structure of the security, deal performance and vintage of loans.

Foreign government and state and political subdivision securities

These securities are principally valued using the market approach. Valuation is based primarily on matrix pricing or other similar techniques using standard market observable inputs including benchmark U.S. Treasury yield or other yields, issuer ratings, broker-dealer quotes, issuer spreads and reported trades of similar securities, including those within the same sub-sector or with a similar maturity or credit rating.

U.S. Treasury and agency securities

These securities are principally valued using the market approach. Valuation is based primarily on quoted prices in markets that are not active or using matrix pricing or other similar techniques using standard market observable inputs such as benchmark U.S. Treasury yield curve, the spread off the U.S. Treasury yield curve for the identical security and comparable securities that are actively traded.

Common and non-redeemable preferred stock

These securities are principally valued using the market approach where market quotes are available but are not considered actively traded. Valuation is based principally on observable inputs including quoted prices in markets that are not considered active.

Level 3 Measurements:

In general, fixed maturity securities and equity securities classified within Level 3 use many of the same valuation techniques and inputs as described in Level 2 Measurements. However, if key inputs are unobservable, or if the investments are less liquid and there is very limited trading activity, the investments are generally classified as Level 3. The use of independent non-binding broker quotations to value investments generally indicates there is a lack of liquidity or a lack of transparency in the process to develop the valuation estimates generally causing these investments to be classified in Level 3.

Trading and other securities and short-term investments within this level are of a similar nature and class to the Level 3 securities described below; accordingly, the valuation techniques and significant market standard observable inputs used in their valuation are also similar to those described below.

U.S. corporate and foreign corporate securities

These securities, including financial services industry hybrid securities classified within fixed maturity securities, are principally valued using the market approach. Valuations are based primarily on matrix pricing or other similar techniques that utilize unobservable inputs or inputs that cannot be derived principally from, or corroborated by, observable market data, including illiquidity premium, delta spread adjustments or spreads over below investment grade curves to reflect industry trends or specific credit-related issues; and inputs including quoted prices for identical or similar securities that are less liquid and based on lower levels of trading activity than securities classified in Level 2. Certain valuations are based on independent non-binding broker quotations.

Structured securities comprised of RMBS, CMBS and ABS

These securities are principally valued using the market approach and income approach. Valuation is based primarily on matrix pricing, DCF methodologies or other similar techniques that utilize inputs that are unobservable or cannot be derived principally from, or corroborated by, observable market data including spreads over below investment grade curves to reflect industry trends on specific credit-related issues. Below investment grade securities, alternative residential mortgage loan RMBS and RMBS supported by sub-prime mortgage loans included in this level are valued based on inputs including quoted prices for identical or similar securities that are less liquid and based on lower levels of trading activity than securities classified in Level 2. Certain of these valuations are based on independent non-binding broker quotations.

Foreign government and state and political subdivision securities

These securities are principally valued using the market approach. Valuation is based primarily on independent non-binding broker quotations and inputs including quoted prices for identical or similar securities that are less liquid and based on lower levels of trading activity than securities classified in Level 2.

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

Common and non-redeemable preferred stock

These securities, including privately held securities and financial services industry hybrid securities classified within equity securities, are principally valued using the market and income approaches. Valuations are based primarily on matrix pricing, DCF methodologies or other similar techniques using inputs such as comparable credit rating and issuance structure. Certain of these securities are valued based on inputs including quoted prices for identical or similar securities that are less liquid and based on lower levels of trading activity than securities classified in Level 2 and independent non-binding broker quotations.

Mortgage Loans, MSRs and Liability Related to Securitized Reverse Residential Mortgage Loans

The Company has elected the FVO for commercial mortgage loans held by CSEs, residential mortgage loans held-for-sale, securitized reverse residential mortgage loans, MSRs and the liability related to securitized reverse residential mortgage loans. Although MSRs are not financial instruments, the Company has included them in the preceding table as a result of its election to carry them at estimated fair value.

Level 2 Measurements:

Commercial Mortgage Loans Held by CSEs

These investments are principally valued using the market approach. The principal market for these investments is the securitization market. The Company uses the quoted securitization market price of the obligations of the CSEs to determine the estimated fair value of these commercial loan portfolios. These market prices are determined principally by independent pricing services using observable inputs.

Mortgage Loans Held-For-Sale

Residential mortgage loans held-for-sale are principally valued using the market approach. For securitized reverse residential mortgage loans, valuation is based primarily on readily available observable pricing for securities backed by similar fixed-rate loans. For other residential mortgage loans held-for-sale, valuation is based primarily on readily available observable pricing for securities backed by similar loans. The unobservable adjustments to such prices are insignificant.

Liability Related to Securitized Reverse Residential Mortgage Loans

The estimated fair value of this liability is based on quoted prices when traded as assets in active markets or, if not available, based on market standard valuation methodologies consistent with the Company s methods and assumptions used to estimate the fair value of comparable financial instruments.

Level 3 Measurements:

Mortgage Loans Held-for-Sale

For both securitized reverse residential mortgage loans held-for-sale and other residential mortgage loans held-for-sale, for which pricing for securities backed by similar adjustable-rate loans is not observable, the estimated fair value is determined using unobservable independent broker quotations or valuation models using significant unobservable inputs.

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MSRs

MSRs, which are valued using an income approach, are carried at estimated fair value and have multiple significant unobservable inputs including assumptions regarding estimates of discount rates, loan prepayments and servicing costs. Sales of MSRs tend to occur in private transactions where the precise terms and conditions of the sales are typically not readily available and observable market valuations are limited. As such, the Company relies primarily on a DCF model to estimate the fair value of the MSRs. The model requires inputs such as type of loan (fixed vs. variable and agency vs. other), age of loan, loan interest rates and current market interest rates that are generally observable. The model also requires the use of unobservable inputs including assumptions regarding estimates of discount rates, loan prepayments and servicing costs.

Liability Related to Securitized Reverse Residential Mortgage Loans

The estimated fair value of this liability is based on quoted prices when traded as assets in less active markets or, if not available, based on market standard valuation methodologies using unobservable inputs, consistent with the Company s methods and assumptions used to estimate the fair value of comparable financial instruments.

Separate Account Assets

Separate account assets are carried at estimated fair value and reported as a summarized total on the consolidated balance sheets. The estimated fair value of separate account assets is based on the estimated fair value of the underlying assets. Assets within the Company s separate accounts include: mutual funds, fixed maturity securities, equity securities, derivatives, hedge funds, other limited partnership interests, short-term investments and cash and cash equivalents.

Level 2 Measurements:

These assets are comprised of investments that are similar in nature to the instruments described under Securities, Short-term Investments, Other Investments, Long-term Debt of CSEs and Trading Liabilities and Free Standing Derivatives. Also included are certain mutual funds and hedge funds without readily determinable fair values given prices are not published publicly. Valuation of the mutual funds and hedge funds is based upon quoted prices or reported NAVs provided by the fund managers.

Level 3 Measurements:

These assets are comprised of investments that are similar in nature to the instruments described under Securities, Short-term Investments, Other Investments, Long-term Debt of CSEs and Trading Liabilities and Free Standing Derivatives. Separate account assets within this level also include other limited partnership interests. Other limited partnership interests are valued giving consideration to the value of the underlying holdings of the partnerships and by applying a premium or discount, if appropriate, for factors such as liquidity, bid/ask spreads, the performance record of the fund manager or other relevant variables which may impact the exit value of the particular partnership interest.

Derivatives

The estimated fair value of derivatives is determined through the use of quoted market prices for exchange-traded derivatives and interest rate forwards to sell certain to be announced securities, or through the use of

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pricing models for OTC derivatives. The determination of estimated fair value, when quoted market values are not available, is based on market standard valuation methodologies and inputs that management believes are consistent with what other market participants would use when pricing such instruments. Derivative valuations can be affected by changes in interest rates, foreign currency exchange rates, financial indices, credit spreads, default risk, nonperformance risk, volatility, liquidity and changes in estimates and assumptions used in the pricing models. The valuation process for derivatives is described above in Investments.

The significant inputs to the pricing models for most OTC derivatives are inputs that are observable in the market or can be derived principally from, or corroborated by, observable market data. Significant inputs that are observable generally include: interest rates, foreign currency exchange rates, interest rate curves, credit curves and volatility. However, certain OTC 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. Significant inputs that are unobservable generally include references to emerging market currencies and inputs that are outside the observable portion of the interest rate curve, credit curve, volatility or other relevant market measure. 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.

The credit risk of both the counterparty and the Company are considered in determining the estimated fair value for all OTC 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 derivative positions using the standard swap curve which includes a spread to the risk free rate. This credit spread is appropriate for those parties that execute trades at pricing levels consistent with the standard swap curve. As the Company and its significant derivative counterparties consistently execute trades at such pricing levels, 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.

Most inputs for OTC derivatives are mid-market inputs but, in certain cases, bid level inputs are used 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.

Freestanding Derivatives

Level 2 Measurements:

This level includes all types of derivative instruments utilized by the Company with the exception of exchange-traded derivatives and interest rate forwards to sell certain to-be-announced securities included within Level 1 and those derivative instruments with unobservable inputs as described in Level 3. These derivatives are principally valued using the income approach.

Interest rate contracts

Non-option-based. Valuations are based on present value techniques, which utilize significant inputs that may include the swap yield curve and LIBOR basis curves.

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Option-based. Valuations are based on option pricing models, which utilize significant inputs that may include the swap yield curve, LIBOR basis curves and interest rate volatility.

Foreign currency contracts

Non-option-based. Valuations are based on present value techniques, which utilize significant inputs that may include the swap yield curve, LIBOR basis curves, currency spot rates and cross currency basis curves.

Option-based. Valuations are based on option pricing models, which utilize significant inputs that may include the swap yield curve, LIBOR basis curves, currency spot rates, cross currency basis curves and currency volatility.

Credit contracts

Non-option-based. Valuations are based on present value techniques, which utilize significant inputs that may include the swap yield curve, credit curves and recovery rates.

Equity market contracts

Non-option-based. Valuations are based on present value techniques, which utilize significant inputs that may include the swap yield curve, spot equity index levels and dividend yield curves.

Option-based. Valuations are based on option pricing models, which utilize significant inputs that may include the swap yield curve, spot equity index levels, dividend yield curves and equity volatility.

Level 3 Measurements:

These derivatives are principally valued using the income approach. Valuations of non-option-based derivatives utilize present value techniques, whereas valuations of option-based derivatives utilize option pricing models. These valuation methodologies generally use the same inputs as described in the corresponding sections above for Level 2 measurements of derivatives. However, these derivatives result in Level 3 classification because one or more of the significant inputs are not observable in the market or cannot be derived principally from, or corroborated by, observable market data.

Interest rate contracts

Non-option-based. Significant unobservable inputs may include pull through rates on interest rate lock commitments and the extrapolation beyond observable limits of the swap yield curve and LIBOR basis curves.

Option-based. Significant unobservable inputs may include the extrapolation beyond observable limits of the swap yield curve, LIBOR basis curves and interest rate volatility.

Foreign currency contracts

Non-option-based. Significant unobservable inputs may include the extrapolation beyond observable limits of the swap yield curve, LIBOR basis curves and cross currency basis curves. Certain of these derivatives are valued based on independent non-binding broker quotations.

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Option-based. Significant unobservable inputs may include currency correlation and the extrapolation beyond observable limits of the swap yield curve, LIBOR basis curves, cross currency basis curves and currency volatility.

Credit contracts

Non-option-based. Significant unobservable inputs may include credit spreads, repurchase rates and the extrapolation beyond observable limits of the swap yield curve and credit curves. Certain of these derivatives are valued based on independent non-binding broker quotations.

Equity market contracts

Non-option-based. Significant unobservable inputs may include the extrapolation beyond observable limits of dividend yield curves.

Option-based. Significant unobservable inputs may include the extrapolation beyond observable limits of dividend yield curves, equity volatility and unobservable correlation between model inputs. Certain of these derivatives are valued based on independent non-binding broker quotations.

Embedded Derivatives

Embedded derivatives principally include certain direct, assumed and ceded variable annuity guarantees and equity or bond indexed crediting rates within certain funding agreements. Embedded derivatives are recorded at estimated fair value with changes in estimated fair value reported in net income.

The Company issues and assumes certain variable annuity products with guaranteed minimum benefits. GMWBs, GMABs and certain GMIBs are 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 PABs in the consolidated balance sheets.

The fair value of these embedded derivatives, estimated as the present value of projected future benefits minus the present value of projected future fees using actuarial and capital market assumptions including expectations concerning policyholder behavior, is calculated by the Company s actuarial department. 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.

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 adjustments for nonperformance risk and for a risk margin related to non-capital market inputs. The nonperformance adjustment is determined by taking into consideration publicly available information relating to spreads in the secondary market for MetLife, Inc. s debt, including related credit default swaps. These observable spreads are then adjusted, as necessary, to reflect the priority of these liabilities and the claims paying ability of the issuing insurance subsidiaries compared to MetLife, Inc.

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Risk margins are established to capture the non-capital market risks of the instrument which represent the additional compensation a market participant would require to assume the risks related to the uncertainties of such actuarial assumptions as annuitization, premium persistency, partial withdrawal and surrenders. The establishment of risk margins requires the use of significant management judgment, including assumptions of the amount and cost of capital needed to cover the guarantees. These guarantees may be more costly than expected in volatile or declining equity markets. Market conditions including, but not limited to, changes in interest rates, equity indices, market volatility and foreign currency exchange rates; changes in nonperformance risk; and variations in actuarial assumptions regarding policyholder behavior, mortality and risk margins related to non-capital market inputs, may result in significant fluctuations in the estimated fair value of the guarantees that could materially affect net income.

The Company ceded the risk associated with certain of the GMIBs and GMABs previously described. These reinsurance agreements contain embedded derivatives which are included within premiums, reinsurance and other receivables in the consolidated balance sheets with changes in estimated fair value reported in net derivative gains (losses) or policyholder benefits and claims depending on the statement of operations classification of the direct risk. The value of the embedded derivatives on the ceded risk is determined using a methodology consistent with that described previously for the guarantees directly written by the Company with the exception of the input for nonperformance risk that reflects the credit of the reinsurer.

The estimated fair value of the embedded derivatives within funds withheld related to certain ceded reinsurance is determined based on the change in estimated fair value of the underlying assets held by the Company in a reference portfolio backing the funds withheld liability. The estimated fair value of the underlying assets is determined as previously described in Securities, Short-term Investments, Other Investments, Long-term Debt of CSEs and Trading Liabilities. The estimated fair value of these embedded derivatives is included, along with their funds withheld hosts, in other liabilities in the consolidated balance sheets with changes in estimated fair value recorded in net derivative gains (losses). Changes in the credit spreads on the underlying assets, interest rates and market volatility may result in significant fluctuations in the estimated fair value of these embedded derivatives that could materially affect net income.

The estimated fair value of the embedded equity and bond indexed derivatives contained in certain funding agreements is determined using market standard swap valuation models and observable market inputs, including an adjustment for nonperformance risk. The estimated fair value of these embedded derivatives are included, along with their funding agreements host, within PABs with changes in estimated fair value recorded in net derivative gains (losses). Changes in equity and bond indices, interest rates and the Company s credit standing may result in significant fluctuations in the estimated fair value of these embedded derivatives that could materially affect net income.

Embedded Derivatives Within Asset and Liability Host Contracts

Level 3 Measurements:

Direct and Assumed Guaranteed Minimum Benefits

These embedded derivatives are principally valued using the income approach. Valuations are based on option pricing techniques, which utilize significant inputs that may include swap yield curve, currency exchange rates and implied volatilities. These embedded derivatives result in Level 3 classification because one or more of the significant inputs are not observable in the market or cannot be derived principally from, or corroborated by, observable market data. Significant unobservable inputs generally include: the extrapolation beyond observable limits of the swap yield curve and

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implied volatilities, actuarial assumptions for policyholder behavior and mortality and the potential variability in policyholder behavior and mortality, nonperformance risk and cost of capital for purposes of calculating the risk margin.

Reinsurance Ceded on Certain Guaranteed Minimum Benefits

These embedded derivatives are principally valued using the income approach. The valuation techniques and significant market standard unobservable inputs used in their valuation are similar to those described above in Direct and Assumed Guaranteed Minimum Benefits and also include counterparty credit spreads.

Transfers between Levels:

Overall, transfers between levels occur when there are changes in the observability of inputs and market activity. Transfers into or out of any level are assumed to occur at the beginning of the period.

Transfers between Levels 1 and 2:

During the three months ended June 30, 2012, there were no transfers between Levels 1 and 2. During the six months ended June 30, 2012, there were no transfers from Level 2 to Level 1 and $12 million of transfers from Level 1 to Level 2, which were comprised of fixed maturity securities. During the three months and six months ended June 30, 2011, transfers between Levels 1 and 2 were not significant. The amounts for transfers between Levels 1 and 2 relate to assets and liabilities measured at estimated fair value and still held at June 30, 2012 and 2011.

Transfers into or out of Level 3:

Transfers into or out of Level 3 are presented in the tables which follow. 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.

Transfers into Level 3 for fixed maturity securities and separate account assets were due primarily to a lack of trading activity, decreased liquidity and credit ratings downgrades (e.g., from investment grade to below investment grade) which have resulted in decreased transparency of valuations and an increased use of independent non-binding broker quotations and unobservable inputs to determine estimated fair value.

Transfers out of Level 3 for fixed maturity securities and separate account assets resulted primarily from increased transparency of both new issuances that subsequent to issuance and establishment of trading activity, became priced by independent pricing services and existing issuances that, over time, the Company was able to obtain pricing from, or corroborate pricing received from, independent pricing services with observable inputs or increases in market activity and upgraded credit ratings. With respect to derivatives, transfers out of Level 3 resulted primarily from increased transparency related to the observable portion of the swap yield curve or the observable portion of the equity volatility surface.

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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 for the more significant asset and liability classes measured at fair value on a recurring basis using significant unobservable inputs (Level 3).

	Valuation Techniques	Significant Unobservable Inputs	Range		Weighted Average
Fixed maturity securities:					
U.S. corporate and foreign corporate securities	Matrix pricing	Delta spread adjustments (1)	(100)	420	51
		Illiquidity premium (1)	30	30	
		Spreads from below investment grade curves (1)	(158)	1,212	356
		Offered quotes (2)	82	279	
	Market pricing	Quoted prices (2)	99	100	100
	Consensus pricing	Offered quotes (2)		675	
Foreign government securities	Market pricing	Quoted prices (2)	100	198	149
	Consensus pricing	Offered quotes (2)	(3)	201	
RMBS	Matrix pricing and DCF	Spreads from below investment grade curves (1)		3,295	923
	Market pricing	Quoted prices (2)		100	52
	Consensus pricing	Offered quotes (2)	59	110	
CMBS	Matrix pricing and DCF	Spreads from below investment grade curves (1)		6,460	1,066
	Consensus pricing	Offered quotes (2)		96	
ABS	Matrix pricing and DCF	Spreads from below investment grade curves (1)		10,469	1,217
	Market pricing	Quoted prices (2)		101	85
	Consensus pricing	Offered quotes (2)		108	
Derivatives:					
Interest rate contracts	Present value techniques	Swap yield (1)	174	364	
Foreign currency contracts	Present value techniques	Swap yield (1)	202	828	
	Consensus pricing	Offered quotes (3)			
Credit contracts	Present value techniques	Credit spreads (1)		100	
	Consensus pricing	Offered quotes (3)			
Equity market contracts	Present value techniques or option pricing models	Volatility	19%	37%	
	Consensus pricing	Offered quotes (4)			
Embedded derivatives:					
Direct and assumed guaranteed minimum benefits	Option pricing techniques	Mortality rates:			
		Ages 0 - 40	0%	0.13%	

Ages 41 - 60	0.05%	0.88%
Ages 61 115	0.26%	100%
Lapse rates:		
Durations 1 - 10	0.50%	100%
Durations 11 - 20	2%	100%
Durations 21 - 116	1.25%	100%
Utilization rates (5)	20%	50%
Withdrawal rates	0.07%	20%
Long-term equity volatilities	11.40%	40%
Nonperformance risk spread	0.35%	2.80%

(1) For this unobservable input, range and weighted average are presented in basis points.

(2) For this unobservable input, range and weighted average are presented in accordance with the market convention for fixed maturity securities of dollars per hundred dollars of par.

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(3) At June 30, 2012, excluding equity market contracts, independent non-binding broker quotations were used in the determination of less than 1% of the total net derivative estimated fair value.

(4) The Company holds certain purchased equity options that are valued using models dependent on an unobservable market correlation input. This input is highly specific to the particular markets referenced by the option and is subjectively estimated by derivatives broker/dealers. The Company has elected to use independent non-binding broker quotations to value these positions, which are validated against the Company s internal models using proprietary correlation assumptions. The correlation inputs used to validate the estimated fair values of these options provided by broker quotations range from 40% to 100%.

(5) This range is attributable to certain GMIB and lifetime withdrawal benefits.

The following is a summary of the valuation techniques and significant unobservable inputs used in the fair value measurement for other types of financial instruments classified within Level 3. These financial instruments are subject to the controls described under Investments. Generally, equity securities, trading and other securities, short-term investments and securities included within separate account assets classified within Level 3 use the same valuation techniques and significant unobservable inputs as previously described for fixed maturity securities. This includes matrix pricing and DCF methodologies, inputs such as quoted prices for identical or similar securities that are less liquid and based on lower levels of trading activity than securities classified in Level 2, as well as independent non-binding broker quotations. Mortgage loans held-for-sale classified within Level 3 are valued using independent non-binding broker quotations and internal models such as DCF methodologies using current interest rates. MSRs, which are classified within Level 3, are valued using DCF methodologies using inputs such as discount rates, loan prepayments and servicing costs. The long-term debt of CSEs classified within Level 3 is valued using independent non-binding broker quotations and internal models including matrix pricing and DCF methodologies using current interest rates. The liability related to securitized reverse residential mortgage loans, which is classified within Level 3 is valued using quoted prices. The sensitivity of the estimated fair value to changes in the significant unobservable inputs for these other types of financial instruments is similar in nature to that described below.

A description of the sensitivity of the estimated fair value to changes in the significant unobservable inputs for certain of the major asset and liability classes described above is as follows:

U.S. corporate and foreign corporate securities

Significant spread widening in isolation will adversely impact the overall valuation, while significant spread tightening will lead to substantial valuation increases. Significant increases (decreases) in illiquidity premiums in isolation would result in substantially lower (higher) valuations. Significant increases (decreases) in expected default rates in isolation would result in substantially lower (higher) valuations. Significant increases (decreases) in offered quotes in isolation would result in substantially higher (lower) valuations.

Foreign government securities

Significant spread widening in isolation will adversely impact the overall valuation, while significant spread tightening will lead to substantial valuation increases. Significant increases (decreases) in expected default rates in isolation would result in substantially lower (higher) valuations. Significant increases (decreases) in offered quotes in isolation would result in substantially higher (lower) valuations.

Structured securities comprised of RMBS, CMBS and ABS

Significant spread widening in isolation will adversely impact the overall valuation, while significant spread tightening will lead to substantial valuation increases. Significant increases (decreases) in offered quotes in

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isolation would result in substantially higher (lower) valuations. In general, changes in the assumptions used for the probability of default is accompanied by a directionally similar change in the assumption used for the loss severity and a directionally opposite change in the assumption used for prepayment rates.

Interest rate contracts

Significant increases (decreases) in the unobservable portion of the swap yield curve in isolation will result in substantial valuation changes.

Foreign currency contracts

Significant increases (decreases) in the unobservable portion of the swap yield curve in isolation will result in substantial valuation changes. Significant increases (decreases) in offered quotes in isolation will result in substantially higher (lower) valuations.

Credit contracts

Credit contracts with significant unobservable inputs are primarily comprised of credit default swaps written by the Company. Significant credit spread widening in isolation will result in substantially higher adverse valuations, while significant spread tightening will result in substantially lower adverse valuations. Significant increases (decreases) in offered quotes in isolation will result in substantially higher (lower) valuations.

Equity market contracts

Significant decreases in the equity volatility in isolation will adversely impact overall valuation, while significant increases in equity volatility will result in substantial valuation increases. Significant increases (decreases) in offered quotes in isolation will result in substantially higher (lower) valuations.

Direct and assumed guaranteed minimum benefits

For any increase (decrease) in mortality and lapse rates, the fair value of the guarantees will decrease (increase). For any increase (decrease) in utilization and volatility, the fair value of the guarantees will increase (decrease). Specifically for GMWBs, for any increase (decrease) in withdrawal rates, the fair value of the guarantees will increase (decrease). Specifically for GMABs and GMIBs, for any increase (decrease) in withdrawal rates, the fair value of the guarantees will decrease (increase).

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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), including realized and unrealized gains (losses) of all assets and (liabilities) and realized and unrealized gains (losses) of all assets and (liabilities) still held at the end of the respective periods:

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3) Fixed Maturity Securities:								
	U.S. Corporate Securities	Foreign Corporate Securities	Foreign Government Securities	U.S. Treasury and Agency Securities	RMBS (In millions)	CMBS	State and Political Subdivision Securities	ABS	Other Fixed Maturity Securities
Three Months Ended June 30, 2012:									
Balance, beginning of period	$ 7,305	$ 4,646	$ 2,213	$ 24	$ 2,246	$ 762	$ 82	$ 2,198	$
Total realized/unrealized gains (losses) included in:									
Net income (loss): (1), (2)									
Net investment income	2	5	(5)		6	1		4	
Net investment gains (losses)	12	(14)	(6)		(4)	(18)		1	
Net derivative gains (losses)									
Other revenues									
Policyholder benefits and claims									
Other expenses									
Other comprehensive income (loss)	10	(7)	(29)	1	35	20		5	
Purchases (3)	452	752	469	50	349	448		699	
Sales (3)	(381)	(349)	(82)	(1)	(189)	(128)	(6)	(180)	
Issuances (3)									
Settlements (3)									
Transfers into Level 3 (4)	92	129	37		37	21		1	
Transfers out of Level 3 (4)	(98)	(349)	(211)		(117)	(68)		(48)	
Balance, end of period	$ 7,394	$ 4,813	$ 2,386	$ 74	$ 2,363	$ 1,038	$ 76	$ 2,680	$
Changes in unrealized gains (losses) relating to assets and liabilities still held at June 30, 2012 included in net income (loss):									
Net investment income	$ 2	$ 5	$ (5)	$	$ 6	$ 1	$	$ 4	$
Net investment gains (losses)	$ (1)	$ (15)	$	$	$ (3)	$ (9)	$	$	$
Net derivative gains (losses)	$	$	$	$	$	$	$	$	$
Other revenues	$	$	$	$	$	$	$	$	$
Policyholder benefits and claims	$	$	$	$	$	$	$	$	$
Other expenses	$	$	$	$	$	$	$	$	$

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	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)							
	Equity Securities:		Trading and Other Securities:					
	Common Stock	Non-redeemable Preferred Stock	Actively Traded Securities	FVO General Account Securities	FVO Contractholder-directed Unit-linked Investments	Short-term Investments	Mortgage Loans Held-for-sale	MSRs (5)
	(In millions)							
Three Months Ended June 30, 2012:								
Balance, beginning of period	$ 268	$ 446	$ 13	$ 30	$ 1,237	$ 462	$ 1,708	$ 727
Total realized/unrealized gains (losses) included in:								
Net income (loss): (1), (2)								
Net investment income				(4)	(46)	1		
Net investment gains (losses)	1							
Net derivative gains (losses)								
Other revenues							(15)	(130)
Policyholder benefits and claims								
Other expenses								
Other comprehensive income (loss)	(4)	(7)				(10)		
Purchases (3)	36	5	13		833	571		
Sales (3)	(22)	(12)	(13)		(897)	(307)	(1,608)	(49)
Issuances (3)							106	46
Settlements (3)							(31)	(30)
Transfers into Level 3 (4)	3				5		54	
Transfers out of Level 3 (4)					(36)		(3)	
Balance, end of period	$ 282	$ 432	$ 13	$ 26	$ 1,096	$ 717	$ 211	$ 564
Changes in unrealized gains (losses) relating to assets and liabilities still held at June 30, 2012 included in net income (loss):								
Net investment income	$	$	$	$ (4)	$ (42)	$ 2	$	$
Net investment gains (losses)	$ (1)	$	$	$	$	$	$	$
Net derivative gains (losses)	$	$	$	$	$	$	$	$
Other revenues	$	$	$	$	$	$	$ 4	$ (121)
Policyholder benefits and claims	$	$	$	$	$	$	$	$
Other expenses	$	$	$	$	$	$	$	$

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	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)							
	Net Derivatives: (6)							
	Interest Rate Contracts	Foreign Currency Contracts	Credit Contracts	Equity Market Contracts	Net Embedded Derivatives (7)	Separate Account Assets (8)	Long-term Debt of CSEs	Liability Related to Securitized Reverse Residential Mortgage Loans
	(In millions)							
Three Months Ended June 30, 2012:								
Balance, beginning of period	$ 142	$ 54	$ 38	$ 393	$ (2,413)	$ 1,382	$ (82)	$ (1,505)
Total realized/unrealized gains (losses) included in:								
Net income (loss): (1), (2)								
Net investment income				(1)				
Net investment gains (losses)						23	1	
Net derivative gains (losses)	22	(9)	(14)	225	(1,362)			
Other revenues	(4)							1
Policyholder benefits and claims				(4)	42			
Other expenses								
Other comprehensive income (loss)	98			1	(64)			
Purchases (3)				10		191		
Sales (3)						(116)		1,484
Issuances (3)						2		(98)
Settlements (3)	(30)	(5)		(49)	(164)	(1)		20
Transfers into Level 3 (4)						2		
Transfers out of Level 3 (4)						(38)		
Balance, end of period	$ 228	$ 40	$ 24	$ 575	$ (3,961)	$ 1,445	$ (81)	$ (98)
Changes in unrealized gains (losses) relating to assets and liabilities still held at June 30, 2012 included in net income (loss):								
Net investment income	$	$	$	$ (1)	$	$	$	$
Net investment gains (losses)	$	$	$	$	$	$	$ 1	$
Net derivative gains (losses)	$ 15	$ (8)	$ (14)	$ 198	$ (1,366)	$	$	$
Other revenues	$	$	$	$	$	$	$	$
Policyholder benefits and claims	$	$	$	$ (4)	$ 42	$	$	$
Other expenses	$	$	$	$	$	$	$	$

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MetLife, Inc.

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

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3) Fixed Maturity Securities:								
	U.S. Corporate Securities	Foreign Corporate Securities	Foreign Government Securities	U.S. Treasury and Agency Securities	RMBS (9)	CMBS	State and Political Subdivision Securities	ABS (9)	Other Fixed Maturity Securities
	(In millions)								
Three Months Ended June 30, 2011:									
Balance, beginning of period	$ 6,861	$ 5,534	$ 3,186	$ 76	$ 1,384	$ 791	$ 46	$ 3,393	$ 4
Total realized/unrealized gains (losses) included in:									
Net income (loss): (1), (2)									
Net investment income	2	(3)	(1)		3	18		5	
Net investment gains (losses)	(15)	(30)	(5)		(6)	22		(5)	
Net derivative gains (losses)									
Other revenues									
Policyholder benefits and claims									
Other expenses									
Other comprehensive income (loss)	91	105	(50)		(4)	(12)	(6)	10	
Purchases (3)	434	1,553	178	1	30	171	43	130	
Sales (3)	(313)	(960)	(129)	(1)	(76)	(116)		(224)	(2)
Issuances (3)									
Settlements (3)									
Transfers into Level 3 (4)	64	53	199		298	24	10	108	
Transfers out of Level 3 (4)	(253)	(408)	(217)	(50)	(130)	(117)	(4)	(2,031)	
Balance, end of period	$ 6,871	$ 5,844	$ 3,161	$ 26	$ 1,499	$ 781	$ 89	$ 1,386	$ 2
Changes in unrealized gains (losses) relating to assets and liabilities still held at June 30, 2011 included in net income (loss):									
Net investment income	$ 2	$ 7	$ 9	$	$ 3	$ 17	$	$ 5	$
Net investment gains (losses)	$ (27)	$ (18)	$ (1)	$	$ (6)	$	$	$ (2)	$
Net derivative gains (losses)	$	$	$	$	$	$	$	$	$
Other revenues	$	$	$	$	$	$	$	$	$
Policyholder benefits and claims	$	$	$	$	$	$	$	$	$
Other expenses	$	$	$	$	$	$	$	$	$

MetLife, Inc.

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

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)							
	Equity Securities:		Trading and Other Securities:					
	Common Stock	Non-redeemable Preferred Stock	Actively Traded Securities	FVO General Account Securities	FVO Contractholder-directed Unit-linked Investments	Short-term Investments	Mortgage Loans Held-for-sale	MSRs (5)
	(In millions)							
Three Months Ended June 30, 2011:								
Balance, beginning of period	$ 359	$ 946	$ 40	$ 62	$ 566	$ 742	$ 25	$ 1,029
Total realized/unrealized gains (losses) included in:								
Net income (loss): (1), (2)								
Net investment income				4	22	2		
Net investment gains (losses)	3	(70)						
Net derivative gains (losses)								
Other revenues							(1)	(75)
Policyholder benefits and claims								
Other expenses								
Other comprehensive income (loss)	8	71				3		
Purchases (3)	27	2			315	333	1	
Sales (3)	(12)	(295)	(23)	(12)	(305)	(351)		
Issuances (3)								37
Settlements (3)								(27)
Transfers into Level 3 (4)	2				35	3	9	
Transfers out of Level 3 (4)	(82)		(15)		(10)		(2)	
Balance, end of period	$ 305	$ 654	$ 2	$ 54	$ 623	$ 732	$ 32	$ 964
Changes in unrealized gains (losses) relating to assets and liabilities still held at June 30, 2011 included in net income (loss):								
Net investment income	$	$	$	$ 2	$ 23	$ 2	$	$
Net investment gains (losses)	$ (4)	$ (32)	$	$	$	$	$	$
Net derivative gains (losses)	$	$	$	$	$	$	$	$
Other revenues	$	$	$	$	$	$	$ (1)	$ (73)
Policyholder benefits and claims	$	$	$	$	$	$	$	$
Other expenses	$	$	$	$	$	$	$	$

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MetLife, Inc.

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

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3) Net Derivatives: (6) Interest Rate Contracts	Foreign Currency Contracts	Credit Contracts	Equity Market Contracts	Net Embedded Derivatives (7)	Separate Account Assets (8)	Long-term Debt of CSEs
	(In millions)						
Three Months Ended June 30, 2011:							
Balance, beginning of period	$ (89)	$ 39	$ 43	$ (16)	$ (1,538)	$ 2,004	$ (138)
Total realized/unrealized gains (losses) included in:							
Net income (loss): (1), (2)							
Net investment income							
Net investment gains (losses)						(4)	(53)
Net derivative gains (losses)	5	1	(2)	(17)	(383)		
Other revenues	(2)						
Policyholder benefits and claims					10		
Other expenses							
Other comprehensive income (loss)	19		6		(50)		
Purchases (3)				88		160	
Sales (3)						(203)	
Issuances (3)							
Settlements (3)			(5)		(113)		57
Transfers into Level 3 (4)		9				1	
Transfers out of Level 3 (4)						(122)	
Balance, end of period	$ (67)	$ 49	$ 42	$ 55	$ (2,074)	$ 1,836	$ (134)
Changes in unrealized gains (losses) relating to assets and liabilities still held at June 30, 2011 included in net income (loss):							
Net investment income	$	$	$	$	$	$	$
Net investment gains (losses)	$	$	$	$	$	$	$ (53)
Net derivative gains (losses)	$ 4	$ 1	$ (3)	$ (17)	$ (387)	$	$
Other revenues	$ 11	$	$	$	$	$	$
Policyholder benefits and claims	$	$	$	$	$ 10	$	$
Other expenses	$	$	$	$	$	$	$

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MetLife, Inc.

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

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3) Fixed Maturity Securities:								
	U.S. Corporate Securities	Foreign Corporate Securities	Foreign Government Securities	U.S. Treasury and Agency Securities	RMBS	CMBS	State and Political Subdivision Securities	ABS	Other Fixed Maturity Securities
					(In millions)				
Six Months Ended June 30, 2012:									
Balance, beginning of period	$ 6,784	$ 4,370	$ 2,322	$ 31	$ 1,602	$ 753	$ 53	$ 1,850	$
Total realized/unrealized gains (losses) included in:									
Net income (loss): (1), (2)									
Net investment income	4	10	1		12	7		10	
Net investment gains (losses)	11	(55)	(7)		(4)	(36)		2	
Net derivative gains (losses)									
Other revenues									
Policyholder benefits and claims									
Other expenses									
Other comprehensive income (loss)	(20)	90	(8)		40	20	4	(14)	
Purchases (3)	1,111	1,049	634	50	892	458	20	1,124	
Sales (3)	(555)	(451)	(235)	(7)	(194)	(182)	(1)	(246)	
Issuances (3)									
Settlements (3)									
Transfers into Level 3 (4)	203	132	60		27	18		2	
Transfers out of Level 3 (4)	(144)	(332)	(381)		(12)			(48)	
Balance, end of period	$ 7,394	$ 4,813	$ 2,386	$ 74	$ 2,363	$ 1,038	$ 76	$ 2,680	$
Changes in unrealized gains (losses) relating to assets and liabilities still held at June 30, 2012 included in net income (loss):									
Net investment income	$ 5	$ 10	$ 1	$	$ 12	$ 2	$	$ 9	$
Net investment gains (losses)	$ (2)	$ (26)	$	$	$ (3)	$ (9)	$	$	$
Net derivative gains (losses)	$	$	$	$	$	$	$	$	$
Other revenues	$	$	$	$	$	$	$	$	$
Policyholder benefits and claims	$	$	$	$	$	$	$	$	$
Other expenses	$	$	$	$	$	$	$	$	$

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MetLife, Inc.

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

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)							
	Equity Securities:		Trading and Other Securities:					
	Common Stock	Non-redeemable Preferred Stock	Actively Traded Securities	FVO General Account Securities	FVO Contractholder-directed Unit-linked Investments	Short-term Investments	Mortgage Loans Held-for-sale	MSRs (5)
					(In millions)			
Six Months Ended June 30, 2012:								
Balance, beginning of period	$ 281	$ 438	$	$ 23	$ 1,386	$ 590	$ 1,414	$ 666
Total realized/unrealized gains (losses) included in:								
Net income (loss): (1), (2)								
Net investment income				3	(31)			
Net investment gains (losses)	(9)							
Net derivative gains (losses)								
Other revenues							(3)	(85)
Policyholder benefits and claims								
Other expenses								
Other comprehensive income (loss)	9	18				(10)		
Purchases (3)	52	5	13		844	641		
Sales (3)	(43)	(29)			(1,070)	(396)	(1,323)	(49)
Issuances (3)							113	104
Settlements (3)							(41)	(72)
Transfers into Level 3 (4)	5				5		54	
Transfers out of Level 3 (4)	(13)				(38)	(108)	(3)	
Balance, end of period	$ 282	$ 432	$ 13	$ 26	$ 1,096	$ 717	$ 211	$ 564
Changes in unrealized gains (losses) relating to assets and liabilities still held at June 30, 2012 included in net income (loss):								
Net investment income	$	$	$	$ 3	$ (27)	$ 2	$	$
Net investment gains (losses)	$ (9)	$	$	$	$	$	$	$
Net derivative gains (losses)	$	$	$	$	$	$	$	$
Other revenues	$	$	$	$	$	$	$ 3	$ (70)
Policyholder benefits and claims	$	$	$	$	$	$	$	$
Other expenses	$	$	$	$	$	$	$	$

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MetLife, Inc.

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

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)							
	Net Derivatives: (6)							
	Interest Rate Contracts	Foreign Currency Contracts	Credit Contracts	Equity Market Contracts	Net Embedded Derivatives (7)	Separate Account Assets (8)	Long-term Debt of CSEs	Liability Related to Securitized Reverse Residential Mortgage Loans
					(In millions)			
Six Months Ended June 30, 2012:								
Balance, beginning of period	$ 300	$ 44	$ 1	$ 889	$ (4,203)	$ 1,325	$ (116)	$ (1,175)
Total realized/unrealized gains (losses) included in:								
Net income (loss): (1), (2)								
Net investment income				(1)				
Net investment gains (losses)						78	(9)	
Net derivative gains (losses)	24	7	29	(284)	511			
Other revenues	(67)							2
Policyholder benefits and claims				12	(5)			
Other expenses								
Other comprehensive income (loss)	11			(2)	39			
Purchases (3)				10		293		
Sales (3)						(255)		1,147
Issuances (3)			(3)			2		(98)
Settlements (3)	(40)	(11)	(3)	(49)	(303)	(4)	44	26
Transfers into Level 3 (4)						23		
Transfers out of Level 3 (4)						(17)		
Balance, end of period	$ 228	$ 40	$ 24	$ 575	$ (3,961)	$ 1,445	$ (81)	$ (98)
Changes in unrealized gains (losses) relating to assets and liabilities still held at June 30, 2012 included in net income (loss):								
Net investment income	$	$	$	$ (1)	$	$	$	$
Net investment gains (losses)	$	$	$	$	$	$	$ (9)	$
Net derivative gains (losses)	$ 6	$ (5)	$ 27	$ (287)	$ 498	$	$	$
Other revenues	$	$	$	$	$	$	$	$
Policyholder benefits and claims	$	$	$	$ 12	$ (4)	$	$	$
Other expenses	$	$	$	$	$	$	$	$

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MetLife, Inc.

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

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3) Fixed Maturity Securities:								
	U.S. Corporate Securities	Foreign Corporate Securities	Foreign Government Securities	U.S. Treasury and Agency Securities	RMBS (9)	CMBS	State and Political Subdivision Securities	ABS (9)	Other Fixed Maturity Securities
					(In millions)				
Six Months Ended June 30, 2011:									
Balance, beginning of period	$ 7,149	$ 5,726	$ 3,134	$ 79	$ 2,541	$ 1,011	$ 46	$ 3,026	$ 4
Total realized/unrealized gains (losses) included in:									
Net income (loss): (1), (2)									
Net investment income	5	3	8		6	11		12	
Net investment gains (losses)	(12)	(18)	(23)		(12)	68		(13)	
Net derivative gains (losses)									
Other revenues									
Policyholder benefits and claims									
Other expenses									
Other comprehensive income (loss)	138	186	24		41	87	(7)	78	
Purchases (3)	778	1,817	385	1	42	171	45	278	
Sales (3)	(534)	(1,463)	(228)	(1)	(137)	(508)	(3)	(339)	(2)
Issuances (3)									
Settlements (3)									
Transfers into Level 3 (4)	54	39	133		263	45	10	109	
Transfers out of Level 3 (4)	(707)	(446)	(272)	(53)	(1,245)	(104)	(2)	(1,765)	
Balance, end of period	$ 6,871	$ 5,844	$ 3,161	$ 26	$ 1,499	$ 781	$ 89	$ 1,386	$ 2
Changes in unrealized gains (losses) relating to assets and liabilities still held at June 30, 2011 included in net income (loss):									
Net investment income	$ 5	$ 13	$ 16	$	$ 6	$ 11	$	$ 12	$
Net investment gains (losses)	$ (27)	$ (19)	$ (10)	$	$ (12)	$	$	$ (4)	$
Net derivative gains (losses)	$	$	$	$	$	$	$	$	$
Other revenues	$	$	$	$	$	$	$	$	$
Policyholder benefits and claims	$	$	$	$	$	$	$	$	$
Other expenses	$	$	$	$	$	$	$	$	$

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MetLife, Inc.

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

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)							
	Equity Securities:		Trading and Other Securities:					
	Common Stock	Non-redeemable Preferred Stock	Actively Traded Securities	FVO General Account Securities	FVO Contractholder-directed Unit-linked Investments	Short-term Investments	Mortgage Loans Held-for-sale	MSRs (5)
	(In millions)							
Six Months Ended June 30, 2011:								
Balance, beginning of period	$ 268	$ 905	$ 10	$ 77	$ 735	$ 858	$ 24	$ 950
Total realized/unrealized gains (losses) included in:								
Net income (loss): (1), (2)								
Net investment income				8	54	4		
Net investment gains (losses)	5	(70)				(1)		
Net derivative gains (losses)								
Other revenues							(3)	(18)
Policyholder benefits and claims								
Other expenses								
Other comprehensive income (loss)	(13)	101				10		
Purchases (3)	67	3		1	325	618	1	
Sales (3)	(18)	(296)	(8)	(32)	(450)	(754)		
Issuances (3)							1	92
Settlements (3)								(60)
Transfers into Level 3 (4)	1	11			124	3	13	
Transfers out of Level 3 (4)	(5)				(165)	(6)	(4)	
Balance, end of period	$ 305	$ 654	$ 2	$ 54	$ 623	$ 732	$ 32	$ 964
Changes in unrealized gains (losses) relating to assets and liabilities still held at June 30, 2011 included in net income (loss):								
Net investment income	$	$	$	$ 5	$ 47	$ 3	$	$
Net investment gains (losses)	$ (4)	$ (32)	$	$	$	$	$	$
Net derivative gains (losses)	$	$	$	$	$	$	$	$
Other revenues	$	$	$	$	$	$	$ (3)	$ (18)
Policyholder benefits and claims	$	$	$	$	$	$	$	$
Other expenses	$	$	$	$	$	$	$	$

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MetLife, Inc.

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

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3) Net Derivatives: (6)						
	Interest Rate Contracts	Foreign Currency Contracts	Credit Contracts	Equity Market Contracts	Net Embedded Derivatives (7)	Separate Account Assets (8)	Long-term Debt of CSEs
	(In millions)						
Six Months Ended June 30, 2011:							
Balance, beginning of period	$ (86)	$ 73	$ 44	$ 142	$ (2,438)	$ 1,983	$ (184)
Total realized/unrealized gains (losses) included in:							
Net income (loss): (1), (2)							
Net investment income				(3)			
Net investment gains (losses)						46	(7)
Net derivative gains (losses)	12	(4)	4	(110)	592		
Other revenues	7						
Policyholder benefits and claims					(8)		
Other expenses							
Other comprehensive income (loss)	7		2		(2)		
Purchases (3)		6		106		358	
Sales (3)						(364)	
Issuances (3)			(3)				
Settlements (3)			(5)	(5)	(218)		57
Transfers into Level 3 (4)						9	
Transfers out of Level 3 (4)	(7)	(26)		(75)		(196)	
Balance, end of period	$ (67)	$ 49	$ 42	$ 55	$ (2,074)	$ 1,836	$ (134)
Changes in unrealized gains (losses) relating to assets and liabilities still held at June 30, 2011 included in net income (loss):							
Net investment income	$	$	$	$	$	$	$
Net investment gains (losses)	$	$	$	$	$	$	$ (7)
Net derivative gains (losses)	$ 11	$ (4)	$ 4	$ (110)	$ 581	$	$
Other revenues	$ 12	$	$	$	$	$	$
Policyholder benefits and claims	$	$	$	$	$ (8)	$	$
Other expenses	$	$	$	$	$	$	$

(1) Amortization of premium/discount is included within net investment income. Impairments charged to earnings on securities and certain mortgage loans are included in net investment gains (losses) while changes in the estimated fair value of certain mortgage loans and MSRs are included in other revenues. Lapses associated with net embedded derivatives are included in net derivative gains (losses).

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

(3) The amount reported within purchases, sales, issuances and settlements is the purchase or issuance price and the sales or settlement proceeds based upon the actual date purchased or issued and sold or settled, respectively. Items purchased/issued and sold/settled in the same period are excluded from the rollforward. Fees attributed to embedded derivatives are included in settlements.

(4) Total gains and losses (in earnings and other comprehensive income (loss)) are calculated assuming transfers into and/or out of Level 3 occurred at the beginning of the period. Items transferred into and/or out of Level 3 in the same period are excluded from the rollforward.

(5) Other revenues represent the changes in estimated fair value due to changes in valuation model inputs or assumptions. For the three months and six months ended June 30, 2012 and 2011, there was no other change in estimated fair value affecting MSRs. The additions for purchases, originations and issuances are presented within issuances and the reductions for loan payments, sales and settlements, affecting MSRs are presented within settlements.

MetLife, Inc.

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

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

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

(8) Investment performance related to separate account assets is fully offset by corresponding amounts credited to contractholders within separate account liabilities. Therefore, such changes in estimated fair value are not recorded in net income. For the purpose of this disclosure, these changes are presented within net investment gains (losses).

(9) See Note 3 of the Notes to the Consolidated Financial Statements included in the 2011 Annual Report for discussion of a reclassification from the ABS sector to the RMBS sector for securities backed by sub-prime residential mortgage loans.

Fair Value Option

Residential Mortgage Loans Held-For-Sale

The following table presents residential mortgage loans held-for-sale accounted for under the FVO at:

	June 30, 2012	December 31, 2011
	(In millions)	
Unpaid principal balance	$ 203	$ 2,935
Difference between estimated fair value and unpaid principal balance	(1)	129
Carrying value at estimated fair value	$ 202	$ 3,064
Loans in non-accrual status	$ 3	$ 3
Loans more than 90 days past due	$ 33	$ 20
Loans in non-accrual status or more than 90 days past due, or both difference between aggregate estimated fair value and unpaid principal balance	$ (2)	$ (2)

Residential mortgage loans held-for-sale accounted for under the FVO are initially measured at estimated fair value. Interest income on residential mortgage loans held-for-sale is recorded based on the stated rate of the loan and is recorded in net investment income. Gains and losses from initial measurement, subsequent changes in estimated fair value and gains or losses on sales are recognized in other revenues. Such changes in estimated fair value for these loans were due to the following:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
	(In millions)			
Instrument-specific credit risk based on changes in credit spreads for non-agency loans and adjustments in individual loan quality	$ 4	$ (2)	$ 2	$ (3)
Other changes in estimated fair value	(72)	115	98	179

Total gains (losses) recognized in other revenues	$ (68)	$ 113	$ 100	$ 176

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MetLife, Inc.

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

Securitized Reverse Residential Mortgage Loans

Securitized reverse residential mortgage loans accounted for under the FVO are initially measured at estimated fair value. Gains and losses from initial measurement and subsequent changes in estimated fair value are recognized in other revenues. The following table presents securitized reverse residential mortgage loans accounted for under the FVO at:

	June 30, 2012	December 31, 2011
	(In millions)	
Unpaid principal balance	$ 235	$ 6,914
Difference between estimated fair value and unpaid principal balance	24	738
Carrying value at estimated fair value	$ 259	$ 7,652
Loans more than 90 days past due	$	$ 59
Loans more than 90 days past due difference between aggregate estimated fair value and unpaid principal balance	$	$

The liability related to securitized reverse residential mortgage loans accounted for under the FVO is initially measured at estimated fair value. Gains and losses from initial measurement and subsequent changes in estimated fair value are recognized in other revenues. The following table presents the liability related to securitized reverse residential mortgage loans accounted for under the FVO at:

	June 30, 2012	December 31, 2011
	(In millions)	
Contractual principal balance	$ 235	$ 6,914
Difference between estimated fair value and unpaid principal balance	22	712
Carrying value at estimated fair value	$ 257	$ 7,626

Assets and Liabilities Held by CSEs

The Company has elected the FVO for the following assets and liabilities held by CSEs: commercial mortgage loans, securities and long-term debt. Information on the estimated fair value of the securities classified as trading and other securities is presented in Note 3. The following table presents these commercial mortgage loans accounted for under the FVO at:

	June 30, 2012	December 31, 2011
	(In millions)	
Unpaid principal balance	$ 2,814	$ 3,019
Difference between estimated fair value and unpaid principal balance	118	119
Carrying value at estimated fair value	$ 2,932	$ 3,138

The following table presents the long-term debt accounted for under the FVO related to both the commercial mortgage loans and securities classified as trading and other securities at:

	June 30, 2012	December 31, 2011
	(In millions)	
Contractual principal balance	$ 2,707	$ 2,954
Difference between estimated fair value and unpaid principal balance	114	114
Carrying value at estimated fair value	$ 2,821	$ 3,068

MetLife, Inc.

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

Interest income on both commercial mortgage loans held by CSEs and securities classified as trading and other securities held by CSEs is recorded in net investment income. Interest expense on long-term debt of CSEs is recorded in other expenses. Gains and losses from initial measurement, subsequent changes in estimated fair value and gains or losses on sales of both the commercial mortgage loans and the long-term debt are recognized in net investment gains (losses). See Note 3.

Non-Recurring Fair Value Measurements

Certain assets are measured at estimated fair value on a non-recurring basis and are not included in the tables presented above. The amounts below relate to certain investments measured at estimated fair value during the period and still held at the reporting dates and which are categorized as Level 3 measurements.

	Three Months Ended June 30,					
	2012			2011		
	Carrying Value Prior to Measurement	Estimated Fair Value After Measurement	Net Investment Gains (Losses)	Carrying Value Prior to Measurement	Estimated Fair Value After Measurement	Net Investment Gains (Losses)
	(In millions)					
Mortgage loans: (1)						
Held-for-investment	$ 197	$ 209	$ 12	$ 174	$ 182	$ 8
Held-for-sale	254	239	(15)	47	47	
Mortgage loans, net	$ 451	$ 448	$ (3)	$ 221	$ 229	$ 8
Other limited partnership interests (2)	$ 38	$ 27	$ (11)	$ 13	$ 10	$ (3)
Real estate joint ventures (3)	$ 10	$ 8	$ (2)	$	$	$

	Six Months Ended June 30,					
	2012			2011		
	Carrying Value Prior to Measurement	Estimated Fair Value After Measurement	Net Investment Gains (Losses)	Carrying Value Prior to Measurement	Estimated Fair Value After Measurement	Net Investment Gains (Losses)
	(In millions)					
Mortgage loans: (1)						
Held-for-investment	$ 197	$ 210	$ 13	$ 165	$ 182	$ 17
Held-for-sale	270	239	(31)	48	47	(1)
Mortgage loans, net	$ 467	$ 449	$ (18)	$ 213	$ 229	$ 16
Other limited partnership interests (2)	$ 48	$ 34	$ (14)	$ 13	$ 10	$ (3)
Real estate joint ventures (3)	$ 15	$ 10	$ (5)	$	$	$

(1) ***Mortgage loans*** These impaired mortgage loans are written down to their estimated fair values which are reported as losses. Subsequent improvements in estimated fair value on previously impaired loans recorded through a reduction in the previously established valuation allowance are reported as gains. Estimated fair values for impaired mortgage loans are based on market prices or, if the loans are in foreclosure or are otherwise determined to be collateral dependent, on the estimated fair value of the underlying collateral, or the present value of the expected future cash flows.

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MetLife, Inc.

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

(2) ***Other limited partnership interests*** These impaired investments were accounted for using the cost method. Impairments were recognized at estimated fair value determined from information provided in the financial statements of the underlying entities. These investments include private equity and debt funds that typically invest primarily in various strategies including domestic and international leveraged buyout funds; power, energy, timber and infrastructure development funds; venture capital funds; and below investment grade debt and mezzanine debt funds. The estimated fair values of these investments have been determined using NAV data. Distributions will be generated from investment gains, from operating income from the underlying investments of the funds and from liquidation of the underlying assets of the funds. It is estimated that the underlying assets of the funds will be liquidated over the next two to 10 years. Unfunded commitments for these investments were $5 million and less than $1 million at June 30, 2012 and 2011, respectively.

(3) ***Real estate joint ventures*** These impaired investments were accounted for using the cost method. Impairments were recognized at estimated fair value determined from information provided in the financial statements of the underlying entities. These investments include several real estate funds that typically invest primarily in commercial real estate. The estimated fair values of these investments have been determined using NAV data. Distributions will be generated from investment gains, from operating income from the underlying investments of the funds and from liquidation of the underlying assets of the funds. It is estimated that the underlying assets of the funds will be liquidated over the next two to 10 years. Unfunded commitments for these investments were $7 million at June 30, 2012. There were no unfunded commitments for these investments at June 30, 2011.

Fair Value of Financial Instruments

The tables below exclude certain financial instruments. The excluded financial instruments are as follows: cash and cash equivalents, accrued investment income, payables for collateral under securities loaned and other transactions, short-term debt and those short-term investments that are not securities, such as time deposits, and are excluded from the preceding three level hierarchy table. The estimated fair value of these financial instruments, which are primarily classified in Level 2, approximate 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. The table below also excludes financial instruments reported at estimated fair value on a recurring basis. See Recurring Fair Value Measurements. All remaining balance sheet amounts excluded from the table below are not considered financial instruments subject to this disclosure.

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

The carrying values, estimated fair values and, for June 30, 2012, their corresponding placement in the fair value hierarchy, for such financial instruments, are summarized as follows:

	June 30, 2012				
		Fair Value Measurements at Reporting Date Using			
	Carrying Value	Quoted Prices in Active Markets for Identical Assets and Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Estimated Fair Value
			(In millions)		
Assets:					
Mortgage loans:					
Held-for-investment	$ 54,269	$	$	$ 57,129	$ 57,129
Held-for-sale	1,279			1,279	1,279
Mortgage loans, net	$ 55,548	$	$	$ 58,408	$ 58,408
Policy loans	$ 11,912	$	$ 1,699	$ 12,733	$ 14,432
Real estate joint ventures	$ 117	$	$	$ 175	$ 175
Other limited partnership interests	$ 1,246	$	$	$ 1,426	$ 1,426
Other invested assets	$ 1,472	$ 77	$	$ 1,395	$ 1,472
Premiums, reinsurance and other receivables	$ 4,413	$	$ 552	$ 4,331	$ 4,883
Other assets	$ 253	$	$ 211	$ 71	$ 282
Liabilities:					
PABs	$ 153,131	$	$	$ 160,388	$ 160,388
Bank deposits	$ 6,832	$	$ 2,101	$ 4,731	$ 6,832
Long-term debt	$ 16,023	$	$ 18,144	$	$ 18,144
Collateral financing arrangements	$ 4,196	$	$	$ 3,792	$ 3,792
Junior subordinated debt securities	$ 3,192	$	$ 3,620	$	$ 3,620
Other liabilities	$ 6,430	$	$ 2,850	$ 3,582	$ 6,432
Separate account liabilities	$ 54,769	$	$ 54,769	$	$ 54,769
Commitments: (1)					
Mortgage loan commitments	$	$	$	$ 35	$ 35
Commitments to fund bank credit facilities, bridge loans and private corporate bond investments	$	$	$ 22	$	$ 22

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MetLife, Inc.

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

	December 31, 2011	
	Carrying Value	Estimated Fair Value
	(In millions)	
Assets:		
Mortgage loans:		
Held-for-investment	$ 53,777	$ 56,422
Held-for-sale	4,462	4,462
Mortgage loans, net	$ 58,239	$ 60,884
Policy loans	$ 11,892	$ 14,213
Real estate joint ventures	$ 130	$ 183
Other limited partnership interests	$ 1,318	$ 1,656
Other invested assets	$ 1,434	$ 1,434
Premiums, reinsurance and other receivables	$ 4,639	$ 5,232
Other assets	$ 310	$ 308
Liabilities:		
PABs	$ 146,890	$ 153,304
Bank deposits	$ 10,507	$ 10,507
Long-term debt	$ 20,587	$ 22,514
Collateral financing arrangements	$ 4,647	$ 4,136
Junior subordinated debt securities	$ 3,192	$ 3,491
Other liabilities	$ 4,087	$ 4,087
Separate account liabilities	$ 49,610	$ 49,610
Commitments: (1)		
Mortgage loan commitments	$	$ 3
Commitments to fund bank credit facilities, bridge loans and private corporate bond investments	$	$ 51

(1) Commitments are off-balance sheet obligations. Negative estimated fair values represent off-balance sheet liabilities. See Note 11 for additional information on these off-balance sheet obligations.

The methods, assumptions and significant valuation techniques and inputs used to estimate the fair value of financial instruments are summarized as follows:

Mortgage Loans

Mortgage loans held-for-investment

For commercial and agricultural mortgage loans, the estimated fair value was primarily determined by estimating expected future cash flows and discounting them using current interest rates for similar mortgage loans with similar credit risk. For residential mortgage loans, the estimated fair value was primarily determined from pricing for similar loans.

Mortgage loans held-for-sale

For these mortgage loans, estimated fair value is determined using independent non-binding broker quotations or valuation models using significant unobservable inputs.

MetLife, Inc.

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

Policy Loans

Policy loans with fixed interest rates are classified within Level 3. The estimated fair values for these loans are determined using a DCF model applied to groups of similar policy loans determined by the nature of the underlying insurance liabilities. Cash flow estimates are developed by applying a weighted-average interest rate to the outstanding principal balance of the respective group of policy loans and an estimated average maturity determined through experience studies of the past performance of policyholder repayment behavior for similar loans. These cash flows are discounted using current risk-free interest rates with no adjustment for borrower credit risk as these loans are fully collateralized by the cash surrender value of the underlying insurance policy. Policy loans with variable interest rates are classified within Level 2 and the estimated fair value approximates carrying value due to the absence of borrower credit risk and the short time period between interest rate resets, which presents minimal risk of a material change in estimated fair value due to changes in market interest rates.

Real Estate Joint Ventures and Other Limited Partnership Interests

The amounts disclosed in the preceding tables consist of those investments accounted for using the cost method. The estimated fair values for cost method real estate joint ventures and other limited partnership interests are generally based on the Company s share of the NAV as provided in the financial statements of the investees. In certain circumstances, management may adjust the NAV by a premium or discount when it has sufficient evidence to support applying such adjustments.

Other Invested Assets

Other invested assets within the preceding tables are principally comprised of funds withheld, various interest-bearing assets held in foreign subsidiaries and certain amounts due under contractual indemnifications. For funds withheld and for the various interest-bearing assets held in foreign subsidiaries, the Company evaluates the specific facts and circumstances of each instrument to determine the appropriate estimated fair values. These estimated fair values were not materially different from the recognized carrying values.

Premiums, Reinsurance and Other Receivables

Premiums, reinsurance and other receivables in the preceding tables are principally comprised of certain amounts recoverable under reinsurance agreements, amounts on deposit with financial institutions to facilitate daily settlements related to certain derivative positions and amounts receivable for securities sold but not yet settled.

Amounts recoverable under ceded reinsurance agreements, which the Company has determined do not transfer significant risk such that they are accounted for using the deposit method of accounting, have been classified as Level 3. The valuation is based on DCF methodologies using significant unobservable inputs. The estimated fair value is determined using interest rates determined to reflect the appropriate credit standing of the assuming counterparty.

The amounts on deposit for derivative settlements, classified within Level 2, essentially represent the equivalent of demand deposit balances and amounts due for securities sold are generally received over short periods such that the estimated fair value approximates carrying value.

Other Assets

Other assets in the preceding tables are primarily composed of a receivable for cash paid to an unaffiliated financial institution under the MetLife Reinsurance Company of Charleston (MRC) collateral financing

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

arrangement as described in Note 12 of the Notes to the Consolidated Financial Statements included in the 2011 Annual Report. The estimated fair value of the receivable for the cash paid to the unaffiliated financial institution under the MRC collateral financing arrangement is determined by discounting the expected future cash flows using a discount rate that reflects the credit rating of the unaffiliated financial institution.

PABs

PABs in the preceding tables include investment contracts. Embedded derivatives on investment contracts and certain variable annuity guarantees accounted for as embedded derivatives are excluded from this caption in the preceding tables as they are separately presented in Recurring Fair Value Measurements.

The investment contracts primarily include certain funding agreements, fixed deferred annuities, modified guaranteed annuities, fixed term payout annuities and total control accounts. The valuation of these investment contracts is based on DCF methodologies using significant unobservable inputs. The estimated fair value is determined using current market risk-free interest rates adding a spread to reflect the nonperformance risk in the liability.

Bank Deposits

Due to the frequency of interest rate resets on customer bank deposits held in money market accounts, the Company believes that there is minimal risk of a material change in interest rates such that the estimated fair value approximates carrying value. For time deposits, the Company has taken into consideration the sale price for the pending disposition of most of the depository business of MetLife Bank to determine the estimated fair value of bank deposits. See Note 2.

Long-term Debt, Collateral Financing Arrangements and Junior Subordinated Debt Securities

The estimated fair values of long-term debt and junior subordinated debt securities are principally valued using market standard valuation methodologies and DCF methodologies. Valuations classified as Level 2 are based primarily on quoted prices in markets that are not active or using matrix pricing or other similar techniques that use standard market observable inputs such as quoted prices in markets that are not active and observable yields and spreads in the market. Instruments valued using DCF methodologies use standard market observable inputs including market yield curve, duration, call provisions, observable prices and spreads for similar publicly traded or privately traded issues. Valuations classified as Level 3 are based primarily on DCF methodologies that utilize unobservable discount rates applied to the expected future cash flows that can vary significantly based upon the specific terms of each individual arrangement. The determination of estimated fair values of collateral financing arrangements takes into account valuations obtained from the counterparties to the arrangements, as part of the collateral management process.

Capital leases, which are not required to be disclosed at estimated fair value, are excluded from the preceding tables.

Other Liabilities

Other liabilities consist primarily of interest and dividends payable, amounts due for securities purchased but not yet settled, funds withheld amounts payable, which are contractually withheld by the Company in accordance with the terms of the reinsurance agreements, and amounts payable under certain assumed reinsurance agreements, which are recorded using the deposit method of accounting. The Company evaluates the

MetLife, Inc.

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

specific terms, facts and circumstances of each instrument to determine the appropriate estimated fair values, which are not materially different from the carrying values, with the exception of certain deposit type reinsurance payables. For such payables, the estimated fair value is determined as the present value of expected future cash flows, which are discounted using an interest rate determined to reflect the appropriate credit standing of the assuming counterparty.

Separate Account Liabilities

Separate account liabilities included in the preceding tables represent those balances due to policyholders under contracts that are classified as investment contracts.

Separate account liabilities classified as investment contracts primarily represent variable annuities with no significant mortality risk to the Company such that the death benefit is equal to the account balance, funding agreements related to group life contracts and certain contracts that provide for benefit funding.

Since separate account liabilities are fully funded by cash flows from the separate account assets which are recognized at estimated fair value as described in the section Recurring Fair Value Measurements, the value of those assets approximates the estimated fair value of the related separate account liabilities. The valuation techniques and inputs for separate account liabilities are similar to those described for separate account assets.

Mortgage Loan Commitments and Commitments to Fund Bank Credit Facilities, Bridge Loans and Private Corporate Bond Investments

The estimated fair values for mortgage loan commitments that will be held for investment and commitments to fund bank credit facilities, bridge loans and private corporate bonds that will be held for investment reflected in the above tables represent the difference between the discounted expected future cash flows using interest rates that incorporate current credit risk for similar instruments on the reporting date and the principal amounts of the commitments.

6. Deferred Policy Acquisition Costs and Value of Business Acquired

Information regarding DAC and value of business acquired (VOBA) was as follows:

	Six Months Ended June 30,					
		2012			2011	
	DAC	VOBA	Total	DAC	VOBA	Total
			(In millions)			
Balance, beginning of period	$ 15,240	$ 9,379	$ 24,619	$ 13,377	$ 11,088	$ 24,465
Capitalizations	2,679		2,679	2,631		2,631
Subtotal	17,919	9,379	27,298	16,008	11,088	27,096
Amortization related to:						
Net investment gains (losses)	(62)	(3)	(65)	(87)	1	(86)
Other expenses	(1,442)	(686)	(2,128)	(1,195)	(912)	(2,107)
Total amortization	(1,504)	(689)	(2,193)	(1,282)	(911)	(2,193)
Unrealized investment gains (losses)	(285)	(125)	(410)	(124)	(74)	(198)
Effect of foreign currency translation and other	(55)	(135)	(190)	137	392	529

Balance, end of period	$ 16,075	$ 8,430	$ 24,505	$ 14,739	$ 10,495	$ 25,234

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

Amortization of DAC and VOBA is attributed to both investment gains and losses and to other expenses for the amount of gross margins or profits originating from transactions other than investment gains and losses. Unrealized investment gains and losses represent the amount of DAC and VOBA that would have been amortized if such gains and losses had been recognized.

See Note 1 for information on the retrospective application of the adoption of new accounting guidance related to DAC.

Information regarding DAC and VOBA by segment, as well as Corporate & Other, was as follows:

	DAC		VOBA		Total	
	June 30, 2012	December 31, 2011	June 30, 2012	December 31, 2011	June 30, 2012	December 31, 2011
	(In millions)					
Retail	$ 10,182	$ 10,103	$ 1,010	$ 1,211	$ 11,192	$ 11,314
Group, Voluntary & Worksite Benefits	759	744			759	744
Corporate Benefit Funding	88	86	2	3	90	89
Latin America	769	693	355	357	1,124	1,050
Asia	3,181	2,647	6,027	6,553	9,208	9,200
EMEA	1,095	966	1,036	1,254	2,131	2,220
Corporate & Other	1	1		1	1	2
Total	$ 16,075	$ 15,240	$ 8,430	$ 9,379	$ 24,505	$ 24,619

7. Goodwill

In the first quarter of 2012, the Company reorganized its business into three broad geographic regions: The Americas, Asia and EMEA, to better reflect its global reach. See Note 16 for a discussion of the Company s new segments. As a result of the reorganization, the Company reallocated goodwill from the former segments to the new segments as shown in the below table under Goodwill Transfers.

The Company tests goodwill for impairment at least annually at the reporting unit level. A reporting unit is the operating segment or a business one level below the operating segment, if discrete financial information is prepared and regularly reviewed by management at that level. For each operating segment, the reporting units were determined to be either the operating segment or the components thereof.

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The following table presents the changes in the carrying amount of goodwill in each of the Company s segments, as well as Corporate & Other, and the balances at:

	December 31, 2011	Goodwill Transfers	Effect of Foreign Currency Translation and Other	June 30, 2012
			(In millions)	
2011				
Insurance Products	$ 1,414	$ (1,414)	$	$
Retirement Products	1,692	(1,692)		
Corporate Benefit Funding	900	(900)		
Auto & Home	157	(157)		
Japan	5,371	(5,371)		
Other International Regions	1,996	(1,996)		
Corporate & Other (1)	405	(405)		
2012				
Retail		2,955		2,955
Group, Voluntary & Worksite Benefits		308		308
Corporate Benefit Funding		900		900
Latin America		501	11	512
Asia (2)		5,443	(53)	5,390
EMEA		1,423	(70)	1,353
Corporate & Other (1)		405		405
Total	$ 11,935	$	$ (112)	$ 11,823

(1) At June 30, 2012, the Company s accumulated goodwill impairment loss was $65 million, which is included in Corporate & Other.

(2) Includes goodwill of $5.2 billion from the Japan operations at June 30, 2012.

8. Insurance

Insurance Liabilities

Insurance liabilities were as follows:

	Future Policy Benefits		Policyholder Account Balances		Other Policy-Related Balances	
	June 30, 2012	December 31, 2011	June 30, 2012	December 31, 2011	June 30, 2012	December 31, 2011

			(In millions)			
Retail	$ 63,046	$ 62,295	$ 68,073	$ 69,553	$ 2,720	$ 2,807
Group, Voluntary & Worksite Benefits	21,643	20,465	9,168	9,273	3,493	3,378
Corporate Benefit Funding	51,113	49,657	63,317	56,367	185	201
Latin America	7,078	6,299	6,703	6,159	1,535	1,432
Asia	31,996	31,555	61,659	59,578	5,778	5,876
EMEA	7,562	7,728	14,528	14,396	1,479	1,482
Corporate & Other	6,071	6,276	2,461	2,374	474	423
Total	$ 188,509	$ 184,275	$ 225,909	$ 217,700	$ 15,664	$ 15,599

MetLife, Inc.

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

Guarantees

As discussed in Note 1 of the Notes to the Consolidated Financial Statements included in the 2011 Annual Report, the Company issues variable annuity products with guaranteed minimum benefits. The non-life-contingent portion of GMWB, GMAB and the portion of certain GMIB that does not require annuitization are accounted for as embedded derivatives in PABs. These guarantees are recorded at estimated fair value with changes in estimated fair value recorded in net derivative gains (losses), and are excluded from the net amount at risk and other disclosures below.

The Company issues annuity contracts that apply a lower rate of funds deposited if the contractholder elects to surrender the contract for cash and a higher rate if the contractholder elects to annuitize (two tier annuities). These guarantees include benefits that are payable in the event of death, maturity or at annuitization. Additionally, the Company issues universal and variable life contracts where the Company contractually guarantees to the contractholder a secondary guarantee or a guaranteed paid-up benefit.

Based on the type of guarantee, the Company defines net amount at risk as listed below. These amounts include direct and assumed business, but exclude offsets from hedging or reinsurance, if any.

In the Event of Death Defined as the guaranteed minimum death benefit less the total contract account value, as of the balance sheet date. It represents the amount of the claim that the Company would incur if death claims were filed on all contracts on the balance sheet date.

At Annuitization Defined as the amount (if any) that would be required to be added to the total contract account value to purchase a lifetime income stream, based on current annuity rates, equal to the minimum amount provided under the guaranteed benefit. This amount represents the Company s potential economic exposure to such guarantees in the event all contractholders were to annuitize on the balance sheet date, even though the contracts contain terms that only allow annuitization of the guaranteed amount after the 10th anniversary of the contract, which not all contractholders have achieved.

Two Tier Annuities Defined as the excess of the upper tier, adjusted for a profit margin, less the lower tier, as of the balance sheet date. These contracts apply a lower rate of funds if the contractholder elects to surrender the contract for cash and a higher rate if the contractholder elects to annuitize.

Universal and Variable Life Contracts Defined as the guarantee amount less the account value, as of the balance sheet date. It represents the amount of the claim that the Company would incur if death claims were filed on all contracts on the balance sheet date.

Information regarding the liabilities for guarantees (excluding base policy liabilities) relating to annuity and universal and variable life contracts was as follows:

	June 30, 2012		December 31, 2011	
	In the Event of Death	At Annuitization	In the Event of Death	At Annuitization
	(In millions)			
***Annuity Contracts* (1)**				
Variable Annuity Guarantees				
Total contract account value (3)	$ 173,414	$ 80,272	$ 163,845	$ 72,016

Separate account value	$ 133,114	$ 75,717	$ 121,841	$ 66,739
Net amount at risk	$ 13,667	$ 3,310(2)	$ 16,641	$ 2,686(2)
Average attained age of contractholders	62 years	62 years	62 years	61 years
Two Tier Annuities				
General account value	N/A	$ 401	N/A	$ 386
Net amount at risk	N/A	$ 59	N/A	$ 60
Average attained age of contractholders	N/A	61 years	N/A	60 years

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

	June 30, 2012		December 31, 2011	
	Secondary Guarantees	Paid-Up Guarantees	Secondary Guarantees	Paid-Up Guarantees
	(In millions)			
***Universal and Variable Life Contracts* (1)**				
Account value (general and separate account)	$ 13,588	$ 3,895	$ 12,946	$ 3,963
Net amount at risk	$ 190,287	$ 24,107	$ 188,642	$ 24,991
Average attained age of policyholders	54 years	59 years	53 years	59 years

(1) The Company s annuity and life contracts with guarantees may offer more than one type of guarantee in each contract. Therefore, the amounts listed above may not be mutually exclusive.

(2) The Company had previously disclosed the net amount at risk based on the excess of the benefit base over the contractholder s total contract account value on the balance sheet date. Such amounts were $11.1 billion and $12.1 billion at June 30, 2012 and December 31, 2011, respectively. The Company has provided, in the table above, the net amount as risk as defined above. The Company believes that this definition is more representative of the potential economic exposures of these guarantees as the contractholders do not have access to this difference other than through annuitization.

(3) Includes amounts, which are not reported in the consolidated balance sheets, from assumed reinsurance of certain variable annuity products from the Company s former operating joint venture in Japan.

See Note 8 of the Notes to the Consolidated Financial Statements included in the 2011 Annual Report.

9. Closed Block

On April 7, 2000 (the Demutualization Date), MLIC converted from a mutual life insurance company to a stock life insurance company and became a wholly-owned subsidiary of MetLife, Inc. The conversion was pursuant to an order by the New York Superintendent of Insurance approving MLIC s plan of reorganization, as amended (the Plan). On the Demutualization Date, MLIC established a closed block for the benefit of holders of certain individual life insurance policies of MLIC.

Experience within the closed block, in particular mortality and investment yields, as well as realized and unrealized gains and losses, directly impact the policyholder dividend obligation. Amortization of the closed block DAC, which resides outside of the closed block, is based upon cumulative actual and expected earnings within the closed block. Accordingly, the Company s net income continues to be sensitive to the actual performance of the closed block.

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

Information regarding the closed block liabilities and assets designated to the closed block was as follows:

	June 30, 2012	December 31, 2011
	(In millions)	
Closed Block Liabilities		
Future policy benefits	$ 42,936	$ 43,169
Other policy-related balances	298	358
Policyholder dividends payable	542	514
Policyholder dividend obligation	3,369	2,919
Current income tax payable	5	
Other liabilities	672	613
Total closed block liabilities	47,822	47,573
Assets Designated to the Closed Block		
Investments:		
Fixed maturity securities available-for-sale, at estimated fair value	30,784	30,407
Equity securities available-for-sale, at estimated fair value	28	35
Mortgage loans	6,325	6,206
Policy loans	4,655	4,657
Real estate and real estate joint ventures	301	364
Other invested assets	767	857
Total investments	42,860	42,526
Cash and cash equivalents	313	249
Accrued investment income	507	509
Premiums, reinsurance and other receivables	86	109
Current income tax recoverable		53
Deferred income tax assets	358	362
Total assets designated to the closed block	44,124	43,808
Excess of closed block liabilities over assets designated to the closed block	3,698	3,765
Amounts included in accumulated other comprehensive income (loss):		
Unrealized investment gains (losses), net of income tax	2,650	2,394
Unrealized gains (losses) on derivative instruments, net of income tax	18	11
Allocated to policyholder dividend obligation, net of income tax	(2,190)	(1,897)
Total amounts included in accumulated other comprehensive income (loss)	478	508
Maximum future earnings to be recognized from closed block assets and liabilities	$ 4,176	$ 4,273

Information regarding the closed block policyholder dividend obligation was as follows:

	Six Months Ended June 30, 2012	Year Ended December 31, 2011
	(In millions)	
Balance, beginning of period	$ 2,919	$ 876
Change in unrealized investment and derivative gains (losses)	450	2,043
Balance, end of period	$ 3,369	$ 2,919

MetLife, Inc.

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

Information regarding the closed block revenues and expenses was as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
	(In millions)			
Revenues				
Premiums	$ 528	$ 568	$ 1,026	$ 1,103
Net investment income	539	580	1,089	1,144
Net investment gains (losses)	13	3	24	10
Net derivative gains (losses)	11	4	2	(14)
Total revenues	1,091	1,155	2,141	2,243
Expenses				
Policyholder benefits and claims	700	746	1,362	1,435
Policyholder dividends	275	296	543	593
Other expenses	46	49	91	98
Total expenses	1,021	1,091	1,996	2,126
Revenues, net of expenses before provision for income tax expense (benefit)	70	64	145	117
Provision for income tax expense (benefit)	25	21	52	38
Revenues, net of expenses and provision for income tax expense (benefit) from continuing operations	45	43	93	79
Revenues, net of expenses and provision for income tax expense (benefit) from discontinued operations		1	4	1
Revenues, net of expenses and provision for income tax expense (benefit) and discontinued operations	$ 45	$ 44	$ 97	$ 80

MLIC charges the closed block with federal income taxes, state and local premium taxes and other additive state or local taxes, as well as investment management expenses relating to the closed block as provided in the Plan. MLIC also charges the closed block for expenses of maintaining the policies included in the closed block.

10. Collateral Financing Arrangements

Associated with the Closed Block

On June 12, 2012, following regulatory approval, MRC, a wholly-owned subsidiary of MetLife, Inc., repurchased and canceled $451 million in aggregate principal amount of surplus notes (the Partial Repurchase) that MRC issued in December 2007 in connection with MLIC reinsuring a portion of its closed block liabilities to MRC. Payments made by MetLife, Inc. in June 2012 associated with the Partial Repurchase, which also included payments made to the unaffiliated financial institution with which MetLife, Inc. entered into an agreement in 2007 in connection with the issuance of the surplus notes, totaled $451 million, exclusive of accrued interest on the surplus notes. At June 30, 2012 and December 31, 2011, the amount of the surplus notes issued by MRC that remained outstanding was $1.4 billion and $1.9 billion, respectively. See Note 12 of the Notes to the Consolidated Financial Statements included in the 2011 Annual Report.

MetLife, Inc.

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

11. Contingencies, Commitments and Guarantees

Contingencies

Litigation

The Company is a defendant in a large number of litigation matters in multiple jurisdictions around the world. In some of the matters, very large and/or indeterminate amounts, including punitive and treble damages, are sought. Modern pleading practice in the U.S. and other countries 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. Liabilities have been established for a number of the matters noted below. It is possible that some of the matters could require the Company to pay damages or make other expenditures or establish accruals in amounts that could not be estimated at June 30, 2012. While the potential future charges could be material in the particular quarterly or annual periods in which they are recorded, based on information currently known to management, management does not believe any such charges are likely to have a material effect on the Company s financial position.

Matters as to Which an Estimate Can Be Made

For some of the matters disclosed below, the Company is able to estimate a reasonably possible range of loss. For such matters where a loss is believed to be reasonably possible, but not probable, no accrual has been made. As of June 30, 2012, the Company estimates the aggregate range of reasonably possible losses in excess of amounts accrued for these matters to be approximately $0 to $125 million.

Matters as to Which an Estimate Cannot Be Made

For other matters disclosed below, 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.

MetLife, Inc.

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Asbestos-Related Claims

MLIC is and has been a defendant in a large number of asbestos-related suits filed primarily in state courts. These suits principally allege that the plaintiff or plaintiffs suffered personal injury resulting from exposure to asbestos and seek both actual and punitive damages. MLIC has never engaged in the business of manufacturing, producing, distributing or selling asbestos or asbestos-containing products nor has MLIC issued liability or workers compensation insurance to companies in the business of manufacturing, producing, distributing or selling asbestos or asbestos-containing products. The lawsuits principally have focused on allegations with respect to certain research, publication and other activities of one or more of MLIC s employees during the period from the 1920 s through approximately the 1950 s and allege that MLIC learned or should have learned of certain health risks posed by asbestos and, among other things, improperly publicized or failed to disclose those health risks. MLIC believes that it should not have legal liability in these cases. The outcome of most asbestos litigation matters, however, is uncertain and can be impacted by numerous variables, including differences in legal rulings in various jurisdictions, the nature of the alleged injury and factors unrelated to the ultimate legal merit of the claims asserted against MLIC. MLIC employs a number of resolution strategies to manage its asbestos loss exposure, including seeking resolution of pending litigation by judicial rulings and settling individual or groups of claims or lawsuits under appropriate circumstances.

Claims asserted against MLIC have included negligence, intentional tort and conspiracy concerning the health risks associated with asbestos. MLIC s defenses (beyond denial of certain factual allegations) include that: (i) MLIC owed no duty to the plaintiffs it had no special relationship with the plaintiffs and did not manufacture, produce, distribute or sell the asbestos products that allegedly injured plaintiffs; (ii) plaintiffs did not rely on any actions of MLIC; (iii) MLIC s conduct was not the cause of the plaintiffs injuries; (iv) plaintiffs exposure occurred after the dangers of asbestos were known; and (v) the applicable time with respect to filing suit has expired. During the course of the litigation, certain trial courts have granted motions dismissing claims against MLIC, while other trial courts have denied MLIC s motions to dismiss. There can be no assurance that MLIC will receive favorable decisions on motions in the future. While most cases brought to date have settled, MLIC intends to continue to defend aggressively against claims based on asbestos exposure, including defending claims at trials.

As reported in the 2011 Annual Report, MLIC received approximately 4,972 asbestos-related claims in 2011. During the six months ended June 30, 2012 and 2011, MLIC received approximately 2,491 and 2,306 new asbestos-related claims, respectively. See Note 16 of the Notes to the Consolidated Financial Statements included in the 2011 Annual Report for historical information concerning asbestos claims and MLIC s increase in its recorded liability at December 31, 2002. The number of asbestos cases that may be brought, the aggregate amount of any liability that MLIC may incur, and the total amount paid in settlements in any given year are uncertain and may vary significantly from year to year.

The ability of MLIC to estimate its ultimate asbestos exposure is subject to considerable uncertainty, and the conditions impacting its liability can be dynamic and subject to change. The availability of reliable data is limited and it is difficult to predict the numerous variables that can affect liability estimates, including the number of future claims, the cost to resolve claims, the disease mix and severity of disease in pending and future claims, the impact of the number of new claims filed in a particular jurisdiction and variations in the law in the jurisdictions in which claims are filed, the possible impact of tort reform efforts, the willingness of courts to allow plaintiffs to pursue claims against MLIC when exposure to asbestos took place after the dangers of asbestos exposure were well known, and the impact of any possible future adverse verdicts and their amounts.

The ability to make estimates regarding ultimate asbestos exposure declines significantly as the estimates relate to years further in the future. In the Company s judgment, there is a future point after which losses cease to be probable and reasonably estimable. It is reasonably possible that the Company s total exposure to asbestos

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claims may be materially greater than the asbestos liability currently accrued and that future charges to income may be necessary. To the extent the Company can estimate reasonably possible losses in excess of amounts accrued, it has been included in the aggregate estimate of reasonably possible loss provided above. While the potential future charges could be material in the particular quarterly or annual periods in which they are recorded, based on information currently known by management, management does not believe any such charges are likely to have a material effect on the Company s financial position.

The Company believes adequate provision has been made in its consolidated financial statements for all probable and reasonably estimable losses for asbestos-related claims. MLIC s recorded asbestos liability is based on its estimation of the following elements, as informed by the facts presently known to it, its understanding of current law and its past experiences: (i) the probable and reasonably estimable liability for asbestos claims already asserted against MLIC, including claims settled but not yet paid; (ii) the probable and reasonably estimable liability for asbestos claims not yet asserted against MLIC, but which MLIC believes are reasonably probable of assertion; and (iii) the legal defense costs associated with the foregoing claims. Significant assumptions underlying MLIC s analysis of the adequacy of its recorded liability with respect to asbestos litigation include: (i) the number of future claims; (ii) the cost to resolve claims; and (iii) the cost to defend claims.

MLIC reevaluates on a quarterly and annual basis its exposure from asbestos litigation, including studying its claims experience, reviewing external literature regarding asbestos claims experience in the U.S., assessing relevant trends impacting asbestos liability and considering numerous variables that can affect its asbestos liability exposure on an overall or per claim basis. These variables include bankruptcies of other companies involved in asbestos litigation, legislative and judicial developments, the number of pending claims involving serious disease, the number of new claims filed against it and other defendants and the jurisdictions in which claims are pending. Based upon its regular reevaluation of its exposure from asbestos litigation, MLIC has updated its liability analysis for asbestos-related claims through June 30, 2012.

Regulatory Matters

The Company receives and responds to subpoenas or other inquiries from state regulators, including state insurance commissioners; state attorneys general or other state governmental authorities; federal regulators, including the SEC; federal governmental authorities, including congressional committees; and the Financial Industry Regulatory Authority (FINRA) seeking a broad range of information. The issues involved in information requests and regulatory matters vary widely. The Company cooperates in these inquiries.

MetLife Bank Mortgage Regulatory and Law Enforcement Authorities Inquiries. Since 2008, MetLife, through its affiliate, MetLife Bank, has significantly increased its mortgage servicing activities by acquiring servicing portfolios. Currently, MetLife Bank services approximately 1% of the aggregate principal amount of the mortgage loans serviced in the U.S. State and federal regulatory and law enforcement authorities have initiated various inquiries, investigations or examinations of alleged irregularities in the foreclosure practices of the residential mortgage servicing industry. Mortgage servicing practices have also been the subject of Congressional attention. Authorities have publicly stated that the scope of the investigations extends beyond foreclosure documentation practices to include mortgage loan modification and loss mitigation practices.

On April 13, 2011, the OCC entered into consent decrees with several banks, including MetLife Bank. The consent decrees require an independent review of foreclosure practices and set forth new residential mortgage servicing standards, including a requirement for a designated point of contact for a borrower during the loss mitigation process. In addition, the Board of Governors of the Federal Reserve System (the Federal Reserve Board) entered into consent decrees with the affiliated bank holding companies of these banks, including MetLife, Inc., to enhance the supervision of the mortgage servicing activities of their banking subsidiaries. On

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

August 6, 2012, the Federal Reserve Board issued an Order of Assessment of a Civil Monetary Penalty Issued Upon Consent against MetLife, Inc. that will impose a penalty of up to $3,200,000 for the deficiencies in servicing of residential mortgage loans and processing foreclosures at MetLife Bank that were the subject of the 2011 consent decree.

MetLife Bank also had a meeting with the Department of Justice regarding mortgage servicing and foreclosure practices. It is possible that various state or federal regulatory and law enforcement authorities may seek monetary penalties from MetLife Bank relating to foreclosure practices.

MetLife Bank has also responded to a subpoena issued by the New York State Department of Financial Services (Department of Financial Services) regarding hazard insurance and flood insurance that MetLife Bank obtains to protect the lienholder s interest when the borrower s insurance has lapsed. In April and May 2012, MetLife Bank received two subpoenas issued by the Office of Inspector General for the U.S. Department of Housing and Urban Development regarding Federal Housing Administration (FHA) insured loans. In June 2012, MetLife Bank received a Civil Investigative Demand that the U.S. Department of Justice issued as part of a False Claims Act investigation of allegations that MetLife Bank had improperly originated and/or underwritten loans insured by the FHA.

The consent decrees, as well as the inquiries or investigations referred to above, could adversely affect MetLife s reputation or result in material fines, penalties, equitable remedies or other enforcement actions, and result in significant legal costs in responding to governmental investigations or other litigation. In addition, the changes to the mortgage servicing business required by the consent decrees and the resolution of any other inquiries or investigations may affect the profitability of such business. The Company is unable to estimate the reasonably possible loss or range of loss arising from the MetLife Bank regulatory matters. Management believes that the Company s consolidated financial statements as a whole will not be materially affected by the MetLife Bank regulatory matters.

United States of America v. EME Homer City Generation, L.P., et al. (W.D. Pa., filed January 4, 2011). On January 4, 2011, the U.S. commenced a civil action in United States District Court for the Western District of Pennsylvania against EME Homer City Generation L.P. (EME Homer City), Homer City OL6 LLC, and other defendants regarding the operations of the Homer City Generating Station, an electricity generating facility. Homer City OL6 LLC, an entity owned by MLIC, is a passive investor with a noncontrolling interest in the electricity generating facility, which is solely operated by the lessee, EME Homer City. The complaint sought injunctive relief and assessment of civil penalties for alleged violations of the federal Clean Air Act and Pennsylvania s State Implementation Plan. The alleged violations were the subject of Notices of Violations (NOVs) that the Environmental Protection Agency (EPA) issued to EME Homer City, Homer City OL6 LLC, and others in June 2008 and May 2010. On January 7, 2011, the United States District Court for the Western District of Pennsylvania granted the motion by the Pennsylvania Department of Environmental Protection and the State of New York to intervene in the lawsuit as additional plaintiffs. On February 16, 2011, the State of New Jersey filed an Intervenor s Complaint in the lawsuit. On October 12, 2011, the court issued an order dismissing the U.S. s lawsuit with prejudice. The Government entities have appealed from the order granting defendants motion to dismiss. EME Homer City has acknowledged its obligation to indemnify Homer City OL6 LLC for any claims relating to the NOVs. Due to the acknowledged indemnification obligation, this matter is not included in the aggregate estimate of range of reasonably possible loss. In a February 13, 2012 letter to EME Homer City, Homer City OL6 LLC and others, the Sierra Club indicated its intent to sue for alleged violations of the Clean Air Act and to seek to enjoin the alleged violations, seek unspecified penalties and attorneys fees, and other relief. Homer City OL6 LLC has served a claim for indemnification on EME Homer City with respect to the February 13, 2012 letter.

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In the Matter of Chemform, Inc. Site, Pompano Beach, Broward County, Florida. In July 2010, the EPA advised MLIC that it believed payments were due under two settlement agreements, known as Administrative Orders on Consent, that New England Mutual Life Insurance Company (New England Mutual) signed in 1989 and 1992 with respect to the cleanup of a Superfund site in Florida (the Chemform Site). The EPA originally contacted MLIC (as successor to New England Mutual) and a third party in 2001, and advised that they owed additional clean-up costs for the Chemform Site. The matter was not resolved at that time. The EPA is requesting payment of an amount under $1 million from MLIC and such third party for past costs and an additional amount for future environmental testing costs at the Chemform Site. In June 2012, the EPA, MLIC, and the third party executed an Administrative Order on Consent under which MLIC and the third party have agreed to be responsible for certain environmental testing at the Chemform site. The Company estimates that its costs for the environmental testing will not exceed $100,000. The June 2012 Administrative Order on Consent does not resolve the EPA s claim for past clean-up costs. The EPA may seek additional costs if the environmental testing identifies issues. The Company estimates that the aggregate cost to resolve this matter will not exceed $1 million.

Metco Site, Hicksville, Nassau County, New York. On February 22, 2012, the New York State Department of Environmental Conservation issued a notice to MLIC, as purported successor in interest to New England Mutual, that it is a potentially responsible party with respect to hazardous substances and hazardous waste located on a property that New England Mutual owned for a time in 1978. MLIC has responded to the Department of Environmental Conservation and asserted that it is not a potentially responsible party under the law.

Sales Practices Regulatory Matters. Regulatory authorities in a small number of states and FINRA, and occasionally the SEC, have had investigations or inquiries relating to sales of individual life insurance policies or annuities or other products by MLIC, MetLife Insurance Company of Connecticut (MICC), New England Life Insurance Company and General American Life Insurance Company, and four Company broker-dealers, which are MetLife Securities, Inc., New England Securities Corporation, Walnut Street Securities, Inc. and Tower Square Securities, Inc. These investigations often focus on the conduct of particular financial services representatives and the sale of unregistered or unsuitable products or the misuse of client assets. Over the past several years, these and a number of investigations by other regulatory authorities were resolved for monetary payments and certain other relief, including restitution payments. The Company may continue to resolve investigations in a similar manner. The Company believes adequate provision has been made in its consolidated financial statements for all probable and reasonably estimable losses for these sales practices-related investigations or inquiries.

Unclaimed Property Inquiries and Related Litigation

In April 2012, the Company reached agreements with representatives of the U.S. jurisdictions that were conducting audits of MetLife, Inc. and certain of its affiliates for compliance with unclaimed property laws, and with state insurance regulators directly involved in a multistate targeted market conduct examination relating to claim-payment practices and compliance with unclaimed property laws. The effectiveness of each agreement was conditioned upon the approval of a specified number of jurisdictions. In each case, the threshold for effectiveness has been reached. Pursuant to the agreements, the Company will, among other things, take specified action to identify liabilities under life insurance, annuity, and retained asset contracts, to adopt specified procedures for seeking to contact and pay owners of the identified liabilities, and, to the extent that it is unable to locate such owners, to escheat these amounts with interest at a specified rate to the appropriate states. Additionally, the Company has agreed to accelerate the final date of certain industrial life policies and to escheat unclaimed benefits of such policies. Pursuant to the agreement to resolve the market conduct examination, the Company made a $40 million multi-state examination payment to be allocated among the settling states. In the third quarter of 2011, the Company incurred a $117 million after tax charge to increase reserves in connection with the Company s use of the U.S. Social Security Administration s Death Master File and similar databases to identify potential life insurance claims that had not been presented to the Company. In the first quarter of 2012, the

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Company recorded a $52 million after tax charge for the multi-state examination payment and the expected acceleration of benefit payments to policyholders under the settlements. At least one other jurisdiction is pursuing a similar market conduct exam. It is possible that other jurisdictions may pursue similar exams or audits and that such exams or audits may result in additional payments to beneficiaries, additional escheatment of funds deemed abandoned under state laws, administrative penalties, interest, and/or further changes to the Company s procedures. The Company is not currently able to estimate these additional possible costs.

Total Asset Recovery Services, LLC on behalf of the State of Illinois v. MetLife, Inc., et. al. (Cir. Ct. Cook County, IL, filed January 24, 2011). Alleging that MetLife, Inc. and another company have violated the Illinois Uniform Disposition of Unclaimed Property Act by failing to escheat to Illinois benefits of 4,766 life insurance contracts, Total Asset Recovery Services, LLC (the Relator) has brought an action under the Illinois False Claims Whistleblower Reward and Protection Act seeking to recover damages on behalf of Illinois. Based on the allegations in the complaint, it appears that plaintiff may have improperly named MetLife, Inc. as a defendant instead of MLIC. The action was sealed by court order until January 18, 2012. The Relator alleges that the aggregate damages, including statutory damages and treble damages, are $1.6 billion. The Relator does not allocate this claimed damage amount between MetLife, Inc. and the other defendant. The Relator also bases its damage calculation in part on its assumption that the average face amount of the subject policies is $110,000. MetLife, Inc. strongly disputes this assumption, the Relator s alleged damages amounts, and other allegations in the complaint. MetLife, Inc. and MLIC have moved to dismiss the action.

Total Asset Recovery Services, LLC on behalf of the State of Minnesota v. MetLife, Inc., et. al. (District Court, County of Hennepin, MN, filed January 31, 2011). Alleging that MetLife, Inc. and another company have violated the Minnesota Uniform Disposition of Unclaimed Property Act by failing to escheat to Minnesota benefits of 584 life insurance contracts, the Relator has brought an action under the Minnesota False Claims Act seeking to recover damages on behalf of Minnesota. Based on the allegations in the complaint, it appears that plaintiff may have improperly named MetLife, Inc. as a defendant instead of MLIC. The action was sealed by court order until March 22, 2012. The Relator alleges that the aggregate damages, including statutory damages and treble damages, are $228 million. The Relator does not allocate this claimed damage amount between MetLife, Inc. and the other defendant. The Relator also bases its damage calculation in part on its assumption that the average face amount of the subject policies is $130,000. MetLife, Inc. strongly disputes this assumption, the Relator s alleged damages amounts, and other allegations in the complaint. MetLife, Inc. and MLIC have moved to dismiss the action.

City of Westland Police and Fire Retirement System v. MetLife, Inc., et. al. (*S.D.N.Y., filed January 12, 2012*). Seeking to represent a class of persons who purchased MetLife, Inc. common shares between February 2, 2010, and October 6, 2011, the plaintiff filed an action alleging that MetLife, Inc. and several current and former executive officers of MetLife, Inc. violated the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder by issuing, or causing MetLife, Inc. to issue, materially false and misleading statements concerning MetLife, Inc. s potential liability for millions of dollars in insurance benefits that should have been paid to beneficiaries or escheated to the states. In May 2012, plaintiff amended the complaint to add defendants including members of the MetLife, Inc. Board of Directors and several other parties and to add claims for violations of the Securities Act of 1933. Plaintiff seeks unspecified compensatory damages and other relief. The defendants intend to defend this action vigorously.

City of Birmingham Retirement and Relief System v. MetLife, Inc., et. al. (*Circuit Court, Jefferson County, Alabama, filed July 5, 2012*). Seeking to represent a class of persons who purchased MetLife, Inc. common equity units in or traceable to a public offering in March 2011, the plaintiff filed an action alleging that MetLife, Inc., certain current and former directors and executive officers of MetLife, Inc., and various underwriters violated several provisions of the Securities Act of 1933 related to the filing of the registration statement by

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issuing, or causing MetLife, Inc. to issue, materially false and misleading statements and/or omissions concerning MetLife, Inc. s potential liability for millions of dollars in insurance benefits that should have been paid to beneficiaries or escheated to the states. Plaintiff seeks unspecified compensatory damages and other relief. The defendants intend to defend this action vigorously.

Derivative Actions and Demands. Seeking to sue derivatively on behalf of MetLife, Inc., four shareholders have commenced separate actions against members of the MetLife, Inc. Board of Directors, alleging that they breached their fiduciary and other duties to the Company. The actions are *Fishbaum v. Kandarian, et al.* (*Sup. Ct., New York County, filed January 27, 2012*), *Batchelder v. Burwell, et al. (Sup. Ct., New York County, filed March 6, 2012*), *Mallon v. Kandarian, et al. (S.D.N.Y., filed March 28, 2012*), and *Martino v. Kandarian, et al. (S.D.N.Y., filed April 19, 2012).* The two federal court actions have been consolidated and have been stayed pending further order of the court. Plaintiffs in all four actions allege that the defendants failed to ensure that the Company complied with state unclaimed property laws and to ensure that the Company accurately reported its earnings. Plaintiffs allege that because of the defendants breaches of duty, MetLife, Inc. has incurred damage to its reputation and has suffered other unspecified damages. The defendants intend to defend these actions vigorously. A fifth shareholder, Western Pennsylvania Electrical Workers Pension Fund, has written to the MetLife, Inc. Board of Directors demanding that MetLife, Inc. take action against current and former Board members, executive officers, and MetLife, Inc. s independent auditor, for similar alleged breaches of duty with respect to the Company s compliance with unclaimed property laws and financial disclosures. The MetLife, Inc. Board of Directors has appointed a Special Committee to investigate these allegations.

Total Control Accounts Litigation and Regulatory Actions

MLIC is a defendant in a consolidated lawsuit related to its use of retained asset accounts, known as Total Control Accounts (TCA), as a settlement option for death benefits.

Keife, et al. v. Metropolitan Life Insurance Company (D. Nev., filed in state court on July 30, 2010 and removed to federal court on September 7, 2010); and *Simon v. Metropolitan Life Insurance Company (D. Nev., filed November 3, 2011).* These putative class action lawsuits, which have been consolidated, raise breach of contract claims arising from MLIC s use of the TCA to pay life insurance benefits under the Federal Employees Group Life Insurance (FEGLI) program. Specifically, plaintiffs allege that under the terms of the FEGLI policy, MLIC is required to make immediate payment of death benefits in one sum. MLIC, plaintiff alleges, breached this duty by instead retaining the death benefits in its general investment account and sending beneficiaries a book of drafts known as the TCA Money Market Option as the only means by which funds can be accessed. As damages, plaintiffs seek disgorgement of the difference between the interest paid to the account holders and the investment earnings on the assets backing the accounts. In September 2010, plaintiffs filed a motion for class certification of the breach of contract claim, which the court has stayed. On April 28, 2011, the court denied MLIC s motion to dismiss. On May 4, 2012, MLIC moved for summary judgment.

Various state regulators have also taken actions with respect to retained asset accounts. The Department of Financial Services issued a circular letter on March 29, 2012 stating that an insurer should only use a retained asset account when a policyholder or beneficiary affirmatively chooses to receive life insurance proceeds through such an account and providing for certain disclosures to a beneficiary, including that payment by a single check is an option. In connection with an ongoing market conduct exam, MLIC has entered into a consent order with the Minnesota Department of Commerce regarding MLIC s use of TCAs as a default option.

The Company is unable to estimate the reasonably possible loss or range of loss arising from the TCA matters.

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Other U.S. Litigation

Roberts, et al. v. Tishman Speyer Properties, et al. (Sup. Ct., N.Y. County, filed January 22, 2007). This lawsuit was filed by a putative class of market rate tenants at Stuyvesant Town and Peter Cooper Village against parties including Metropolitan Tower Life Insurance Company (MTL) and Metropolitan Insurance and Annuity Company. Metropolitan Insurance and Annuity Company has merged into MTL and no longer exists as a separate entity. These tenants claim that MTL, as former owner, and the current owner improperly deregulated apartments while receiving J-51 tax abatements. The lawsuit seeks declaratory relief and damages for rent overcharges. In October 2009, the New York State Court of Appeals issued an opinion denying MTL s motion to dismiss the complaint. MTL has reached a settlement in principle, subject to finalizing the settlement terms and court approval. The Company believes adequate provision has been made in its consolidated financial statements for all probable and reasonably estimable losses for this lawsuit.

Merrill Haviland, et al. v. Metropolitan Life Insurance Company (E.D. Mich., removed to federal court on July 22, 2011). This lawsuit was filed by 45 retired General Motors (GM) employees against MLIC and the amended complaint includes claims for conversion, unjust enrichment, breach of contract, fraud, intentional infliction of emotional distress, fraudulent insurance acts, unfair trade practices, and Employee Retirement Income Security Act of 1974 (ERISA) claims based upon GM s 2009 reduction of the employees life insurance coverage under GM s ERISA-governed plan. The complaint includes a count seeking class action status. MLIC is the insurer of GM s group life insurance plan and administers claims under the plan. According to the complaint, MLIC had previously provided plaintiffs with a written guarantee that their life insurance benefits under the GM plan would not be reduced for the rest of their lives. On June 26, 2012, the district court granted MLIC s motion to dismiss the complaint.

Sales Practices Claims. Over the past several years, the Company has faced numerous claims, including class action lawsuits, alleging improper marketing or sales of individual life insurance policies, annuities, mutual funds or other products. Some of the current cases seek substantial damages, including punitive and treble damages and attorneys fees. The Company continues to vigorously defend 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.

International Litigation

Sun Life Assurance Company of Canada v. Metropolitan Life Ins. Co. (Super. Ct., Ontario, October 2006). In 2006, Sun Life Assurance Company of Canada (Sun Life), as successor to the purchaser of MLIC s Canadian operations, filed this lawsuit in Toronto, seeking a declaration that MLIC remains liable for market conduct claims related to certain individual life insurance policies sold by MLIC and that have been transferred to Sun Life. Sun Life had asked that the court require MLIC to indemnify Sun Life for these claims pursuant to indemnity provisions in the sale agreement for the sale of MLIC s Canadian operations entered into in June of 1998. In January 2010, the court found that Sun Life had given timely notice of its claim for indemnification but, because it found that Sun Life had not yet incurred an indemnifiable loss, granted MLIC s motion for summary judgment. Both parties appealed. In September 2010, Sun Life notified MLIC that a purported class action lawsuit was filed against Sun Life in Toronto, *Kang v. Sun Life Assurance Co. (Super. Ct., Ontario, September 2010)*, alleging sales practices claims regarding the same individual policies sold by MLIC and transferred to Sun Life. An amended class action complaint in that case was served on Sun Life, again without naming MLIC as a party. On August 30, 2011, Sun Life notified MLIC that a purported class action lawsuit was filed against Sun Life in Vancouver, *Alamwala v. Sun Life Assurance Co. (Sup. Ct., British Columbia, August 2011)*, alleging sales practices claims regarding certain of the same policies sold by MLIC and transferred to Sun Life. Sun Life contends that MLIC is obligated to indemnify Sun Life for some or all of the claims in these lawsuits. The Company is unable to estimate the reasonably possible loss or range of loss arising from this litigation.

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Italy Fund Redemption Suspension Complaints and Litigation. As a result of suspension of withdrawals and diminution in value in certain funds offered within certain unit-linked policies sold by the Italian branch of Alico Life International, Ltd. (ALIL), a number of policyholders invested in those funds have either commenced or threatened litigation against ALIL, alleging misrepresentation, inadequate disclosures and other related claims. These policyholders contacted ALIL beginning in July 2009 alleging that the funds operated at variance to the published prospectus and that prospectus risk disclosures were allegedly wrong, unclear, and misleading. The limited number of lawsuits or complaints that have been filed to date have either been resolved or are proceeding. In March 2011, ALIL implemented a plan to resolve policyholder claims. Under the plan, ALIL provided liquidity to the suspended funds so that policyholders may withdraw investments in these funds, and ALIL offered policyholders amounts in addition to the liquidation value of the suspended funds based on the performance of other relevant financial products. The settlement program achieved a 96% acceptance rate. Those policyholders who did not accept the settlement may still pursue other remedies or commence individual litigation. Under the terms of the stock purchase agreement dated as of March 7, 2010, as amended, by and among MetLife, Inc., AIG and AM Holdings LLC, AIG agreed to indemnify MetLife, Inc. and its affiliates for third party claims and regulatory fines associated with ALIL s suspended funds. Due to the acknowledged indemnification obligation, this matter is not included in the aggregate estimate of range of reasonably possible loss.

Summary

Putative or certified class action litigation and other litigation and 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, mortgage lending bank, employer, investor, investment advisor and taxpayer. Further, state insurance regulatory authorities and other federal and state authorities regularly make inquiries and conduct investigations concerning the Company s compliance with applicable insurance and other laws and regulations.

It is not possible to predict the ultimate outcome of all pending investigations and legal proceedings. In some of the matters referred to previously, very large and/or indeterminate amounts, including punitive and treble damages, are sought. Although in light of these considerations it is possible that an adverse outcome in certain cases could have a material 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

Commitments to Fund Partnership Investments

The Company makes commitments to fund partnership investments in the normal course of business. The amounts of these unfunded commitments were $3.6 billion and $4.0 billion at June 30, 2012 and December 31, 2011, respectively. The Company anticipates that these amounts will be invested in partnerships over the next five years.

Mortgage Loan Commitments

Prior to exiting the business of originating forward and reverse residential mortgage loans, in the ordinary course of business, the Company issued interest rate lock commitments on certain residential mortgage loan

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applications which totaled $5.6 billion at December 31, 2011. There were no outstanding interest rate lock commitments at June 30, 2012. The Company sells these originated residential mortgage loans. Interest rate lock commitments to fund mortgage loans that will be held-for-sale are considered derivatives and their estimated fair value and notional amounts are included within interest rate forwards. See Notes 2 and 4.

The Company also commits to lend funds under certain mortgage loan commitments that will be held-for-investment. The amounts of these mortgage loan commitments were $3.9 billion and $4.1 billion at June 30, 2012 and December 31, 2011, respectively.

Commitments to Fund Bank Credit Facilities, Bridge Loans and Private Corporate Bond Investments

The Company commits to lend funds under bank credit facilities, bridge loans and private corporate bond investments. The amounts of these unfunded commitments were $1.4 billion at both June 30, 2012 and December 31, 2011.

Guarantees

During the six months ended June 30, 2012, the Company recorded $2 million of additional liabilities for indemnities, guarantees and commitments. The Company s recorded liabilities were $7 million and $5 million at June 30, 2012 and December 31, 2011, respectively, for indemnities, guarantees and commitments.

12. Employee Benefit Plans

Pension and Other Postretirement Benefit Plans

Certain subsidiaries of MetLife, Inc. (the Subsidiaries) sponsor and/or administer various qualified and non-qualified defined benefit pension plans and other postretirement employee benefit plans covering employees and sales representatives who meet specified eligibility requirements. The Subsidiaries also provide certain postemployment benefits and certain postretirement medical and life insurance benefits for retired employees. The Subsidiaries have issued group annuity and life insurance contracts supporting approximately 99% of all U.S. pension and other postretirement benefit plan assets, which are invested primarily in separate accounts sponsored by the Subsidiaries.

Measurement dates used for all of the Subsidiaries defined benefit pension and other postretirement benefit plans correspond with the fiscal year ends of sponsoring Subsidiaries, which are December 31 for most Subsidiaries and November 30 for American Life.

The components of net periodic benefit costs were as follows:

	Pension Benefits				Other Postretirement Benefits			
	U.S. Plans		Non-U.S. Plans		U.S. Plans		Non-U.S. Plans	
	Three Months Ended June 30,		Three Months Ended June 30,		Three Months Ended June 30,		Three Months Ended June 30,	
	2012	2011	2012	2011	2012	2011	2012	2011
	(In millions)							
Service costs	$ 56	$ 47	$ 16	$ 16	$ 6	$ 4	$ 1	$
Interest costs	102	101	5	4	25	27		
Expected return on plan assets	(121)	(112)	(2)	(1)	(19)	(19)		
Amortization of net actuarial (gains) losses	49	48			14	10		
Amortization of prior service costs (credit)	1	1			(26)	(27)		
Net periodic benefit costs	$ 87	$ 85	$ 19	$ 19	$	$ (5)	$ 1	$

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	Pension Benefits				Other Postretirement Benefits			
	U.S. Plans		Non-U.S. Plans		U.S. Plans		Non-U.S. Plans	
	Six Months Ended June 30,		Six Months Ended June 30,		Six Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011	2012	2011	2012	2011
	(In millions)							
Service costs	$ 112	$ 94	$ 36	$ 32	$ 11	$ 8	$ 1	$ 1
Interest costs	203	202	9	8	51	53	1	1
Expected return on plan assets	(242)	(224)	(4)	(3)	(38)	(38)		(1)
Amortization of net actuarial (gains) losses	98	97			28	21		
Amortization of prior service costs (credit)	3	2			(52)	(54)		
Net periodic benefit costs	$ 174	$ 171	$ 41	$ 37	$	$ (10)	$ 2	$ 1

13. Equity

Stock-Based Compensation Plans

Payout of 2009 2011 Performance Shares

Vested Performance Shares are multiplied by a performance factor of 0.0 to 2.0 based largely on MetLife, Inc. s performance. For this purpose, MetLife Inc. s performance is determined in terms of (a) the change in annual net operating earnings and (b) total shareholder return, in each case, over the applicable three-year performance period compared to the performance of its competitors. Final Performance Shares are paid in shares of MetLife, Inc. common stock. The performance factor for the January 1, 2009 December 31, 2011 performance period was 1.13. This factor has been applied to the 1,791,609 Performance Shares associated with that performance period that vested on December 31, 2011 and, as a result, 2,024,518 shares of MetLife, Inc. s common stock (less withholding for taxes and other items, as applicable) were issued, aside from shares that payees chose to defer, during the second quarter of 2012.

Payout of 2009 2011 Performance Units

Vested Performance Units are multiplied by a performance factor of 0.0 to 2.0 based largely on MetLife, Inc. s performance. For this purpose, MetLife Inc. s performance is determined in terms of (a) the change in annual net operating earnings and (b) total shareholder return, in each case, over the applicable three-year performance period compared to the performance of its competitors. Final Performance Units which are payable in cash equal to the closing price of MetLife, Inc. common stock on a date following the last day of the three-year performance period. The performance factor for the January 1, 2009 December 31, 2011 performance period was 1.13. This factor has been applied to the 51,144 Performance Units associated with that performance period that vested on December 31, 2011 and, as a result, the cash value of 57,793 units was paid during the second quarter of 2012.

MetLife, Inc.

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Dividend Restrictions

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

Company	2012 Paid	2012 Permitted w/o Approval (1)
	(In millions)	
Metropolitan Life Insurance Company	$	$ 1,350
American Life Insurance Company	$ 1,000 (2)	$ 168
MetLife Insurance Company of Connecticut	$ 202 (3)	$ 504
Metropolitan Tower Life Insurance Company	$	$ 82
MetLife Investors Insurance Company	$	$ 18
Delaware American Life Insurance Company	$	$ 12

(1) Reflects dividend amounts that may be paid during 2012 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 2012, some or all of such dividends may require regulatory approval. No available amounts were paid by the above subsidiaries to MetLife, Inc. during the six months ended June 30, 2012, except as described for American Life and MICC.

(2) During May 2012, American Life received regulatory approval to pay an extraordinary dividend for an amount up to the funds remitted in connection with the Company s restructuring of American Life s business in Japan. The dividend may be paid in installments by November 30, 2012. Subsequently, $1.5 billion was remitted to American Life. See Note 2. Of this approved amount, $1.0 billion was paid to MetLife, Inc. as an extraordinary dividend, during May 2012, which included the $168 million otherwise permitted to be paid without approval later in 2012, due to the timing of such dividend.

(3) During June 2012, MICC distributed shares of an affiliate to MetLife, Inc. as an in-kind extraordinary dividend of $202 million as calculated on a statutory basis. Regulatory approval for this extraordinary dividend was obtained due to the timing of payment. Remaining dividends permitted to be paid in 2012 without regulatory approval total $302 million.

See Note 18 of the Notes to the Consolidated Financial Statements included in the 2011 Annual Report for additional information on dividend restrictions.

MetLife, Inc.

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14. Other Expenses

Information on other expenses was as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
	(In millions)			
Compensation	$ 1,395	$ 1,329	$ 2,889	$ 2,656
Pension, postretirement and postemployment benefit costs	110	95	228	190
Commissions	1,467	1,587	3,024	3,003
Volume-related costs	156	91	248	174
Interest credited to bank deposits	20	23	41	46
Capitalization of DAC	(1,315)	(1,367)	(2,679)	(2,631)
Amortization of DAC and VOBA	1,479	1,254	2,193	2,193
Amortization of negative VOBA	(181)	(183)	(336)	(366)
Interest expense on debt and debt issuance costs	342	420	700	835
Premium taxes, licenses and fees	144	142	343	277
Professional services	363	400	778	683
Rent, net of sublease income	112	113	232	220
Other	683	795	1,435	1,509
Total other expenses	$ 4,775	$ 4,699	$ 9,096	$ 8,789

Capitalization of DAC and Amortization of DAC and VOBA

See Note 6 for DAC and VOBA by segment and a rollforward of each including impacts of capitalization and amortization. See also Note 9 for a description of the DAC amortization impact associated with the closed block. See Note 1 for information on the retrospective application of the adoption of new accounting guidance related to DAC.

Costs Related to the Acquisition of ALICO

Integration-Related Expenses

Integration-related costs were $94 million and $179 million for the three months and six months ended June 30, 2012, respectively, and $102 million and $170 million for the three months and six months ended June 30, 2011, respectively. Integration-related costs represent costs directly related to integrating American Life and Delaware American Life Insurance Company (collectively, ALICO), including expenses for consulting, rebranding and the integration of information systems. Such costs have been expensed as incurred and as the integration of ALICO is an enterprise-wide initiative, these expenses are reported within Corporate & Other.

Restructuring Charges

As part of the integration of ALICO s operations, management initiated restructuring plans focused on increasing productivity and improving the efficiency of the Company s operations. See Note 2 of the Notes to the Consolidated Financial Statements included in the 2011 Annual Report. Estimated restructuring charges may change as management continues to execute its restructuring plans. Management anticipates further restructuring charges, including severance, contract termination costs and other associated costs through the year ended December 31, 2013.

However, such restructuring plans are not sufficiently developed to enable management to make an estimate of such restructuring charges at June 30, 2012.

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Restructuring charges associated with restructuring plans related to the acquisition of ALICO are included in other expenses within Corporate & Other. Such restructuring charges included:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
	(In millions)			
Balance, beginning of period	$ 11	$ 13	$ 13	$ 10
Restructuring charges	6	7	9	24
Cash payments	(9)	(11)	(14)	(25)
Balance, end of period	$ 8	$ 9	$ 8	$ 9
Restructuring charges incurred in current period	$ 6	$ 7	$ 9	$ 24
Total restructuring charges incurred since inception of restructuring plans	$ 65	$ 34	$ 65	$ 34

Other Restructuring Charges

The Company has commenced an enterprise-wide strategic initiative. This global strategy focuses on leveraging the Company s scale to improve the value it provides to customers and shareholders in order to reduce costs, enhance revenues, achieve efficiencies and reinvest in its technology, platforms and functionality to improve its current operations and develop new capabilities.

These restructuring charges are included in other expenses. As the expenses relate to an enterprise-wide initiative, they are reported within Corporate & Other. Estimated restructuring costs may change as management continues to execute this enterprise-wide strategic initiative. Such restructuring changes were as follows:

	Three Months Ended June 30, 2012	Six Months Ended June 30, 2012
	(In millions)	
Balance, beginning of period	$ 27	$
Severance charges	20	47
Cash payments	(26)	(26)
Balance, end of period	$ 21	$ 21
Restructuring charges incurred in current period	$ 20	$ 47
Total restructuring charges incurred since inception of initiative	$ 47	$ 47

Management anticipates further restructuring charges including severance, lease and asset impairments, through the year ending December 31, 2014. However, such restructuring plans are not sufficiently developed to enable the Company to make an estimate of such restructuring charges at June 30, 2012.

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15. Earnings Per Common Share

The following table presents the weighted average shares used in calculating basic earnings per common share and those used in calculating diluted earnings per common share for each income category presented below:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	**2011**	**2012**	**2011**
	(In millions, except share and per share data)			
Weighted Average Shares:				
Weighted average common stock outstanding for basic earnings per common share	1,064,688,383	1,059,751,486	1,063,560,105	1,058,795,981
Incremental common shares from assumed:				
Stock purchase contracts underlying common equity units (1)		4,015,640		3,282,889
Exercise or issuance of stock-based awards	5,291,235	7,208,779	5,971,776	7,832,099
Weighted average common stock outstanding for diluted earnings per common share	1,069,979,618	1,070,975,905	1,069,531,881	1,069,910,969
Income (Loss) from Continuing Operations:				
Income (loss) from continuing operations, net of income tax	$ 2,300	$ 1,062	$ 2,166	$ 1,986
Less: Income (loss) from continuing operations, net of income tax, attributable to noncontrolling interests	8	(7)	32	
Less: Preferred stock dividends	31	31	61	61
Preferred stock redemption premium				146
Income (loss) from continuing operations, net of income tax, available to MetLife, Inc. s common shareholders	$ 2,261	$ 1,038	$ 2,073	$ 1,779
Basic	$ 2.13	$ 0.98	$ 1.95	$ 1.68
Diluted	$ 2.12	$ 0.97	$ 1.93	$ 1.66
Income (Loss) from Discontinued Operations:				
Income (loss) from discontinued operations, net of income tax	$ 3	$ 31	$ 17	$ (9)
Less: Income (loss) from discontinued operations, net of income tax, attributable to noncontrolling interests				
Income (loss) from discontinued operations, net of income tax, available to MetLife, Inc. s common shareholders	$ 3	$ 31	$ 17	$ (9)
Basic	$	$ 0.03	$ 0.02	$ (0.01)
Diluted	$	$ 0.03	$ 0.02	$ (0.01)
Net Income (Loss):				
Net income (loss)	$ 2,303	$ 1,093	$ 2,183	$ 1,977
Less: Net income (loss) attributable to noncontrolling interests	8	(7)	32	
Less: Preferred stock dividends	31	31	61	61

Preferred stock redemption premium								146
Net income (loss) available to MetLife, Inc. s common shareholders	$	2,264	$	1,069	$	2,090	$	1,770
Basic	$	2.13	$	1.01	$	1.97	$	1.67
Diluted	$	2.12	$	1.00	$	1.95	$	1.65

(1) See Note 14 of the Notes to the Consolidated Financial Statements included in the 2011 Annual Report for a description of the Company s common equity units. For the three months and six months ended June 30, 2012, all shares related to the assumed issuance of shares in settlement of the applicable purchase contracts have been excluded from the calculation of diluted earnings per common share as these assumed shares are anti-dilutive.

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16. Segment Information

As announced in November 2011, the Company reorganized its business from its former U.S. Business and International structure into three broad geographic regions to better reflect its global reach. As a result, in the first quarter of 2012, the Company reorganized into six segments, reflecting these broad geographic regions: Retail; Group, Voluntary & Worksite Benefits; Corporate Benefit Funding; and Latin America (collectively, The Americas); Asia; and EMEA. In addition, the Company reports certain of its results of operations in Corporate & Other, which includes MetLife Bank and other business activities. Prior period results have been revised in connection with this reorganization.

The Americas. The Americas consists of the following segments:

Retail. The Retail segment offers a broad range of protection products and services and a variety of annuities to individuals and employees of corporations and other institutions, and is organized into two businesses: Life and Annuities. Life insurance products and services include variable life, universal life, term life and whole life products. Annuities include a variety of variable and fixed annuities which provide for both asset accumulation and asset distribution needs. Additionally, through our broker-dealer affiliates, we offer a full range of mutual funds and other securities products.

Group, Voluntary & Worksite Benefits. The Group, Voluntary & Worksite Benefits segment offers a broad range of protection products and services to individuals and corporations, as well as other institutions and their respective employees, and is organized into three businesses: Group Life, Non-Medical Health and Property & Casualty. Group Life insurance products and services include variable life, universal life and term life products. Non-Medical Health products and services include dental insurance, group short- and long-term disability, individual disability income, long-term care, critical illness and accidental death & dismemberment coverages. Property & Casualty provides personal lines property and casualty insurance, including private passenger automobile, homeowners and personal excess liability insurance.

Corporate Benefit Funding. The Corporate Benefit Funding segment includes an array of annuity and investment products, including guaranteed interest products and other stable value products, income annuities, and separate account contracts for the investment management of defined benefit and defined contribution plan assets. This segment also includes certain products to fund postretirement benefits and company-, bank- or trust-owned life insurance used to finance non-qualified benefit programs for executives.

Latin America. The Latin America segment offers a broad range of products to both individuals and corporations, as well as other institutions and their respective employees, which include life insurance, accident and health insurance, group medical, dental, credit life insurance, annuities, endowment and retirement & savings products.

Asia. The Asia segment offers a broad range of products to both individuals and corporations, as well as other institutions and their respective employees, which include whole life, term life, variable life, universal life, accident and health insurance, fixed and variable annuities and endowment products.

EMEA. The EMEA segment offers a broad range of products to both individuals and corporations, as well as other institutions and their respective employees, which include life insurance, accident and health insurance, credit life insurance, annuities, endowment and retirement & savings products.

Corporate & Other contains the excess capital not allocated to the segments, external integration costs, internal resource costs for associates committed to acquisitions and various start-up and certain run-off entities.

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Corporate & Other also includes assumed reinsurance of certain variable annuity products from the Company s former operating joint venture in Japan. This in-force reinsurance agreement reinsures living and death benefit guarantees issued in connection with variable annuity products. Additionally, Corporate & Other includes interest expense related to the majority of the Company s outstanding debt, expenses associated with certain legal proceedings, the financial results of MetLife Bank (see Note 2) and income tax audit issues. Corporate & Other also includes the elimination of intersegment amounts, which generally relate to intersegment loans, which bear interest rates commensurate with related borrowings.

Operating earnings is the measure of segment profit or loss the Company uses to evaluate segment performance and allocate resources. Consistent with GAAP accounting guidance for segment reporting, operating earnings is the Company s measure of segment performance and is reported below. Operating earnings should not be viewed as a substitute for GAAP income (loss) from continuing operations, net of income tax. The Company believes the presentation of operating earnings as the Company measures it for management purposes enhances the understanding of its performance by highlighting the results of operations and the underlying profitability drivers of the business.

Operating earnings is defined as operating revenues less operating expenses, both net of income tax.

Operating revenues and operating expenses exclude results of discontinued operations and other businesses that have been or will be sold or exited by MetLife, Inc. (Divested Businesses). Operating revenues also excludes net investment gains (losses) and net derivative gains (losses).

The following additional adjustments are made to GAAP revenues, in the line items indicated, in calculating operating revenues:

Universal life and investment-type product policy fees excludes the amortization of unearned revenue related to net investment gains (losses) and net derivative gains (losses) and certain variable annuity GMIB fees (GMIB Fees);

Net investment income: (i) includes amounts for scheduled periodic settlement payments and amortization of premium on derivatives that are hedges of investments but do not qualify for hedge accounting treatment, (ii) includes income from discontinued real estate operations, (iii) excludes post-tax operating earnings adjustments relating to insurance joint ventures accounted for under the equity method, (iv) excludes certain amounts related to contractholder-directed unit-linked investments, and (v) excludes certain amounts related to securitization entities that are VIEs consolidated under GAAP; and

Other revenues are adjusted for settlements of foreign currency earnings hedges.

The following additional adjustments are made to GAAP expenses, in the line items indicated, in calculating operating expenses:

Policyholder benefits and claims and policyholder dividends excludes: (i) changes in the policyholder dividend obligation related to net investment gains (losses) and net derivative gains (losses), (ii) inflation-indexed benefit adjustments associated with contracts backed by inflation-indexed investments and amounts associated with periodic crediting rate adjustments based on the total return of a contractually referenced pool of assets, (iii) benefits and hedging costs related to GMIBs (GMIB Costs), and (iv) market value adjustments associated with surrenders or terminations of contracts (Market Value Adjustments);

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Interest credited to policyholder account balances includes adjustments for scheduled periodic settlement payments and amortization of premium on derivatives that are hedges of PABs but do not qualify for hedge accounting treatment and excludes amounts related to net investment income earned on contractholder-directed unit-linked investments;

Amortization of DAC and VOBA excludes amounts related to: (i) net investment gains (losses) and net derivative gains (losses), (ii) GMIB Fees and GMIB Costs, and (iii) Market Value Adjustments;

Amortization of negative VOBA excludes amounts related to Market Value Adjustments;

Interest expense on debt excludes certain amounts related to securitization entities that are VIEs consolidated under GAAP; and

Other expenses excludes costs related to: (i) noncontrolling interests, (ii) implementation of new insurance regulatory requirements, and (iii) acquisition and integration costs.

In 2011, management modified its definition of operating earnings to exclude the impacts of the Divested Businesses, which includes certain operations of MetLife Bank and the Caribbean Business, as these results are not relevant to understanding the Company s ongoing operating results. Consequently, prior period results for Corporate & Other have been increased by $27 million, net of $15 million of income tax, and $54 million, net of $31 million of income tax, for the three months and six months ended June 30, 2011, respectively. Also, prior period results for Latin America have been decreased by $3 million, net of $1 million of income tax, and $7 million, net of $3 million of income tax, for the three months and six months ended June 30, 2011, respectively. As a result of the modified definition, prior period consolidated operating earnings increased by $24 million, net of $14 million of income tax, and $47 million, net of $28 million of income tax, for the three months and six months ended June 30, 2011, respectively.

Set forth in the tables below is certain financial information with respect to the Company s segments, as well as Corporate & Other for the three months and six months ended June 30, 2012 and 2011. The segment accounting policies are the same as those used to prepare the Company s consolidated financial statements, except for operating earnings adjustments as defined above. In addition, segment accounting policies include the method of capital allocation described below.

Economic capital is an internally developed risk capital model, the purpose of which is to measure the risk in the business and to provide a basis upon which capital is deployed. The economic capital model accounts for the unique and specific nature of the risks inherent in the Company s business.

The Company s economic capital model aligns segment allocated equity with emerging standards and consistent risk principles. Segment net investment income is credited or charged based on the level of allocated equity; however, changes in allocated equity do not impact the Company s consolidated net investment income, operating earnings or income (loss) from continuing operations, net of income tax.

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	Operating Earnings										
	The Americas										
Three Months Ended June 30, 2012	**Retail**	**Group, Voluntary & Worksite Benefits**	**Corporate Benefit Funding**	**Latin America**	**Total**	**Asia**	**EMEA**	**Corporate & Other**	**Total**	**Adjustments**	**Total Consolidated**
						(In millions)					
Revenues											
Premiums	$ 1,081	$ 4,178	$ 523	$ 652	$ 6,434	$ 2,011	$ 680	$ 14	$ 9,139	$ 22	$ 9,161
Universal life and investment-type product policy fees	1,119	165	57	196	1,537	315	108	39	1,999	98	2,097
Net investment income	1,839	494	1,431	283	4,047	730	157	253	5,187	(468)	4,719
Other revenues	213	116	65	3	397	(3)	27	43	464	(71)	393
Net investment gains (losses)										(64)	(64)
Net derivative gains (losses)										2,092	2,092
Total revenues	4,252	4,953	2,076	1,134	12,415	3,053	972	349	16,789	1,609	18,398
Expenses											
Policyholder benefits and claims and policyholder dividends	1,837	3,766	1,131	568	7,302	1,374	404	52	9,132	131	9,263
Interest credited to policyholder account balances	590	43	338	90	1,061	426	26	12	1,525	(503)	1,022
Capitalization of DAC	(367)	(112)	(8)	(71)	(558)	(538)	(217)		(1,313)	(2)	(1,315)
Amortization of DAC and VOBA	407	98	4	54	563	404	195		1,162	317	1,479
Amortization of negative VOBA				(1)	(1)	(127)	(36)		(164)	(17)	(181)
Interest expense on debt			2		2	4	1	292	299	43	342
Other expenses	1,201	724	120	323	2,368	1,097	478	170	4,113	337	4,450
Total expenses	3,668	4,519	1,587	963	10,737	2,640	851	526	14,754	306	15,060
Provision for income tax expense (benefit)	204	139	171	36	550	138	39	(149)	578	460	1,038
Operating earnings	$ 380	$ 295	$ 318	$ 135	$ 1,128	$ 275	$ 82	$ (28)	1,457		
Adjustments to:											
Total revenues									1,609		
Total expenses									(306)		
Provision for income tax (expense) benefit									(460)		
Income (loss) from continuing operations, net of income tax									$ 2,300		$ 2,300

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	Operating Earnings										
	The Americas										
Three Months Ended June 30, 2011	**Retail**	**Group, Voluntary & Worksite Benefits**	**Corporate Benefit Funding**	**Latin America**	**Total**	**Asia**	**EMEA**	**Corporate & Other**	**Total**	**Adjustments**	**Total Consolidated**
						(In millions)					
Revenues											
Premiums	$ 1,135	$ 4,028	$ 874	$ 647	$ 6,684	$ 1,884	$ 689	$ 13	$ 9,270	$ 24	$ 9,294
Universal life and investment-type product policy fees	1,032	155	58	194	1,439	296	135	38	1,908	61	1,969
Net investment income	1,827	505	1,408	272	4,012	596	178	225	5,011	83	5,094
Other revenues	187	99	61	2	349	8	29	72	458	134	592
Net investment gains (losses)										(155)	(155)
Net derivative gains (losses)										352	352
Total revenues	4,181	4,787	2,401	1,115	12,484	2,784	1,031	348	16,647	499	17,146
Expenses											
Policyholder benefits and claims and policyholder dividends	1,876	3,725	1,446	534	7,581	1,272	395	24	9,272	223	9,495
Interest credited to policyholder account balances	595	45	331	94	1,065	398	45		1,508	(66)	1,442
Capitalization of DAC	(499)	(123)	(5)	(78)	(705)	(467)	(193)		(1,365)	(2)	(1,367)
Amortization of DAC and VOBA	368	119	5	62	554	401	181		1,136	118	1,254
Amortization of negative VOBA				(2)	(2)	(141)	(20)		(163)	(20)	(183)
Interest expense on debt			3	1	4	(1)		325	328	92	420
Other expenses	1,324	692	122	339	2,477	1,063	514	118	4,172	403	4,575
Total expenses	3,664	4,458	1,902	950	10,974	2,525	922	467	14,888	748	15,636
Provision for income tax expense (benefit)	184	101	174	36	495	88	45	(107)	521	(73)	448
Operating earnings	$ 333	$ 228	$ 325	$ 129	$ 1,015	$ 171	$ 64	$ (12)	1,238		
Adjustments to:											
Total revenues									499		
Total expenses									(748)		
Provision for income tax (expense) benefit									73		
Income (loss) from continuing operations, net of income tax									$ 1,062		$ 1,062

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	Operating Earnings										
	The Americas										
Six Months Ended June 30, 2012	Retail	Group, Voluntary & Worksite Benefits	Corporate Benefit Funding	Latin America	Total	Asia	EMEA	Corporate & Other	Total	Adjustments	Total Consolidated
						(In millions)					
Revenues											
Premiums	$ 2,217	$ 8,251	$ 1,030	$ 1,338	$ 12,836	$ 3,958	$ 1,424	$ 28	$ 18,246	$ 44	$ 18,290
Universal life and investment-type product policy fees	2,233	331	108	392	3,064	638	227	79	4,008	167	4,175
Net investment income	3,695	985	2,832	582	8,094	1,383	342	453	10,272	647	10,919
Other revenues	418	228	129	8	783	13	63	94	953	37	990
Net investment gains (losses)										(174)	(174)
Net derivative gains (losses)										114	114
Total revenues	8,563	9,795	4,099	2,320	24,777	5,992	2,056	654	33,479	835	34,314
Expenses											
Policyholder benefits and claims and policyholder dividends	3,739	7,405	2,223	1,160	14,527	2,643	838	63	18,071	639	18,710
Interest credited to policyholder account balances	1,186	85	677	190	2,138	853	61	12	3,064	515	3,579
Capitalization of DAC	(772)	(214)	(15)	(155)	(1,156)	(1,099)	(420)		(2,675)	(4)	(2,679)
Amortization of DAC and VOBA	740	199	14	109	1,062	759	359		2,180	13	2,193
Amortization of negative VOBA				(3)	(3)	(257)	(41)		(301)	(35)	(336)
Interest expense on debt			4	1	5	5	1	601	612	88	700
Other expenses	2,457	1,440	248	649	4,794	2,219	1,018	373	8,404	814	9,218
Total expenses	7,350	8,915	3,151	1,951	21,367	5,123	1,816	1,049	29,355	2,030	31,385
Provision for income tax expense (benefit)	425	281	332	86	1,124	297	82	(329)	1,174	(411)	763
Operating earnings	$ 788	$ 599	$ 616	$ 283	$ 2,286	$ 572	$ 158	$ (66)	2,950		
Adjustments to:											
Total revenues									835		
Total expenses									(2,030)		
Provision for income tax (expense) benefit									411		
Income (loss) from continuing operations, net of income tax									$ 2,166		$ 2,166

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MetLife, Inc.

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

	Operating Earnings										
	The Americas										
Six Months Ended June 30, 2011	**Retail**	**Group, Voluntary & Worksite Benefits**	**Corporate Benefit Funding**	**Latin America**	**Total**	**Asia**	**EMEA**	**Corporate & Other**	**Total**	**Adjustments**	**Total Consolidated**
						(In millions)					
Revenues											
Premiums	$ 2,160	$ 8,004	$ 1,297	$ 1,241	$ 12,702	$ 3,687	$ 1,386	$ 27	$ 17,802	$ 46	$ 17,848
Universal life and investment-type product policy fees	2,023	314	112	383	2,832	593	239	76	3,740	118	3,858
Net investment income	3,635	990	2,794	438	7,857	1,109	351	477	9,794	612	10,406
Other revenues	369	200	121	6	696	20	55	155	926	232	1,158
Net investment gains (losses)										(254)	(254)
Net derivative gains (losses)										37	37
Total revenues	8,187	9,508	4,324	2,068	24,087	5,409	2,031	735	32,262	791	33,053
Expenses											
Policyholder benefits and claims and policyholder dividends	3,655	7,319	2,466	958	14,398	2,470	803	40	17,711	393	18,104
Interest credited to policyholder account balances	1,186	88	666	185	2,125	778	84		2,987	379	3,366
Capitalization of DAC	(920)	(245)	(17)	(153)	(1,335)	(918)	(374)		(2,627)	(4)	(2,631)
Amortization of DAC and VOBA	706	233	10	109	1,058	730	345		2,133	60	2,193
Amortization of negative VOBA				(4)	(4)	(287)	(35)		(326)	(40)	(366)
Interest expense on debt			5	1	6		1	644	651	184	835
Other expenses	2,521	1,384	248	648	4,801	2,053	972	236	8,062	696	8,758
Total expenses	7,148	8,779	3,378	1,744	21,049	4,826	1,796	920	28,591	1,668	30,259
Provision for income tax expense (benefit)	365	228	332	74	999	188	92	(194)	1,085	(277)	808
Operating earnings	$ 674	$ 501	$ 614	$ 250	$ 2,039	$ 395	$ 143	$ 9	2,586		
Adjustments to:											
Total revenues									791		
Total expenses									(1,668)		
Provision for income tax (expense) benefit									277		
Income (loss) from continuing operations, net of income tax									$ 1,986		$ 1,986

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MetLife, Inc.

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

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

	June 30, 2012	December 31, 2011
	(In millions)	
Retail	$ 310,874	$ 295,012
Group, Voluntary & Worksite Benefits	52,459	51,776
Corporate Benefit Funding	211,619	195,217
Latin America	23,426	20,315
Asia	118,073	112,955
EMEA	33,615	32,891
Corporate & Other	75,122	88,060
Total	$ 825,188	$ 796,226

Net investment income is based upon the actual results of each segment s specifically identifiable asset portfolio adjusted for allocated equity. Other costs are allocated to each of the segments based upon: (i) a review of the nature of such costs; (ii) time studies analyzing the amount of employee compensation costs incurred by each segment; and (iii) cost estimates included in the Company s product pricing.

17. Discontinued Operations

Real Estate

The Company actively manages its real estate portfolio with the objective of maximizing earnings through selective acquisitions and dispositions. Income related to real estate classified as held-for-sale or sold is presented in discontinued operations. These assets are carried at the lower of depreciated cost or estimated fair value less expected disposition costs. Income from discontinued real estate operations, net of income tax, was $3 million and $17 million for the three months and six months ended June 30, 2012, respectively, and $30 million and $51 million for the three months and six months ended June 30, 2011, respectively.

The carrying value of real estate related to discontinued operations was $12 million and $123 million at June 30, 2012 and December 31, 2011, respectively.

MetLife, Inc.

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

Operations

During the first quarter of 2011, the Company entered into a definitive agreement to sell its wholly-owned subsidiary, MetLife Taiwan Insurance Company Limited (MetLife Taiwan), to a third party, and the sale occurred in November 2011. See Note 2 of the Notes to the Consolidated Financial Statements included in the 2011 Annual Report. The following table presents the amounts related to the operations of MetLife Taiwan that have been reflected as discontinued operations in the interim condensed consolidated statements of operations and comprehensive income:

	Three Months Ended June 30, 2011	Six Months Ended June 30, 2011
	(In millions)	
Total revenues	$ 129	$ 236
Total expenses	116	214
Income (loss) before provision for income tax	13	22
Provision for income tax expense (benefit)	5	8
Income (loss) from operations of discontinued operations, net of income tax	8	14
Net investment gain (loss), net of income tax	(7)	(74)
Income (loss) from discontinued operations, net of income tax	$ 1	$ (60)

18. Subsequent Event

American Life U.K. Assumption Reinsurance

During July 2012, the Company completed the disposal, through assumption reinsurance, of certain closed blocks of business in the U.K., to a third party. Simultaneously, the Company recaptured from the third party the indemnity reinsurance agreement related to this business, previously reinsured as of July 1, 2011. These transactions resulted in a decrease in insurance and reinsurance assets and liabilities of approximately $4.1 billion and $4.1 billion, respectively. In the third quarter of 2012, the Company will recognize a gain of approximately $31 million, net of income tax, on the transactions.

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

For purposes of this discussion, MetLife, the Company, we, our and us refer to MetLife, Inc., a Delaware corporation incorporated in 199 subsidiaries and affiliates. Following this summary is a discussion addressing the consolidated results of operations and financial condition of the Company for the periods indicated. This discussion should be read in conjunction with MetLife, Inc. s Annual Report on Form 10-K for the year ended December 31, 2011, as revised by MetLife, Inc. s Current Report on Form 8-K filed with the U.S. Securities and Exchange Commission on May 23, 2012 (as revised, the 2011 Annual Report), the forward-looking statement information included below, the Risk Factors set forth in Part II, Item 1A, and the additional risk factors referred to therein, and the Company s interim condensed consolidated financial statements included elsewhere herein.

This Management s Discussion and Analysis of Financial Condition and Results of Operations may contain or incorporate by reference information that includes or is based upon forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements give expectations or forecasts of future events. These statements can be identified by the fact that they do not relate strictly to historical or current facts. They use words such as anticipate, estimate, expect, project, intend, plan, believe and other terms of similar meaning in connection with a discussion of future operating or financial performance. In particular, these include statements relating to future actions, prospective services or products, future performance or results of current and anticipated services or products, sales efforts, expenses, the outcome of contingencies such as legal proceedings, trends in operations and financial results. Any or all forward-looking statements may turn out to be wrong. Actual results could differ materially from those expressed or implied in the forward-looking statements. See Note Regarding Forward-Looking Statements.

The following discussion includes references to our performance measures, operating earnings and operating earnings available to common shareholders, that are not based on accounting principles generally accepted in the United States of America (GAAP). Operating earnings is the measure of segment profit or loss we use to evaluate segment performance and allocate resources. Consistent with GAAP accounting guidance for segment reporting, operating earnings is our measure of segment performance. Operating earnings is also a measure by which senior management s and many other employees performance is evaluated for the purposes of determining their compensation under applicable compensation plans.

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

Operating revenues and operating expenses exclude results of discontinued operations and other businesses that have been or will be sold or exited by MetLife, Inc. (Divested Businesses). Operating revenues also excludes net investment gains (losses) and net derivative gains (losses).

The following additional adjustments are made to GAAP revenues, in the line items indicated, in calculating operating revenues:

- Universal life and investment-type product policy fees excludes the amortization of unearned revenue related to net investment gains (losses) and net derivative gains (losses) and certain variable annuity guaranteed minimum income benefits (GMIB) fees (GMIB Fees);

- Net investment income: (i) includes amounts for scheduled periodic settlement payments and amortization of premium on derivatives that are hedges of investments but do not qualify for hedge accounting treatment, (ii) includes income from discontinued real estate operations, (iii) excludes post-tax operating earnings adjustments relating to insurance joint ventures accounted for under the equity method, (iv) excludes certain amounts related to contractholder-directed unit-linked investments, and (v) excludes certain amounts related to securitization entities that are variable interest entities (VIEs) consolidated under GAAP; and

- Other revenues are adjusted for settlements of foreign currency earnings hedges.

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The following additional adjustments are made to GAAP expenses, in the line items indicated, in calculating operating expenses:

- Policyholder benefits and claims and policyholder dividends excludes: (i) changes in the policyholder dividend obligation related to net investment gains (losses) and net derivative gains (losses), (ii) inflation-indexed benefit adjustments associated with contracts backed by inflation-indexed investments and amounts associated with periodic crediting rate adjustments based on the total return of a contractually referenced pool of assets, (iii) benefits and hedging costs related to GMIBs (GMIB Costs), and (iv) market value adjustments associated with surrenders or terminations of contracts (Market Value Adjustments);

- Interest credited to policyholder account balances includes adjustments for scheduled periodic settlement payments and amortization of premium on derivatives that are hedges of policyholder account balances (PABs) but do not qualify for hedge accounting treatment and excludes amounts related to net investment income earned on contractholder-directed unit-linked investments;

- Amortization of deferred policy acquisition costs (DAC) and value of business acquired (VOBA) excludes amounts related to: (i) net investment gains (losses) and net derivative gains (losses), (ii) GMIB Fees and GMIB Costs, and (iii) Market Value Adjustments;

- Amortization of negative VOBA excludes amounts related to Market Value Adjustments;

- Interest expense on debt excludes certain amounts related to securitization entities that are VIEs consolidated under GAAP; and

- Other expenses excludes costs related to: (i) noncontrolling interests, (ii) implementation of new insurance regulatory requirements, and (iii) acquisition and integration costs.

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

In 2011, management modified its definition of operating earnings to exclude the impacts of the Divested Businesses, which includes certain operations of MetLife Bank, National Association (MetLife Bank) and our insurance operations in the Caribbean region, Panama and Costa Rica (the Caribbean Business), as these results are not relevant to understanding the Company s ongoing operating results. Consequently, prior period results for Corporate & Other have been increased by $27 million, net of $15 million of income tax, and $54 million, net of $31 million of income tax, for the three months and six months ended June 30, 2011, respectively. Also, prior period results for Latin America have been decreased by $3 million, net of $1 million of income tax, and $7 million, net of $3 million of income tax, for the three months and six months ended June 30, 2011, respectively. As a result of the modified definition, prior period consolidated operating earnings increased by $24 million, net of $14 million of income tax, and $47 million, net of $28 million of income tax, for the three months and six months ended June 30, 2011, respectively.

In this discussion, we sometimes refer to sales activity for various products. These sales statistics do not correspond to revenues under GAAP, but are used as relevant measures of business activity. Additionally, the impact of changes in our foreign currency exchange rates is calculated using the average foreign currency exchange rates for the current period and is applied to the prior period. Also, operating return on common equity is defined as operating earnings available to common shareholders divided by average GAAP common equity.

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Executive Summary

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

Our well-recognized brand, leading market positions, competitive and innovative product offerings and financial strength and expertise should help drive future growth and enhance shareholder value, building on a long history of fairness, honesty and integrity. Over the course of the next several years, we will pursue the following objectives to position the Company for continued growth and achieve our vision of being recognized as the leading global life insurance and employee benefits provider:

Refocus our U.S. businesses

Manage mature markets for cash flow

Shift product mix away from capital intensive products

Invest in growth initiatives for the voluntary/worksite and direct channels

Drive margin improvement

Build the Global Employee Benefits business

Accelerate our local employee benefits businesses outside the United States

Grow our global benefits businesses through multinational and expatriate solutions

Grow emerging markets presence

Seek opportunistic mergers and acquisitions opportunities to complement our organic growth

Accelerate our base of earnings in emerging markets in which we already have a strong presence

Drive toward customer centricity and a global brand

Develop a deep understanding of our customers needs and expectations

Capture unique market and industry consumer insights

Build a global brand with a singular global brand promise

As announced in November 2011, the Company reorganized its business from its former U.S. Business and International structure into three broad geographic regions to better reflect its global reach. As a result, in the first quarter of 2012, the Company reorganized into six segments, reflecting these broad geographic regions: Retail; Group, Voluntary & Worksite Benefits; Corporate Benefit Funding; and Latin America (collectively, The Americas); Asia; and Europe, the Middle East and Africa (EMEA). In addition, the Company reports certain of its results of operations in Corporate & Other, which includes MetLife Bank and other business activities. Management continues to evaluate the Company s segment performance and allocated resources and may adjust such measurements in the future to better reflect segment profitability.

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The Americas. The Americas consists of the following segments:

Retail. Our Retail segment offers a broad range of protection products and services and a variety of annuities to individuals and employees of corporations and other institutions, and is organized into two businesses: Life and Annuities. Our Life insurance products and services include variable life, universal life, term life and whole life products. Annuities include a variety of variable and fixed annuities which provide for both asset accumulation and asset distribution needs. Additionally, through our broker-dealer affiliates, we offer a full range of mutual funds and other securities products.

Group, Voluntary & Worksite Benefits. Our Group, Voluntary & Worksite Benefits segment offers a broad range of protection products and services to individuals and corporations, as well as other institutions and their respective employees, and is organized into three businesses: Group Life, Non-Medical Health and Property & Casualty. Group Life insurance products and services include variable life, universal life and term life products. Our Non-Medical Health products and services include dental insurance, group short- and long-term disability, individual disability income, long-term care, critical illness and accidental death & dismemberment coverages. Property & Casualty provides personal lines property and casualty insurance, including private passenger automobile, homeowners and personal excess liability insurance.

Corporate Benefit Funding. Our Corporate Benefit Funding segment includes an array of annuity and investment products, including guaranteed interest products and other stable value products, income annuities, and separate account contracts for the investment management of defined benefit and defined contribution plan assets. This segment also includes certain products to fund postretirement benefits and company-, bank- or trust-owned life insurance used to finance non-qualified benefit programs for executives.

Latin America. Our Latin America segment offers a broad range of products to both individuals and corporations, as well as other institutions and their respective employees, which include life insurance, accident and health insurance, group medical, dental, credit life insurance, annuities, endowment and retirement & savings products.

Asia. Our Asia segment offers a broad range of products to both individuals and corporations, as well as other institutions and their respective employees, which include whole life, term life, variable life, universal life, accident and health insurance, fixed and variable annuities and endowment products.

EMEA. Our EMEA segment offers a broad range of products to both individuals and corporations, as well as other institutions and their respective employees, which include life insurance, accident and health insurance, credit life insurance, annuities, endowment and retirement & savings products.

Corporate & Other contains the excess capital not allocated to the segments, external integration costs, internal resource costs for associates committed to acquisitions and various start-up and certain run-off entities. Corporate & Other also includes assumed reinsurance of certain variable annuity products from our former operating joint venture in Japan. This in-force reinsurance agreement reinsures living and death benefit guarantees issued in connection with variable annuity products. Additionally, Corporate & Other includes interest expense related to the majority of the Company s outstanding debt, expenses associated with certain legal proceedings, the financial results of MetLife Bank (see Industry Trends Regulatory Developments and Note 2 of the Notes to the Interim Condensed Consolidated Financial Statements for information regarding MetLife Bank s exit from certain of its businesses (the MetLife Bank Events)) and income tax audit issues. Corporate & Other also includes the elimination of intersegment amounts, which generally relate to intersegment loans, which bear interest rates commensurate with related borrowings.

Also in the first quarter of 2012, the Company adopted new guidance regarding accounting for DAC. See Note 1 of the Notes to the Interim Condensed Financial Statements for further information. As a result, prior period results have been revised in connection with the Company s reorganization and the retrospective application of the first quarter 2012 adoption of new guidance regarding accounting for DAC.

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We continue to experience an increase in market share and sales in several of our businesses; however, global economic conditions continue to negatively impact the demand for some of our products. Portfolio growth resulting from strong sales from the majority of our businesses drove positive investment results and higher asset-based fee revenue. In addition, declining interest rates resulted in significant derivative gains.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
	(In millions)			
Income (loss) from continuing operations, net of income tax	$ 2,300	$ 1,062	$ 2,166	$ 1,986
Less: Net investment gains (losses)	(64)	(155)	(174)	(254)
Less: Net derivative gains (losses)	2,092	352	114	37
Less: Other adjustments to continuing operations (1)	(725)	(446)	(1,135)	(660)
Less: Provision for income tax (expense) benefit	(460)	73	411	277
Operating earnings	1,457	1,238	2,950	2,586
Less: Preferred stock dividends	31	31	61	61
Operating earnings available to common shareholders	$ 1,426	$ 1,207	$ 2,889	$ 2,525

(1) See definitions of operating revenues and operating expenses for the components of such adjustments

Three Months Ended June 30, 2012 Compared with the Three Months Ended June 30, 2011

During the three months ended June 30, 2012, income (loss) from continuing operations, net of income tax, increased $1.2 billion over the prior period. The change was predominantly due to a $1.7 billion ($1.1 billion, net of income tax) favorable change in net derivative gains (losses) primarily driven by declining interest rates and the impact of nonperformance risk, and by a $219 million, net of income tax, favorable change in operating earnings available to common shareholders. Also included in income (loss) from continuing operations, net of income tax, were the unfavorable results of the Divested Businesses which decreased $186 million ($123 million, net of income tax) over the prior period.

The increase in operating earnings available to common shareholders was primarily driven by improved investment results and higher asset-based fee revenue as strong sales levels drove portfolio growth. In addition, market factors contributed to lower average crediting rates. Catastrophe losses were lower in the current period as compared to the significant weather-related claims in the prior period.

Six Months Ended June 30, 2012 Compared with the Six Months Ended June 30, 2011

During the six months ended June 30, 2012, income (loss) from continuing operations, net of income tax, increased $180 million over the prior period. The change was predominantly due to a $364 million, net of income tax, favorable change in operating earnings available to common shareholders. Also included in income (loss) from continuing operations, net of income tax, were the unfavorable results of the Divested Businesses which decreased $309 million ($202 million, net of income tax) over the prior period.

The favorable change in operating earnings available to common shareholders was primarily driven by improved investment results and higher asset-based fee revenue as strong sales levels drove portfolio growth. In addition, market factors contributed to lower average crediting rates and higher investment yields. Net cash flows from operations and reinvestment proceeds have been invested in longer duration and higher yielding assets, including privately-placed investments, which also improved yields. Favorable claims experience resulted from lower catastrophe losses in the current period as compared to the significant weather-related claims in the prior period.

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Consolidated Company Outlook

In 2012, we expect a solid improvement in the operating earnings of the Company over 2011, driven primarily by the following:

- Growth in premiums, fees and other revenues driven by:
  - Rational pricing strategy in the group insurance marketplace;
  - Higher fees earned on separate accounts primarily due to favorable net flows of variable annuities, which are expected to remain strong in 2012, thereby increasing the value of those separate accounts; and
  - Increases in our businesses outside of the U.S., notably accident and health, from continuing organic growth throughout our various geographic regions and leveraging of our multichannel distribution network.
- Expanding our presence in emerging markets.
- Focus on disciplined underwriting. We see no significant changes to the underlying trends that drive underwriting results and continue to anticipate solid results in 2012; however, unanticipated catastrophes, similar to those that occurred during 2011, could result in a high volume of claims.
- Focus on expense management. We continue to focus on expense control throughout the Company, and managing the costs associated with the integration of American Life Insurance Company and Delaware American Life Insurance Company (collectively, ALICO).
- Continued disciplined approach to investing and asset/liability management (ALM), including significant hedging to protect against low interest rates.

As a result of new financial accounting guidance for DAC which we adopted in the first quarter of 2012, we estimate that there will be a negative impact on our 2012 operating earnings primarily in the Asia segment, with no impact on our future cash flows. See Note 1 of the Notes to the Interim Condensed Consolidated Financial Statements.

We expect only modest investment losses in 2012, but more difficult to predict is the impact of potential changes in fair value of freestanding and embedded derivatives as even relatively small movements in market variables, including interest rates, equity levels and volatility, can have a large impact on the fair value of derivatives and net derivative gains (losses). Additionally, changes in fair value of embedded derivatives within certain insurance liabilities may have a material impact on net derivative gains (losses) related to the inclusion of an adjustment for nonperformance risk.

As part of an enterprise-wide strategic initiative, by 2016, the Company expects to increase its operating return on common equity to between 12% and 14%, up from 10.3% at December 31, 2011, driven by higher operating earnings. The Company will leverage its scale to improve the value it provides to customers and shareholders in order to achieve $1 billion in efficiencies, $600 million of which is related to net pre-tax expense savings, and $400 million of which will be reinvested in our technology, platforms and functionality to improve our current operations and develop new capabilities. Additionally, the Company will shift its product mix toward protection products and away from more capital-intensive products, in order to generate more predictable operating earnings and cash flows, and improve its risk profile and free cash flow. The Company expects that by 2016, more than 20% of its operating earnings will come from emerging markets.

Industry Trends

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

Financial and Economic Environment

Our business and results of operations are materially affected by conditions in the global capital markets and the economy generally. Stressed conditions, volatility and disruptions in global capital markets, particular markets, or financial asset classes can have an adverse effect on us, in part because we have a large investment portfolio and our insurance liabilities are sensitive to changing market factors. Global market factors, including interest rates, credit spreads, equity prices, real estate markets, foreign currency exchange rates, consumer spending, business investment, government spending, the volatility and strength of the capital markets, deflation and inflation, all affect the business and economic environment and, ultimately, the amount and profitability of our business. Disruptions in one market or asset class can also spread to other markets or asset classes. Upheavals in the financial markets can also affect our business through their effects on general levels of economic activity, employment and customer behavior. While our diversified business mix and geographically diverse business operations partially mitigate these risks, correlation across regions, countries and global market factors may reduce the benefits of diversification.

For the last several quarters, concerns about capital markets and the solvency of certain European Union member states, including Portugal, Ireland, Italy, Greece and Spain (Europe s perimeter region), and of financial institutions that have significant direct or indirect exposure to debt issued by these countries, have been a cause of elevated levels of market volatility. See Investments Current Environment for information regarding credit ratings downgrades, support programs for Europe s perimeter region and our exposure to obligations of European governments and private obligors. The financial markets have also been affected by concerns that other European Union member states could experience similar financial troubles, that some countries could default on their obligations, have to restructure their outstanding debt, or be unable or unwilling to comply with the terms of any aid provided to them, that financial institutions with significant holdings of sovereign or private debt issued by borrowers in Europe s perimeter region could experience financial stress, or that one or more countries may exit the Euro zone, any of which could have significant adverse effects on the European and global economies and on financial markets, generally. See Risk Factors We Are Exposed to Significant Financial and Capital Markets Risk Which May Adversely Affect Our Results of Operations, Financial Condition and Liquidity, and May Cause Our Net Investment Income to Vary from Period to Period included in the 2011 Annual Report.

Financial markets have also been affected by concerns over U.S. fiscal policy, including the uncertainty regarding the fiscal cliff composed of tax increases and automatic government spending cuts that will become effective at the end of 2012 unless steps are taken to delay or offset them, as well as the need to again raise the U.S. federal government s debt ceiling by the end of 2012 and reduce the federal deficit. These issues could, on their own, or combined with the slowing of the global economy generally, have severe repercussions to the U.S. and global credit and financial markets, further exacerbate concerns over sovereign debt of other countries and disrupt economic activity in the U.S. and elsewhere. See Risk Factors Concerns Over U.S. Fiscal Policy and the Fiscal Cliff in the U.S., as well as Rating Agency Downgrades of U.S. Treasury Securities, Could Have an Adverse Effect on Our Business, Financial Condition and Results of Operations.

In June 2012, Moody s Investors Service (Moody s) announced that it downgraded the long-term ratings and standalone credit for a number of banks and securities firms with global capital markets operations. Through our ongoing credit evaluation process, we have been closely monitoring our financial institution investment holdings, including the impact of the Moody s downgrades to these institutions, and do not expect these downgrades to have a material adverse effect on our business, results of operations and financial condition.

Impact of a Sustained Low Interest Rate Environment. As a financial holding company with significant operations in the U.S., we are affected by the monetary policy of the Board of Governors of the Federal Reserve System (the Federal Reserve Board) and the Federal Reserve Bank of New York (the FRB of NY and, collectively with the Federal Reserve Board, the Federal Reserve). The Federal Reserve Board has taken a number of actions in recent years to spur economic activity by keeping interest rates low and may take further actions to influence interest rates in the future, which may have an impact on the pricing levels of risk-bearing investments, and may adversely impact the level of product sales.
On June 20, 2012, the Federal Reserve Board

reiterated its plans to keep interest rates low until at least through late 2014, in order to revive the slow recovery from stressed economic conditions. It also extended to the end of 2012 Operation Twist, a program announced in September 2011 by the Federal Open Market Committee to purchase U.S. Treasury securities with remaining maturities of six to 30 years and to sell, over the same period, an equal par value of U.S. Treasury securities with remaining maturities of approximately three years or less. By reducing the supply of longer-term securities in the market, Operation Twist is intended to put downward pressure on longer-term interest rates relative to levels that would otherwise prevail. The reduction in longer-term interest rates, in turn, is intended to contribute to a broad easing of financial market conditions that could provide additional stimulus to support the economic recovery. As a global insurance company, we are also affected by the monetary policy of central banks around the world. Central banks around the world, including the European Central Bank, the Bank of England, the Bank of Japan, the Bank of Australia, the Central Bank of Brazil and the Central Bank of China, followed the recent actions of the Federal Reserve Board to lower interest rates. The collective effort globally to lower interest rates was in response to concerns about Europe s sovereign debt crisis and slowing global economic growth. See Risk Factors Governmental and Regulatory Actions for the Purpose of Stabilizing and Revitalizing the Financial Markets and Protecting Investors and Consumers May Not Achieve the Intended Effect or Could Adversely Affect Our Competitive Position included in the 2011 Annual Report and Investments Current Environment.

Some of our products expose us to the risk that changes in interest rates will reduce our investment margin or spread, or the difference between the amounts that we are required to fund under contracts in our general account liabilities and the rate of return we are able to earn on general account investments intended to support obligations under the contracts. Our spread is a key component of our net income.

In periods of declining interest rates, we may have to invest insurance cash flows and to reinvest the cash flows we received as interest or return of principal on our investments in lower yielding instruments. Moreover, borrowers may prepay or redeem the fixed income securities, commercial or agricultural mortgage loans and mortgage-backed securities in our investment portfolio with greater frequency in order to borrow at lower market rates. In periods of changing interest rates, net derivative gains (losses) will also be impacted, particularly when changes in interest rates are highly volatile. Our expectation for future spreads is an important component in the amortization of DAC and VOBA, and significantly lower spreads may cause us to accelerate amortization, thereby reducing net income in the affected reporting period. Lower net income and operating earnings may also impact the carrying value of certain assets such as goodwill or potentially result in loss recognition on certain policy liabilities.

Mitigating Actions. The Company has been and continues to be proactive in its investment strategies, product designs, and crediting rate strategies to mitigate the risk of unfavorable consequences in this type of environment. Lowering interest crediting rates can help offset decreases in investment margins on some products. Our ability to lower interest crediting rates could be limited by competition, regulatory approval, or contractual guarantees of minimum rates and may not match the timing or magnitude of changes in asset yields. As a result, our spread could decrease or potentially become negative. The Company applies disciplined asset-liability management strategies, including the use of derivatives, to protect spreads on products subject to these risks as part of its investment strategy in mitigating the risk of sustained low interest rates in the U.S. In addition, business actions, such as shifting the sales focus to less interest rate sensitive products, can also mitigate this risk. As a result of these actions, the Company expects to be able to substantially mitigate the negative impact of a sustained low interest rate environment in the U.S. on the Company s profitability. Based on a near to intermediate term analysis of sustained lower interest rate environment in the U.S., the Company anticipates operating earnings will continue to increase, although at a slower growth rate.

In addition, the Company is well diversified across product, distribution, and geography. Our non-U.S. businesses, reported within our Latin America, Asia and EMEA segments, which account for approximately 35% of our operating earnings, are not significantly interest rate or market sensitive. The Company s primary exposure within these segments is insurance risk. We expect our non-U.S. businesses to grow faster than our U.S. businesses and, over time, to become a larger percentage of our total business.

The products that have significant sensitivity to U.S. interest rates are concentrated in the Company s Retail and Group, Voluntary & Worksite Benefits segments.

Competitive Pressures

The life insurance industry remains highly competitive. The product development and product life-cycles have shortened in many product segments, leading to more intense competition with respect to product features. Larger companies have the ability to invest in brand equity, product development, technology and risk management, which are among the fundamentals for sustained profitable growth in the life insurance industry. In addition, several of the industry s products can be quite homogeneous and subject to intense price competition. Sufficient scale, financial strength and financial flexibility are becoming prerequisites for sustainable growth in the life insurance industry. Larger market participants tend to have the capacity to invest in additional distribution capability and the information technology needed to offer the superior customer service demanded by an increasingly sophisticated industry client base. We believe that the turbulence in financial markets that began in the second half of 2007, its impact on the capital position of many competitors, and subsequent actions by regulators and rating agencies have highlighted financial strength as a significant differentiator from the perspective of customers and certain distributors. In addition, the financial market turbulence and the economic recession have led many companies in our industry to re-examine the pricing and features of the products they offer and may lead to consolidation in the life insurance industry.

Regulatory Developments

The U.S. life insurance industry is regulated primarily at the state level, with some products and services also subject to Federal regulation. As life insurers introduce new and often more complex products, regulators refine capital requirements and introduce new reserving standards for the life insurance industry. Regulations recently adopted or currently under review can potentially impact the statutory reserve and capital requirements of the industry. In addition, regulators have undertaken market and sales practices reviews of several markets or products, including equity-indexed annuities, variable annuities and group products, as well as reviews of the utilization of affiliated captives or off-shore entities to reinsure insurance risks. The regulation of the financial services industry in the U.S. and internationally has received renewed scrutiny as a result of the disruptions in the financial markets. Significant regulatory reforms have been recently adopted and additional reforms proposed, and these or other reforms could be implemented. See Risk Factors Our Insurance, Brokerage and Banking Businesses Are Highly Regulated, and Changes in Regulation and in Supervisory and Enforcement Policies May Reduce Our Profitability and Limit Our Growth, as well as Risk Factors Changes in U.S. Federal and State Securities Laws and Regulations, and State Insurance Regulations Regarding Suitability of Annuity Product Sales, May Affect Our Operations and Our Profitability included in the 2011 Annual Report.

The Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank), which was signed by President Obama in July 2010, effected the most far-reaching overhaul of financial regulation in the U.S. in decades. The full impact of Dodd-Frank on us will depend on the numerous rulemaking initiatives required or permitted by Dodd-Frank which have begun to be implemented, but which are not scheduled to be completed for several years. See Risk Factors Various Aspects of Dodd-Frank Could Impact Our Business Operations, Capital Requirements and Profitability and Limit Our Growth included in the 2011 Annual Report.

As a federally chartered national banking association, MetLife Bank is subject to a wide variety of banking laws, regulations and guidelines, as is MetLife, Inc., as a bank holding company. Numerous other proposed or recently adopted enhanced regulatory requirements will apply to MetLife, Inc. if it remains a bank holding company, as discussed below. If MetLife is able to deregister as a bank holding company, it may be subject to some of the same or other enhanced regulatory requirements if, in the future, it is designated as a non-bank systemically important financial institution subject to enhanced supervision by the Federal Reserve (a non-bank systemically important financial institution or non-bank SIFI) or as a global systemically important insurer (G-SII), as described below.

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In December 2011, MetLife Bank and MetLife, Inc. entered into a definitive agreement to sell most of the depository business of MetLife Bank to GE Capital Financial Inc. (GE Capital Bank). The transaction is subject to the receipt of regulatory approvals from the Federal Deposit Insurance Corporation (FDIC) and to the satisfaction of other customary closing conditions. The Utah Department of Financial Institutions has approved the transaction and the Office of the Comptroller of the Currency (the OCC) has granted approval of a change in the composition of all or substantially all of MetLife Bank s assets in connection with the transaction. GE Capital Bank has filed an application with the FDIC seeking approval of the assumption of the deposits to be transferred to it, and MetLife Bank has filed an application with the FDIC to terminate MetLife Bank s FDIC deposit insurance contingent upon certification that MetLife Bank has no remaining deposits (which is dependent on the assumption by GE Capital Bank of the deposits to be transferred to it). The parties have each responded to questions on their applications from the staff of the FDIC, and GE Capital Bank is in the process of responding to recent additional requests from the FDIC. The parties are awaiting action by the FDIC on their applications. Additionally, in January 2012, MetLife, Inc. announced it was exiting the business of originating forward residential mortgages and, in April 2012, announced it was exiting the businesses of originating and servicing reverse residential mortgages and that it and MetLife Bank entered into a definitive agreement to sell MetLife Bank s reverse mortgage servicing portfolio. On June 29, 2012, the Company sold the majority of MetLife Bank s reverse mortgage servicing rights and related assets and liabilities. See Note 2 of the Notes to the Interim Condensed Consolidated Financial Statements. Once MetLife Bank has completely exited its depository business, MetLife, Inc. plans to terminate MetLife Bank s FDIC insurance, putting MetLife, Inc. in a position to be able to deregister as a bank holding company. Upon completion of the foregoing, MetLife, Inc. will no longer be regulated as a bank holding company or subject to enhanced supervision and prudential standards as a bank holding company with assets of $50 billion or more. However, if, in the future, the Financial Stability Oversight Council (FSOC) designates MetLife, Inc. as a non-bank SIFI, we would once again be subject to regulation by the Federal Reserve and enhanced supervision and prudential standards, such as Regulation YY. See Industry Trends Regulatory Developments Regulatory Developments Relating to Non-Bank SIFIs and G-SIIs.

Regulatory Developments Applicable to Bank Holding Companies. The Federal Reserve s capital plans rule requires all bank holding companies with assets of more than $50 billion, including MetLife, Inc., to submit annual capital plans which include projections of the company s capital levels under baseline and stress scenarios over a nine-quarter period. The Federal Reserve will approve or object to a company s proposed capital actions, such as dividends and stock repurchases, based on the results of those capital plans and the Federal Reserve s assessment of the robustness of the company s capital planning processes. In addition, in recent years, the Federal Reserve has conducted the Comprehensive Capital Analysis and Review (CCAR), an assessment of the internal capital planning processes, capital adequacy and proposed capital distributions of large holding companies, including MetLife, Inc. See Risk Factors Our Insurance, Brokerage and Banking Businesses Are Highly Regulated, and Changes in Regulation and in Supervisory and Enforcement Policies May Reduce Our Profitability and Limit Our Growth. In January 2012, MetLife submitted to the Federal Reserve a comprehensive capital plan, as mandated by the capital plans rule, and additional information required by the 2012 CCAR. The capital plan projected MetLife s capital levels to the end of 2013 under baseline and stress scenarios, including a stress scenario developed and provided by the Federal Reserve as part of the 2012 CCAR. In March 2012, the Federal Reserve, based on its assessment, objected to the incremental capital actions described in MetLife s capital distribution plan, which included a proposed stock repurchase and dividend increase. In June 2012, the Federal Reserve Board granted MetLife, Inc. an extension of time until September 30, 2012 to resubmit its capital plan under the capital plans rule.

In June 2012, the OCC, Federal Reserve Board and the FDIC published three notices of proposed rulemaking (the Bank Capital NPRs) that would revise and replace the agencies current capital rules with rules consistent with (i) the final rules for increased capital and liquidity requirements for bank holding companies, such as MetLife, Inc., published by the Basel Committee on Banking Supervision (the Basel Committee) in December 2010 (Basel III), as well as the applicable sections of Dodd-Frank, (ii) a series of revisions adopted by the Basel Committee to the market risk capital requirements for exposures in a banking organization s trading book in 2005, 2009 and 2010 (collectively, Basel II.5), and (iii) the market risk capital requirements as initially published by the Basel Committee in June 2004 (Basel II). The first Bank Capital NPR, to be phased in from 2013 through 2019, focuses on establishing new risk-based and leverage capital ratios, and would revise rules on what constitutes capital in accordance with Basel III. The second Bank Capital NPR, to be effective on January 1, 2015, focuses primarily on the risk-weighting of assets and activities of banking organizations in accordance with Basel II. The third Bank Capital NPR includes revisions to the advanced approaches risk-based capital rules of Basel II, applicable to the largest banking organizations, to make them consistent with Basel III and Dodd-Frank. Finally, the agencies finalized the market risk capital rule, implementing Basel II.5. These capital requirements would not apply to MetLife, Inc. if it succeeds in de-registering as a bank holding company before the rules become effective.

The Basel Committee has also published rules requiring a capital surcharge for globally systemically important banks. The Bank Capital NPRs did not implement this capital surcharge. Rules implementing the capital surcharge are expected to be finalized by 2014, with a phase-in from 2016 to 2019. As currently proposed, this surcharge would not apply to global non-bank SIFIs. However, international regulatory bodies are currently engaged in evaluating standards to identify such companies and to develop a regulatory regime that would apply to them, which may include enhanced capital requirements or other measures, as discussed below.

In December 2011, the Federal Reserve Board issued a notice of proposed rulemaking relating to enhanced prudential standards required by Dodd-Frank for bank holding companies with assets of $50 billion or more and non-bank SIFIs, known as Regulation YY. Regulation YY would impose (i) enhanced risk-based capital requirements, (ii) leverage limits, (iii) liquidity requirements, (iv) single counterparty exposure limits, (v) governance requirements for risk management, (vi) stress test requirements, and (vii) special debt-to-equity limits for certain companies, and would establish a procedure for early remediation based on the failure to comply with these requirements.

The ability of MetLife Bank and MetLife, Inc., as a bank holding company, to pay dividends, repurchase common stock or other securities or engage in other transactions that could affect its capital or need for capital could be reduced by any additional capital requirements that might be imposed as a result of the enactment of Dodd-Frank, Regulation YY and/or the adoption of the Bank Capital NPRs and other regulatory initiatives, if MetLife Inc. is unable to de-register as a bank holding company before the requirements become effective. See Risk Factors Our Insurance, Brokerage and Banking Businesses Are Highly Regulated, and Changes in Regulation and in Supervisory and Enforcement Policies May Reduce Our Profitability and Limit Our Growth.

In April 2011, the Federal Reserve Board and the FDIC proposed a rule regarding the implementation of the Dodd-Frank requirement that (i) each non-bank SIFI and each bank holding company with assets of $50 billion or more report periodically to the Federal Reserve Board, the FDIC and the FSOC the plan of such company for rapid and orderly resolution in the event of material financial distress or failure (sometimes referred to as a living will), and (ii) that each such company report on the nature and extent of credit exposures of such company to significant bank holding companies and significant non-bank financial companies and the nature and extent of credit exposures of significant bank holding companies and significant non-bank financial companies to such covered company. In November 2011, the Federal Reserve Board and the FDIC adopted a final rule implementing the resolution plan requirement, effective November 30, 2011, but deferred finalizing the credit exposure reporting requirement until a later date. MetLife, Inc. was not among the institutions that were required to submit a resolution plan on July 2, 2012, but the requirement may apply to MetLife, Inc. if it remains a bank holding company, or if, in the future, the FSOC designates MetLife, Inc. as a non-bank SIFI. See Risk Factors Dodd-Frank Provides for the Resolution or Liquidation of Certain Types of Financial Institutions, Including Bank Holding Companies Like MetLife, Inc.

Regulatory Developments Relating to Non-Bank SIFIs and G-SIIs. If MetLife, Inc. is able to deregister as a bank holding company, many of the foregoing requirements will not apply to it. However, if, in the future, the FSOC designates MetLife, Inc. as a non-bank SIFI, it could once again be subject to regulation by the Federal Reserve and enhanced supervision and prudential standards, such as enhanced prudential standards pursuant to Regulation YY and the requirements relating to resolution planning and (when adopted) credit exposure reporting. Although non-bank SIFIs are not subject to the capital plans rule, they would be subject to the stress testing requirements in proposed Regulation YY. As proposed, Regulation YY would apply the same enhanced regulatory standards to non-bank SIFIs as would apply to systemically important banks; the Federal Reserve Board has solicited and is considering comments on the appropriateness of this treatment. For further information regarding enhanced prudential standards and Regulation YY, see Business U.S. Regulation Dodd Frank and Other Legislative and Regulatory Developments Enhanced Prudential Standards included in the 2011 Annual Report.

In April 2012, the FSOC adopted final rules setting forth the process it will follow and the criteria it will use to assess whether a non-bank financial company should be subject to enhanced supervision by the Federal Reserve as a non-bank SIFI. The FSOC will follow a three-stage process. In Stage 1, a set of uniform quantitative metrics will be applied to a broad group of non-bank financial companies in order to identify non-bank financial companies for further evaluation. If MetLife, Inc. meets the total consolidated assets threshold and at least one of the other five quantitative thresholds used in the first stage, the FSOC will continue with two stages of further analysis using additional sources of data and qualitative and quantitative factors. MetLife, Inc. is currently a bank holding company and, as a result, it is not subject to designation as a non-bank SIFI. However, if MetLife, Inc. succeeds in deregistering as a bank holding company, it could be considered for designation as a non-bank SIFI. As of June 30, 2012, MetLife, Inc. met the total consolidated assets threshold and at least one of the other Stage 1 quantitative thresholds.

As part of the global initiative to identify global systemically important financial institutions (G-SIFIs), in May 2012, the International Association of Insurance Supervisors (IAIS) published a proposed assessment methodology for designating G-SIIs. The proposed methodology is intended to identify those insurers whose distress or disorderly failure, because of their size, complexity and interconnectedness, would cause significant disruption to the global financial system and economic activity. The proposed methodology has three steps: (i) data collection; (ii) indicator-based assessment addressing five categories: size, extent of global activity, degree of interconnectedness within the financial system, amount of non-traditional and non-insurance activities and substitutability; and (iii) supervisory judgment and validation process, including quantitative and qualitative assessments. Any insurers identified by the IAIS as G-SIIs would be subject to additional policy measures. These policy measures will be the subject to a subsequent IAIS consultation paper to be released later in 2012, but the IAIS has indicated that they could include higher capital requirements, enhanced supervision (including more detailed and frequent reporting and removal of barriers to orderly resolution of the G-SII), as well as additional measures to improve the degree of self-sufficiency of a G-SII s different business segments (including separate legal structures for traditional insurance and non-traditional or non-insurance activities, and restrictions on intercompany subsidies). Comments on the proposal were due by July 31, 2012. The IAIS expects to publish the first list of G-SIIs in November 2013, with annual updates thereafter, enabling insurers to move on and off the list, in order to incentivize insurers to reduce their systemic importance. If MetLife, Inc. were identified as a G-SII, its competitive position relative to other life insurers that were not so designated could be adversely affected. See Risk Factors Our Insurance, Brokerage and Banking Businesses Are Highly Regulated, and Changes in Regulation and in Supervisory and Enforcement Policies May Reduce Our Profitability and Limit Our Growth.

If and when MetLife Bank s FDIC insurance is terminated, MetLife, Inc. and its affiliates will not be subject to the bans on proprietary trading and fund activities under the Volcker Rule (as discussed more fully below under Regulatory Developments Affecting Investment Activities and Derivatives, including the Volcker Rule. However, because the Volcker Rule nevertheless imposes additional capital requirements and quantitative limits on such trading and activities by a non-bank SIFI, MetLife, Inc. and its affiliates could be subject to such requirements and limits were they to be designated non-bank SIFIs, Regulations defining and governing such requirements and limits on non-bank SIFIs have not been proposed. Commencing from the date of designation, a non-bank SIFI will have a two-year period, subject to further extension by the Federal Reserve, to conform with any such requirements and limits. Subject to safety and soundness determinations as part of rulemaking that could require additional capital requirements and quantitative limits, Dodd-Frank provides that the exemptions under the Volcker Rule also are available to exempt any additional capital requirements and quantitative limits on non-bank SIFIs.

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Regulatory Developments Affecting Investment Activities and Derivatives, including the Volcker Rule. Dodd-Frank also includes provisions that may impact the investments and investment activities of MetLife, Inc. and its subsidiaries, including the federal regulation of such activities. Such provisions include the regulation of the over-the-counter (OTC) derivatives markets and the prohibitions on FDIC-insured depository institutions and their affiliates engaging in proprietary trading or sponsoring or investing in hedge funds or private equity funds (commonly known as the Volcker Rule). Dodd-Frank provides an exemption to the Volcker Rule for investment activity by a regulated insurance company or its affiliate solely for the general account of such insurance company if such activity is in compliance with the insurance company investment laws of the state or jurisdiction in which such company is domiciled and the appropriate Federal regulators after consultation with relevant insurance commissioners have not jointly determined such laws to be insufficient to protect the safety and soundness of the institution or the financial stability of the U.S. Other exemptions to the Volcker Rule, including, but not limited to, activities for risk-mitigating hedging and activities on behalf of customers, may be available for the general account or separate account activities of insurance companies. Notwithstanding the foregoing, the appropriate Federal regulatory authorities are permitted under Dodd-Frank to impose, as part of rulemaking, additional capital requirements and other restrictions on any exempted activity to protect the safety and soundness of an entity engaged in such activity. Dodd-Frank provides for a period of rulemaking during which the effects of the statutory language may be clarified. Among other things, one task of the rulemaking is to appropriately accommodate the business of insurance within an insurance company subject to regulation in accordance with relevant insurance company investments laws. Pursuant to Dodd-Frank, the Volcker Rule has become effective on July 21, 2012, notwithstanding the fact that final regulations on the Volcker Rule were not implemented by such date. On April 19, 2012, the Federal Reserve Board adopted a statement clarifying that a covered banking entity has the full two-year period provided by Dodd-Frank (i.e., until July 21, 2014) to fully conform its activities and investments to the Volcker Rule, subject to further extensions (up to three one-year extensions) by the Board in accordance with the statute. According to the statement, during the conformance period, every covered banking entity is expected to engage in good-faith efforts, appropriate for its activities and investments, that will result in the conformance of all its activities and investments to such restrictions by no later than the end of the conformance period. Although MetLife believes that the statutory exemptions apply to the activities and investments of its insurance companies and other applicable affiliates, while it remains subject to the Volcker Rule and, until the rulemaking is complete, including the scope of the statutory exemptions to be applied to insurance companies for each of the prohibitions on proprietary trading and fund sponsoring or investing, it is unclear whether MetLife, Inc. may have to alter any of its future activities to comply, including continuing to invest in private investment funds for its general accounts or to issue certain insurance products backed by its separate accounts. See Risk Factors Various Aspects of Dodd-Frank Could Impact Our Business Operations, Capital Requirements and Profitability and Limit Our Growth included in the 2011 Annual Report.

Mortgage and Foreclosure-Related Exposures

Since 2008, MetLife Bank has been engaged in the forward and reverse residential mortgage origination and servicing business. In January 2012, MetLife, Inc. announced that it was exiting the business of originating forward residential mortgages and, in April 2012, announced it was exiting the businesses of originating and servicing reverse residential mortgages and that it and MetLife Bank entered into a definitive agreement to sell MetLife Bank s reverse mortgage servicing portfolio. On June 29, 2012, the Company sold the majority of MetLife Bank s reverse mortgage servicing rights and related assets and liabilities. See Note 2 of the Notes to the Interim Condensed Consolidated Financial Statements. Notwithstanding the foregoing, MetLife Bank continues to have obligations to repurchase loans or compensate for losses upon demand by investors due to claims alleging defects in servicing of the loans or that material representations made in connection with the sale of the loans (relating, for example, to the underwriting and origination of the loans) are incorrect. MetLife Bank is indemnified by the sellers of the acquired assets, for various periods depending on the transaction and the nature of the claim, for origination and servicing deficiencies that occurred prior to MetLife Bank s acquisition, including indemnification for any repurchase claims made from investors who purchased mortgage loans from the sellers. Substantially all mortgage servicing rights (MSRs) that were acquired by MetLife Bank relate to loans sold to Federal National Mortgage Association (FNMA) or Federal Home Loan Mortgage Corporation

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(FHLMC). MetLife Bank has originated and sold conventional residential mortgage loans primarily to FNMA and FHLMC and government residential mortgage loans (insured by the Federal Housing Administration or guaranteed by the United States Department of Veterans Affairs) into mortgage-backed securities guaranteed by Government National Mortgage Association (GNMA) (collectively, the Agency Investors) and, to a limited extent, a small number of private investors. Substantially all of MetLife Bank s $76.0 billion servicing portfolio consists of Agency Investors product. Other than repurchase obligations, MetLife Bank s exposure to repurchase obligations and losses related to origination deficiencies is limited to the approximately $68.2 billion of loans originated by MetLife Bank (all of which have been originated since August 2008). Reserves for representation and warranty repurchases and indemnifications were $80 million and $69 million at June 30, 2012 and December 31, 2011, respectively. MetLife Bank is exposed to losses due to claims alleging servicing deficiencies on loans originated and sold, as well as servicing acquired, to the extent such servicing deficiencies occurred while MetLife Bank was the servicer of record. Management is satisfied that adequate provision has been made in the Company s consolidated financial statements for all probable and reasonably estimable repurchase obligations and losses.

Currently, MetLife Bank services approximately 1% of the aggregate principal amount of the mortgage loans serviced in the U.S. State and federal regulatory and law enforcement authorities have initiated various inquiries, investigations or examinations of alleged irregularities in the foreclosure practices of the residential mortgage servicing industry. Mortgage servicing practices have also been the subject of Congressional attention. Authorities have publicly stated that the scope of the investigations extends beyond foreclosure documentation practices to include mortgage loan modification and loss mitigation practices.

On April 13, 2011, the OCC entered into consent decrees with several banks, including MetLife Bank. The consent decrees require an independent review of foreclosure practices and set forth new residential mortgage servicing standards, including a requirement for a designated point of contact for a borrower during the loss mitigation process. In addition, the Federal Reserve Board entered into consent decrees with the affiliated bank holding companies of these banks, including MetLife, Inc., to enhance the supervision of the mortgage servicing activities of their banking subsidiaries. On August 6, 2012, the Federal Reserve Board issued an Order of Assessment of a Civil Monetary Penalty Issued Upon Consent against MetLife, Inc. that will impose a penalty of up to $3,200,000 for the deficiencies in servicing of residential mortgage loans and processing foreclosures at MetLife Bank that were the subject of the 2011 consent decree.

MetLife Bank also had a meeting with the Department of Justice regarding mortgage servicing and foreclosure practices. It is possible that various state or federal regulatory and law enforcement authorities may seek monetary penalties from MetLife Bank relating to foreclosure practices.

MetLife Bank has also responded to a subpoena issued by the New York State Department of Financial Services (Department of Financial Services) regarding hazard insurance and flood insurance that MetLife Bank obtains to protect the lienholder s interest when the borrower s insurance has lapsed. In April and May 2012, MetLife Bank received two subpoenas issued by the Office of Inspector General for the U.S. Department of Housing and Urban Development regarding Federal Housing Administration (FHA) insured loans. In June 2012, MetLife Bank received a Civil Investigative Demand that the U.S. Department of Justice issued as part of a False Claims Act investigation of allegations that MetLife Bank had improperly originated and/or underwritten loans insured by the FHA.

The consent decrees, as well as the inquiries or investigations referred to above, could adversely affect MetLife s reputation or result in material fines, penalties, equitable remedies or other enforcement actions, and result in significant legal costs in responding to governmental investigations or other litigation. In addition, the changes to the mortgage servicing business required by the consent decrees and the resolution of any other inquiries or investigations may affect the profitability of such business.

The MetLife Bank Events may not relieve MetLife from complying with the consent decrees, or protect it from the inquiries and investigations relating to residential mortgage servicing and foreclosure activities, or any fines, penalties, equitable remedies or enforcement actions that may result, the costs of responding to any such governmental investigations, or other litigation.

Summary of Critical Accounting Estimates

The preparation of financial statements in conformity with GAAP requires management to adopt accounting policies and make estimates and assumptions that affect amounts reported in the Interim Condensed Consolidated Financial Statements. The most critical estimates include those used in determining:

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

(ii) investment impairments;

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

(iv) capitalization and amortization of DAC and the establishment and amortization of VOBA;

(v) measurement of goodwill and related impairment, if any;

(vi) liabilities for future policyholder benefits and the accounting for reinsurance;

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

(viii) measurement of employee benefit plan liabilities; and

(ix) liabilities for litigation and regulatory matters.

In addition, the application of acquisition accounting requires the use of estimation techniques in determining the estimated fair values of assets acquired and liabilities assumed the most significant of which relate to aforementioned critical accounting estimates. In applying the Company s 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 the Company s 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 Financial Statements included in the 2011 Annual Report.

Also, for a discussion of the new accounting guidance on DAC, see Note 1 of the Notes to the Interim Condensed Consolidated Financial Statements.

Economic Capital

Economic capital is an internally developed risk capital model, the purpose of which is to measure the risk in the business and to provide a basis upon which capital is deployed. The economic capital model accounts for the unique and specific nature of the risks inherent in the Company s business.

The Company s economic capital model aligns segment allocated equity with emerging standards and consistent risk principles. Segment net investment income is credited or charged based on the level of allocated equity; however, changes in allocated equity do not impact the Company s consolidated net investment income, operating earnings or income (loss) from continuing operations, net of income tax.

Acquisitions and Dispositions

See Notes 2 and 18 of the Notes to the Interim Condensed Consolidated Financial Statements.

On July 31, 2012, the previously announced acquisition to acquire, from members of the Aviva Plc group (Aviva), Aviva s life insurance business in the Czech Republic, Hungary and Romania closed. The acquisition of Aviva s Romanian pension business is expected to close in the next six months, subject to regulatory approvals.

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Results of Operations

Three Months Ended June 30, 2012 Compared with the Three Months Ended June 30, 2011

Consolidated Results

We have experienced growth and an increase in market share in several of our businesses. In the U.S., the economy has shown some signs of improvement and, as a result, our group term life and disability businesses exhibited growth from new sales, a