METLIFE INC
Form 10-Q
August 05, 2011

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

# Form 10-Q

**(Mark One)**

| | |
|---|---|
| þ | **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934** |
| | **FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2011** |
| | **OR** |
| o | **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 o

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 o

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 o |
| Non-accelerated filer o (Do not check if a smaller reporting company) | Smaller reporting company o |

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

At July 29, 2011, 1,057,493,527 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 corporatio incorporated in 1999 (the Holding Company ), its 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 futu 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) the delay by Congress in raising the statutory debt limit of the U.S.; (3) increased volatility and disruption of the capital and credit markets, which may affect our ability to seek financing or access our credit facilities; (4) uncertainty about the effectiveness of the U.S. government s programs to stabilize the financial system, the imposition of fees relating thereto, or the promulgation of additional regulations; (5) impact of comprehensive financial services regulation reform on us; (6) exposure to financial and capital market risk; (7) 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; (8) potential liquidity and other risks resulting from our participation in a securities lending program and other transactions; (9) investment losses and defaults, and changes to investment valuations; (10) impairments of goodwill and realized losses or market value impairments to illiquid assets; (11) defaults on our mortgage loans; (12) the impairment of other financial institutions that could adversely affect our investments or business; (13) our ability to address unforeseen liabilities, asset impairments, loss of key contractual relationships, or rating actions arising from acquisitions or dispositions, including our acquisition of American Life Insurance Company ( American Life ), a subsidiary of AM Holdings LLC (formerly known as ALICO Holdings LLC) ( AM Holdings ), and Delaware American Life Insurance Company ( DelAm, together with American Life, collectively, ALICO ) (the Acquisition ) and to successfully integrate and manage the growth of acquired businesses with minimal disruption; (14) uncertainty with respect to the outcome of the closing agreement entered into with the United States Internal Revenue Service in connection with the Acquisition; (15) uncertainty with respect to any incremental tax benefits resulting from the elections made for ALICO and certain of its subsidiaries under Section 338 of the U.S. Internal Revenue Code of 1986, as amended; (16) the dilutive impact on our stockholders resulting from the issuance of equity securities in connection with the Acquisition or otherwise; (17) economic, political, currency and other risks relating to our international operations, including with respect to fluctuations of exchange rates; (18) our primary reliance, as a holding company, on dividends from our subsidiaries to meet debt payment obligations and the applicable regulatory restrictions on the ability of the subsidiaries to pay such dividends; (19) downgrades in our claims paying ability, financial strength or credit ratings; (20) ineffectiveness of risk management policies and procedures; (21) availability and effectiveness of reinsurance or indemnification arrangements, as well as default or failure of counterparties to perform; (22) discrepancies between actual claims experience and assumptions used in setting prices for our products and establishing the liabilities for our obligations for future policy benefits and claims; (23) catastrophe losses;

(24) 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; (25) unanticipated changes in industry trends; (26) changes in accounting standards, practices and/or policies; (27) changes in assumptions related to deferred policy acquisition costs, deferred sales inducements, value of business acquired or goodwill; (28) increased expenses relating to pension and postretirement benefit plans, as well as health care and other employee benefits; (29) 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; (30) deterioration in the experience of the closed block established in connection with the reorganization of Metropolitan Life Insurance Company; (31) adverse results or other consequences from litigation, arbitration or regulatory investigations; (32) inability to protect our intellectual property rights or claims of infringement of the intellectual property rights of others; (33) discrepancies between actual experience and assumptions used in establishing liabilities related to other contingencies or obligations; (34) 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, impair our ability to attract and retain talented and experienced management and other employees, or increase the cost or administrative burdens of providing benefits to employees; (35) the effects of business disruption or economic contraction due to terrorism, other hostilities, or natural catastrophes, including any related impact on our disaster recovery systems and management continuity planning which could impair our ability to conduct business effectively; (36) the effectiveness of our programs and practices in avoiding giving our associates incentives to take excessive risks; and (37) 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**

In reviewing the agreements included as exhibits to this Quarterly Report on Form 10-Q, please remember that they are included to provide you with information regarding their terms and are not intended to provide any other factual or disclosure information about MetLife, Inc., its subsidiaries or affiliates, or the other parties to the agreements. The agreements contain representations and warranties by each of the parties to the applicable agreement. These representations and warranties have been made solely for the benefit of the other parties to the applicable agreement and:

- should not in all instances be treated as categorical statements of fact, but rather as a way of allocating the risk to one of the parties if those statements prove to be inaccurate;

- have been qualified by disclosures that were made to the other party in connection with the negotiation of the applicable agreement, which disclosures are not necessarily reflected in the agreement;

- may apply standards of materiality in a way that is different from what may be viewed as material to investors; and

- were made only as of the date of the applicable agreement or such other date or dates as may be specified in the agreement and are subject to more recent developments.

Accordingly, these representations and warranties may not describe the actual state of affairs as of the date they were made or at any other time. Additional information about MetLife, Inc., its subsidiaries and affiliates may be found elsewhere in this Quarterly Report on Form 10-Q and MetLife, Inc. s other public filings, which are available without charge through the SEC website at www.sec.gov.

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## Part I Financial Information

### Item 1. *Financial Statements*

**MetLife, Inc.**

**Interim Condensed Consolidated Balance Sheets**
**June 30, 2011 (Unaudited) and December 31, 2010**

**(In millions, except share and per share data)**

| | June 30, 2011 | December 31, 2010 |
|---|---|---|
| **Assets** | | |
| Investments: | | |
| Fixed maturity securities available-for-sale, at estimated fair value (amortized cost: $330,903 and $317,617, respectively; includes $3,357 and $3,330, respectively, relating to variable interest entities) | $ 341,744 | $ 324,797 |
| Equity securities available-for-sale, at estimated fair value (cost: $3,128 and $3,621, respectively) | 3,238 | 3,602 |
| Trading and other securities, at estimated fair value (includes $560 and $463, respectively, of actively traded securities; and $359 and $387, respectively, relating to variable interest entities) | 19,700 | 18,589 |
| Mortgage loans: | | |
| Held-for-investment, principally at amortized cost (net of valuation allowances of $566 and $664, respectively; includes $6,697 and $6,840, respectively, at estimated fair value, relating to variable interest entities) | 60,819 | 58,976 |
| Held-for-sale, principally at estimated fair value | 2,805 | 3,321 |
| Mortgage loans, net | 63,624 | 62,297 |
| Policy loans | 11,858 | 11,761 |
| Real estate and real estate joint ventures (includes $15 and $10, respectively, relating to variable interest entities) | 8,234 | 8,030 |
| Other limited partnership interests (includes $331 and $298, respectively, relating to variable interest entities) | 6,453 | 6,416 |
| Short-term investments, principally at estimated fair value | 12,419 | 9,384 |
| Other invested assets, principally at estimated fair value (includes $98 and $104, respectively, relating to variable interest entities) | 14,900 | 15,430 |
| Total investments | 482,170 | 460,306 |
| Cash and cash equivalents, principally at estimated fair value (includes $65 and $69, respectively, relating to variable interest entities) | 9,628 | 12,957 |
| Accrued investment income (includes $34 and $34, respectively, relating to variable interest entities) | 4,341 | 4,328 |
| | 21,070 | 19,799 |

| | | |
|---|---|---|
| Premiums, reinsurance and other receivables (includes $2 and $2, respectively, relating to variable interest entities) | | |
| Deferred policy acquisition costs and value of business acquired | 28,241 | 27,092 |
| Goodwill | 12,036 | 11,781 |
| Other assets (includes $7 and $6, respectively, relating to variable interest entities) | 8,246 | 8,174 |
| Assets of subsidiaries held-for-sale | 3,369 | 3,331 |
| Separate account assets | 202,382 | 183,138 |
| Total assets | $ 771,483 | $ 730,906 |
| **Liabilities and Equity** | | |
| **Liabilities** | | |
| Future policy benefits | $ 176,353 | $ 170,912 |
| Policyholder account balances | 217,597 | 210,757 |
| Other policy-related balances | 15,456 | 15,750 |
| Policyholder dividends payable | 853 | 830 |
| Policyholder dividend obligation | 1,281 | 876 |
| Payables for collateral under securities loaned and other transactions | 30,079 | 27,272 |
| Bank deposits | 10,022 | 10,316 |
| Short-term debt | 102 | 306 |
| Long-term debt (includes $6,569 and $6,902, respectively, at estimated fair value, relating to variable interest entities) | 28,269 | 27,586 |
| Collateral financing arrangements | 5,297 | 5,297 |
| Junior subordinated debt securities | 3,192 | 3,191 |
| Current income tax payable | 133 | 297 |
| Deferred income tax liability | 3,764 | 1,856 |
| Other liabilities (includes $82 and $93, respectively, relating to variable interest entities) | 19,707 | 20,366 |
| Liabilities of subsidiaries held-for-sale | 3,163 | 3,043 |
| Separate account liabilities | 202,382 | 183,138 |
| Total liabilities | 717,650 | 681,793 |
| **Contingencies, Commitments and Guarantees (Note 8)** | | |
| Redeemable noncontrolling interests in partially owned consolidated subsidiaries | 124 | 117 |
| **Equity** | | |
| MetLife, Inc. s stockholders equity: | | |
| Preferred stock, par value $0.01 per share; 200,000,000 shares authorized: | | |
| Preferred stock, 84,000,000 shares issued and outstanding; $2,100 aggregate liquidation preference | 1 | 1 |
| Convertible preferred stock, 0 and 6,857,000 shares issued and outstanding at June 30, 2011 and December 31, 2010, respectively | | |
| Common stock, par value $0.01 per share; 3,000,000,000 shares authorized; 1,060,584,995 and 989,031,704 shares issued at June 30, 2011 and December 31, 2010, respectively; 1,057,391,108 and 985,837,817 shares outstanding at June 30, 2011 and December 31, 2010, respectively | 11 | 10 |
| Additional paid-in capital | 26,714 | 26,423 |
| Retained earnings | 23,399 | 21,363 |

| | | |
|---|---|---|
| Treasury stock, at cost; 3,193,887 shares at June 30, 2011 and December 31, 2010 | (172) | (172) |
| Accumulated other comprehensive income (loss) | 3,356 | 1,000 |
| Total MetLife, Inc. s stockholders equity | 53,309 | 48,625 |
| Noncontrolling interests | 400 | 371 |
| Total equity | 53,709 | 48,996 |
| Total liabilities and equity | $ 771,483 | $ 730,906 |

**See accompanying notes to the interim condensed consolidated financial statements.**

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**MetLife, Inc.**

**Interim Condensed Consolidated Statements of Operations**
**For the Three Months and Six Months Ended June 30, 2011 and 2010 (Unaudited)**

**(In millions, except per share data)**

| | Three Months Ended June 30, 2011 | Three Months Ended June 30, 2010 | Six Months Ended June 30, 2011 | Six Months Ended June 30, 2010 |
|---|---|---|---|---|
| **Revenues** | | | | |
| Premiums | $ 9,294 | $ 6,584 | $ 17,848 | $ 13,372 |
| Universal life and investment-type product policy fees | 1,969 | 1,482 | 3,858 | 2,887 |
| Net investment income | 5,098 | 4,061 | 10,414 | 8,381 |
| Other revenues | 592 | 544 | 1,158 | 1,057 |
| Net investment gains (losses): | | | | |
| Other-than-temporary impairments on fixed maturity securities | (298) | (244) | (430) | (395) |
| Other-than-temporary impairments on fixed maturity securities transferred to other comprehensive income (loss) | 175 | 98 | 184 | 157 |
| Other net investment gains (losses) | (32) | 132 | (8) | 256 |
| Total net investment gains (losses) | (155) | (14) | (254) | 18 |
| Net derivative gains (losses) | 352 | 1,481 | 37 | 1,522 |
| Total revenues | 17,150 | 14,138 | 33,061 | 27,237 |
| **Expenses** | | | | |
| Policyholder benefits and claims | 9,119 | 6,930 | 17,350 | 14,394 |
| Interest credited to policyholder account balances | 1,442 | 1,048 | 3,366 | 2,190 |
| Policyholder dividends | 374 | 388 | 746 | 765 |
| Other expenses | 4,495 | 3,409 | 8,397 | 6,341 |
| Total expenses | 15,430 | 11,775 | 29,859 | 23,690 |
| Income (loss) from continuing operations before provision for income tax | 1,720 | 2,363 | 3,202 | 3,547 |
| Provision for income tax expense (benefit) | 519 | 827 | 947 | 1,183 |
| Income (loss) from continuing operations, net of income tax | 1,201 | 1,536 | 2,255 | 2,364 |
| Income (loss) from discontinued operations, net of income tax | 29 | 11 | (12) | 17 |
| Net income (loss) | 1,230 | 1,547 | 2,243 | 2,381 |
| Less: Net income (loss) attributable to noncontrolling interests | (7) | (10) | | (11) |

| | | | | |
|---|---|---|---|---|
| Net income (loss) attributable to MetLife, Inc. | 1,237 | 1,557 | 2,243 | 2,392 |
| Less: Preferred stock dividends | 31 | 31 | 61 | 61 |
| Preferred stock redemption premium | | | 146 | |
| Net income (loss) available to MetLife, Inc. s common shareholders | $ 1,206 | $ 1,526 | $ 2,036 | $ 2,331 |
| Income (loss) from continuing operations, net of income tax, available to MetLife, Inc. s common shareholders per common share: | | | | |
| Basic | $ 1.11 | $ 1.84 | $ 1.93 | $ 2.81 |
| Diluted | $ 1.10 | $ 1.83 | $ 1.91 | $ 2.79 |
| Net income (loss) available to MetLife, Inc. s common shareholders per common share: | | | | |
| Basic | $ 1.14 | $ 1.85 | $ 1.92 | $ 2.83 |
| Diluted | $ 1.13 | $ 1.84 | $ 1.90 | $ 2.81 |

**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, 2011 (Unaudited)**

**(In millions)**

| | Preferred Stock | Convertible 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 | Noncontr Intere (1) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| mber 31, | $ 1 | $ | $ 10 | $ 26,423 | $ 21,363 | $ (172) | $ 3,356 | $ (366) | $ (541) | $ (1,449) | $ 48,625 | $ 37 |
| onvertible | | | | (2,805) | | | | | | | (2,805) | |
| redemption | | | | | (146) | | | | | | (146) | |
| ssuance ares | | | 1 | 2,949 | | | | | | | 2,950 | |
| npensation | | | | 147 | | | | | | | 147 | |
| eferred | | | | | (61) | | | | | | (61) | |
| y of nterests | | | | | | | | | | | | 3 |
| income s) | | | | | 2,243 | | | | | | 2,243 | ( |
| nsive | | | | | | | | | | | | |
| s (losses) struments, x | | | | | | | (69) | | | | (69) | |
| stment et of nd income | | | | | | | 1,837 | (94) | | | 1,743 | ( |
| y tments, net | | | | | | | | | 639 | | 639 | |
| plans of income | | | | | | | | | | 43 | 43 | |

| | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| nsive | | | | | | | | | | 2,356 | ( |
| income | | | | | | | | | | 4,599 | ( |
| 30, 2011 | $ 1 | $ | $ 11 | $ 26,714 | $ 23,399 | $ (172) | $ 5,124 | $ (460) | $ 98 | $ (1,406) | $ 53,309 | $ 40 |

(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 Equity (Continued)**
**For the Six Months Ended June 30, 2010 (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 | Noncontrolli |
| ecember 31, | $ 1 | $ 8 | $ 16,859 | $ 19,501 | $ (190) | $ (817) | $ (513) | $ (183) | $ (1,545) | $ 33,121 | $ 377 |
| effect of counting t of income tax | | | | (12) | | 31 | 11 | | | 30 | |
| anuary 1, 2010 | 1 | 8 | 16,859 | 19,489 | (190) | (786) | (502) | (183) | (1,545) | 33,151 | 377 |
| compensation | | | 37 | | 18 | | | | | 55 | |
| n preferred | | | | (61) | | | | | | (61) | |
| quity of ng interests | | | | | | | | | | | (18) |
| ive income | | | | | | | | | | | |
| (loss) | | | | 2,392 | | | | | | 2,392 | (11) |
| rehensive ): | | | | | | | | | | | |
| gains (losses) e instruments, e tax | | | | | | 435 | | | | 435 | |
| nvestment ), net of ts and income | | | | | | 3,469 | 16 | | | 3,485 | |
| ency djustments, net x | | | | | | | | (151) | | (151) | 1 |
| efit plans net of income | | | | | | | | | 69 | 69 | |

| | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| rehensive s) | | | | | | | | | | 3,838 | 1 |
| sive income | | | | | | | | | | 6,230 | (10) |
| une 30, 2010 | $ 1 | $ 8 | $ 16,896 | $ 21,820 | $ (172) | $ 3,118 | $ (486) | $ (334) | $ (1,476) | $ 39,375 | $ 349 |

**See accompanying notes to the interim condensed consolidated financial statements.**

**MetLife, Inc.**

**Interim Condensed Consolidated Statements of Cash Flows**
**For the Six Months Ended June 30, 2011 and 2010 (Unaudited)**

**(In millions)**

| | Six Months Ended June 30, 2011 | Six Months Ended June 30, 2010 |
|---|---|---|
| **Net cash provided by operating activities** | $ 6,793 | $ 3,928 |
| **Cash flows from investing activities** | | |
| Sales, maturities and repayments of: | | |
| Fixed maturity securities | 54,958 | 38,035 |
| Equity securities | 1,027 | 690 |
| Mortgage loans | 5,152 | 2,715 |
| Real estate and real estate joint ventures | 268 | 87 |
| Other limited partnership interests | 676 | 251 |
| Purchases of: | | |
| Fixed maturity securities | (66,861) | (47,014) |
| Equity securities | (489) | (364) |
| Mortgage loans | (6,686) | (2,878) |
| Real estate and real estate joint ventures | (417) | (305) |
| Other limited partnership interests | (576) | (452) |
| Cash received in connection with freestanding derivatives | 1,470 | 986 |
| Cash paid in connection with freestanding derivatives | (2,632) | (1,077) |
| Sale of interest in joint venture | 269 | |
| Net change in policy loans | (77) | (119) |
| Net change in short-term investments | (2,896) | (1,334) |
| Net change in other invested assets | (6) | 754 |
| Other, net | (78) | (95) |
| Net cash used in investing activities | (16,898) | (10,120) |
| **Cash flows from financing activities** | | |
| Policyholder account balances: | | |
| Deposits | 44,671 | 34,213 |
| Withdrawals | (40,842) | (32,390) |
| Net change in payables for collateral under securities loaned and other transactions | 2,807 | 5,576 |
| Net change in bank deposits | (341) | (497) |
| Net change in short-term debt | (204) | (33) |
| Long-term debt issued | 1,221 | 678 |
| Long-term debt repaid | (715) | (511) |
| Cash received in connection with collateral financing arrangements | 100 | |

| | | | | |
|---|---|---|---|---|
| Debt issuance costs | | (1) | | (1) |
| Common stock issued, net of issuance costs | | 2,950 | | |
| Stock options exercised | | 73 | | 26 |
| Redemption of convertible preferred stock | | (2,805) | | |
| Preferred stock redemption premium | | (146) | | |
| Dividends on preferred stock | | (61) | | (61) |
| Other, net | | (121) | | (139) |
| Net cash provided by financing activities | | 6,586 | | 6,861 |
| Effect of change in foreign currency exchange rates on cash and cash equivalents balances | | 146 | | (79) |
| Change in cash and cash equivalents | | (3,373) | | 590 |
| Cash and cash equivalents, beginning of period | | 13,046 | | 10,112 |
| Cash and cash equivalents, end of period | $ | 9,673 | $ | 10,702 |
| Cash and cash equivalents, subsidiaries held-for-sale, beginning of period | $ | 89 | $ | 88 |
| **Cash and cash equivalents, subsidiaries held-for-sale, end of period** | $ | 45 | $ | 38 |
| Cash and cash equivalents, from continuing operations, beginning of period | $ | 12,957 | $ | 10,024 |
| **Cash and cash equivalents, from continuing operations, end of period** | $ | 9,628 | $ | 10,664 |
| **Supplemental disclosures of cash flow information:** | | | | |
| Net cash paid (received) during the period for: | | | | |
| Interest | $ | 834 | $ | 744 |
| Income tax | $ | 586 | $ | (11) |
| Non-cash transactions during the period: | | | | |
| Real estate and real estate joint ventures acquired in satisfaction of debt | $ | 74 | $ | 10 |

**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 (the Holding Company ), its subsidiaries and affiliates. MetLife is a leading global provider of insurance, annuities and employee benefit programs throughout the United States ( U.S. ), Japan, Latin America, Asia Pacific, Europe and the Middle East. Through its subsidiaries and affiliates, MetLife offers life insurance, annuities, auto and homeowners insurance, mortgage and deposit products 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: Insurance Products, Retirement Products, Corporate Benefit Funding and Auto & Home (collectively, U.S. Business ), and Japan and Other International Regions (collectively, International ). See Note 13 for further business segment information.

### *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.

On November 1, 2010 (the Acquisition Date ), MetLife, Inc. completed the acquisition of American Life Insurance Company ( American Life ) from AM Holdings LLC (formerly known as ALICO Holdings LLC) ( AM Holdings ), a subsidiary of American International Group, Inc. ( AIG ), and Delaware American Life Insurance Company ( DelAm ) from AIG (American Life, together with DelAm, collectively, ALICO ) (the Acquisition ). The Acquisition was accounted for using the acquisition method of accounting. ALICO s fiscal year-end is November 30. Accordingly, the Company s interim condensed consolidated financial statements reflect the assets and liabilities of ALICO as of May 31, 2011 and the operating results of ALICO for the three months and six months ended May 31, 2011. The accounting policies of ALICO were conformed to those of MetLife upon the Acquisition. See Note 2.

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 businesses and operations. Actual results could differ from these estimates.

The accompanying interim condensed consolidated financial statements include the accounts of the Holding Company 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 6. 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 equity 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.

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**MetLife, Inc.**

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

Certain amounts in the prior year periods interim condensed consolidated financial statements have been reclassified to conform with the 2011 presentation. Such reclassifications include:

Reclassification from other net investment gains (losses) of $1,481 million and $1,522 million to net derivative gains (losses) in the interim condensed consolidated statements of operations for the three months and six months ended June 30, 2010, respectively;

Realignment that affected assets, liabilities and results of operations on a segment basis with no impact to the consolidated results. See Note 13;

Reclassifications related to operating revenues and expenses that affected results of operations on a segment and consolidated basis. See Note 13; and

Reclassifications related to discontinued operations. See Note 14.

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, 2011, its consolidated results of operations for the three months and six months ended June 30, 2011 and 2010, its consolidated statements of equity for the six months ended June 30, 2011 and 2010, and its consolidated statements of cash flows for the six months ended June 30, 2011 and 2010, in conformity with GAAP. Interim results are not necessarily indicative of full year performance. The December 31, 2010 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, 2010, as amended by MetLife, Inc. s Form 10-K/A dated March 1, 2011 (as amended, the 2010 Annual Report ), filed with the U.S. Securities and Exchange Commission ( SEC ), 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 2010 Annual Report.

***Adoption of New Accounting Pronouncements***

Effective January 1, 2011, the Company adopted new guidance that addresses when a business combination should be assumed to have occurred for the purpose of providing pro forma disclosure. Under the new guidance, if an entity presents comparative financial statements, the entity should disclose revenue and earnings of the combined entity as though the business combination that occurred during the current year had occurred as of the beginning of the comparable prior annual reporting period. The guidance also expands the supplemental pro forma disclosures to include additional narratives. The adoption did not have an impact on the Company s consolidated financial statements.

Effective January 1, 2011, the Company adopted new guidance regarding goodwill impairment testing. This guidance modifies Step 1 of the goodwill impairment test for reporting units with zero or negative carrying amounts. For those reporting units, an entity would be required to perform Step 2 of the test if qualitative factors indicate that it is more likely than not that goodwill impairment exists. The adoption did not have an impact on the Company s consolidated financial statements.

Effective January 1, 2011, the Company adopted new guidance regarding accounting for investment funds determined to be VIEs. Under this guidance, an insurance entity would not be required to consolidate a voting-interest investment fund when it holds the majority of the voting interests of the fund through its separate accounts. In addition, an insurance entity would not consider the interests held through separate accounts for the benefit of policyholders in the insurer s evaluation of its economics in a VIE, unless the separate account contractholder is a related party. The adoption did not have a material impact on the Company s consolidated financial statements.

**MetLife, Inc.**

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

***Future Adoption of New Accounting Pronouncements***

In July 2011, the Financial Accounting Standards Board ( FASB ) issued new guidance on other expenses (Accounting Standards Update ( 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.

In June 2011, the FASB issued new guidance regarding comprehensive income (ASU 2011-05, *Comprehensive Income (Topic 220): Presentation of Comprehensive Income),* effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. The guidance should be applied retrospectively and early adoption is permitted. The new guidance 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. 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 Company is currently evaluating the impact of this guidance on its consolidated financial statements.

In May 2011, the FASB issued new guidance regarding fair value measurement (ASU 2011-04, *Fair Value Measurements (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs),* effective for the first interim or annual period beginning after December 15, 2011. The guidance should be applied prospectively. The amendments in this ASU are intended to establish 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 Company is currently evaluating the impact of this guidance on its consolidated financial statements.

In April 2011, the FASB issued new guidance regarding effective control in repurchase agreements (ASU 2011-03, *Transfers and Servicing (Topic 860): Reconsideration of Effective Control for Repurchase Agreements)*, effective for the first interim or annual period beginning on or after December 15, 2011. The guidance should be applied prospectively to transactions or modifications of existing transactions that occur on or after the effective date. The amendments in this ASU remove from the assessment of effective control the criterion requiring the transferor to have the ability to repurchase or redeem the financial assets. The Company is currently evaluating the impact of this guidance on its consolidated financial statements.

In April 2011, the FASB issued new guidance regarding accounting for troubled debt restructuring (ASU 2011-02, *Receivables (Topic 310): A Creditor s Determination of Whether a Restructuring Is a Troubled Debt Restructuring*), effective for the first interim or annual period beginning on or after June 15, 2011 and which should be applied retrospectively to the beginning of the annual period of adoption. This guidance clarifies whether a creditor has granted a concession and whether a debtor is experiencing financial difficulties for the purpose of determining when a restructuring constitutes a troubled debt restructuring. The Company does not expect the adoption of this guidance to have a material impact on its consolidated financial statements and related disclosures.

In October 2010, the FASB issued new guidance regarding accounting for deferred acquisition costs (ASU 2010-26, *Financial Services Insurance (Topic 944): Accounting for Costs Associated with Acquiring or*

MetLife, Inc.

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

*Renewing Insurance Contracts*) effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2011. The guidance should be applied prospectively upon adoption. Retrospective application to all prior periods presented upon the date of adoption also is permitted, but not required. This guidance clarifies the costs that should be deferred by insurance entities when issuing and renewing insurance contracts. The guidance also specifies that only costs related directly to successful acquisition of new or renewal contracts can be capitalized. All other acquisition-related costs should be expensed as incurred. The Company is currently evaluating the impact of this guidance on its consolidated financial statements and related disclosures.

## 2. Acquisitions and Dispositions

### *2010 Acquisition of ALICO*

*Description of Transaction*

On the Acquisition Date, MetLife, Inc. acquired all of the issued and outstanding capital stock of American Life from AM Holdings, a subsidiary of AIG, and DelAm from AIG for a total purchase price of $16.4 billion. The Acquisition has significantly broadened the Company s diversification by product, distribution and geography, will meaningfully accelerate MetLife s global growth strategy, and creates the opportunity to build an international franchise leveraging the key strengths of ALICO.

On March 8, 2011, AM Holdings sold, in public offering transactions, all the shares of common stock and common equity units it received as consideration from MetLife in connection with the Acquisition. The Company did not receive any of the proceeds from the sale of either the shares of common stock held by AM Holdings or the common equity units owned by AM Holdings. On March 8, 2011, MetLife, Inc. issued 68,570,000 shares of common stock for gross proceeds of $3.0 billion, which were used to repurchase and cancel 6,857,000 shares of convertible preferred stock received by AM Holdings from MetLife in connection with the Acquisition. See Note 10 herein and Note 2 of the Notes to the Consolidated Financial Statements included in the 2010 Annual Report.

*Goodwill*

Goodwill is calculated as the excess of the consideration transferred over the net assets recognized and represents the future economic benefits arising from other assets acquired and liabilities assumed that could not be individually identified. The goodwill recorded as part of the Acquisition includes the expected synergies and other benefits that management believes will result from combining the operations of ALICO with the operations of MetLife, including further diversification in geographic mix and product offerings and an increase in distribution strength. Of the $7.0 billion in goodwill resulting from the Acquisition, $5.2 billion was allocated to the reporting unit in the Japan segment and $1.8 billion was allocated to reporting units in the Other International Regions segment.

*Negative Value of Business Acquired ( VOBA )*

For certain acquired blocks of business, the estimated fair value of acquired liabilities exceeded the initial policy reserves assumed at November 1, 2010, resulting in negative VOBA of $4.4 billion recorded at the Acquisition Date. Negative VOBA is recorded in other policy-related balances. The following summarizes the major blocks of business, all included within the Japan segment, for which negative VOBA was recorded and describes why the fair value of the liabilities associated with these blocks of business exceeded the initial policy reserves assumed:

*Fixed Annuities* - This block of business provides a fixed rate of return to the policyholders. A decrease in market interest rates since the time of issuance was the primary driver that resulted in the fair value of the liabilities associated with this block being significantly greater than the initial policy reserves assumed at the Acquisition Date.

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**MetLife, Inc.**

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

*Interest Sensitive Whole Life and Retirement Savings Products* - These contracts contain guaranteed minimum benefit features. The recorded reserves for these guarantees increase ratably over the life of the policies in relation to future gross revenues. In contrast, the fair value of the guaranteed minimum benefit component of the initial policy reserves assumed represents the amount that would be required to be transferred to a market participant to assume the full liability at the acquisition date, implicitly incorporating market participant views as to all expected future cash flows. This results in a fair value significantly in excess of the initial guaranteed minimum benefit liability assumed at the Acquisition Date.

The weighted average amortization period for negative VOBA as of the Acquisition Date was 6.0 years. The estimated future amortization of credit to expenses recorded in other expenses for the first full five years after the Acquisition Date for negative VOBA is $711 million in 2011, $628 million in 2012, $561 million in 2013, $475 million in 2014 and $385 million in 2015.

*Contingent Consideration*

American Life has 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, AIG will pay the difference to American Life and, conversely, if the shortfall at July 1, 2012 is less than £106 million, American Life will pay the difference to AIG. The Company believes that the fair value of the fund will equal or exceed the guaranteed amount by July 1, 2012. The contingent consideration liability was $135 million at June 30, 2011 and $88 million as of the Acquisition Date. The increase in the contingent consideration liability amount as of June 30, 2011 was recorded in net derivative gains (losses) in the interim condensed consolidated statement of operations.

*Current and Deferred Income Tax*

The future tax effects of temporary differences between financial reporting and tax bases of assets and liabilities are measured at the balance sheet dates and are recorded as deferred income tax assets and liabilities, with certain exceptions such as certain temporary differences relating to goodwill under purchase accounting.

For federal income tax purposes, in July 2011, MetLife, Inc. and AM Holdings made elections under Section 338 of the U.S. Internal Revenue Code of 1986, as amended (the Section 338 Elections ) with respect to American Life and certain of its subsidiaries. In addition, in July 2011, MetLife, Inc. and AIG made a Section 338 Election with respect to DelAm. Under such elections, the U.S. tax basis of the assets deemed acquired and liabilities assumed of ALICO were adjusted as of the Acquisition Date to reflect the consequences of the Section 338 Elections.

During the three months ended June 30, 2011, the Company revised its deferred taxes as of the Acquisition Date to recognize $671 million of a U.S. deferred tax asset related to the reversal of temporary differences (between financial reporting and U.S. tax bases of assets and liabilities) of American Life s foreign branches. However, the Company has also recorded a valuation allowance on this U.S. deferred tax asset of $671 million, resulting in no net change to the consolidated balance sheet as of the Acquisition Date. The valuation allowance reflects management s assessment, based on available information, that it is more likely than not that the U.S. deferred tax asset will not be realized.

At June 30, 2011, ALICO s current and deferred income tax liabilities were provisional and not yet finalized. Therefore, current income taxes may be adjusted pending the resolution of the amount of taxes resulting from the Section 338 Elections and the filing of income tax returns. Deferred income taxes may be adjusted as a result of changes in estimates and assumptions relating to the reversal of U.S. temporary differences prior to the completion of the anticipated restructuring of American Life s foreign branches, the filing of income tax returns and as additional information becomes available during the measurement period. The Company expects to finalize these amounts as soon as possible but no later than one year from the Acquisition Date.

**MetLife, Inc.**

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

*Costs Related to Acquisition*

*Transaction and Integration-Related Expenses.* The Company incurred transaction costs of $0 and $2 million for the three months and six months ended June 30, 2011, respectively, and $15 million and $42 million for the three months and six months ended June 30, 2010, respectively. Transaction costs represent costs directly related to effecting the Acquisition and primarily include banking and legal expenses. Such costs have been expensed as incurred and are included in other expenses. These expenses have been reported within Banking, Corporate & Other.

Integration-related expenses were $102 million and $170 million for the three months and six months ended June 30, 2011, respectively, and $40 million and $42 million for the three months and six months ended June 30, 2010, respectively. Integration-related costs represent incremental costs directly related to integrating ALICO, including expenses for consulting, rebranding and the integration of information systems. Such expenses have been expensed as incurred and are included in other expenses. As the integration of ALICO is an enterprise-wide initiative, these expenses have been reported within Banking, Corporate & Other.

*Restructuring Costs and Other Charges.* As part of the integration of ALICO s operations, management has initiated restructuring plans focused on increasing productivity and improving the efficiency of the Company s operations. These restructuring costs were included in other expenses and have been reported within Banking, Corporate & Other.

Estimated restructuring costs 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, 2011. However, such restructuring plans are not sufficiently developed to enable management to make an estimate of such restructuring charges at June 30, 2011.

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

***2011 Disposition***

On April 1, 2011, the Company sold its 50% interest in Mitsui Sumitomo MetLife Insurance Co., Ltd. ( MSI MetLife ), a Japan domiciled life insurance company, to its joint venture partner, MS&AD Insurance Group Holdings, Inc. ( MS&AD ), for $269 million (¥22.5 billion) in cash consideration, less $4 million (¥310 million) to reimburse MS&AD for specific expenses incurred related to the transaction. The accumulated other comprehensive losses in the foreign currency translation adjustment component of equity resulting from the hedges of the Company s investment in the joint venture of $46 million, net of income tax, were released upon sale but did not impact net income for the three months ended June 30, 2011 as such losses were considered in the overall impairment evaluation of the investment prior to the sale. During the three months and six months ended June 30, 2011, the Company recorded a loss of $5 million and $57 million, net of income tax, respectively, in net investment gains (losses) within the interim condensed consolidated statements of operations. The Company s operating earnings relating to its investment in MSI MetLife were included in the Other International Regions segment.

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**MetLife, Inc.**

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

*2011 Pending Disposition*

During the first quarter of 2011, the Company entered into a definitive agreement with a third party to sell its wholly-owned subsidiary, MetLife Taiwan Insurance Company Limited ( MetLife Taiwan ) for $180 million in cash consideration. The transaction is expected to close no later than December 31, 2011. As a part of the sale agreement, the Company received a deposit of $10 million from the third party which is included in other liabilities in the interim condensed consolidated balance sheet at June 30, 2011. The deposit, which is refundable in certain cases, will be applied against the final purchase price. As a result of recording MetLife Taiwan s net assets at the lower of cost or fair value as assets and liabilities held-for-sale, the Company recognized a net investment loss in discontinued operations of $7 million and $74 million, net of income tax, for the three months and six months ended June 30, 2011, respectively. Income from the operations of MetLife Taiwan of $8 million and $14 million, net of income tax, for the three months and six months ended June 30, 2011, respectively, and $4 million and $7 million, net of income tax, for the three months and six months ended June 30, 2010, respectively, were also recorded in discontinued operations.

## 3. Investments

*Fixed Maturity and Equity Securities Available-for-Sale*

The following tables present the cost or amortized cost, gross unrealized gains and losses, estimated fair value of the Company s fixed maturity and equity securities and the percentage that each sector represents by the respective total holdings for the periods shown. The unrealized loss amounts presented below include the noncredit loss component of other-than-temporary impairment ( OTTI ) losses:

| | June 30, 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 | $ 92,677 | $ 5,244 | $ 1,124 | $ | $ 96,797 | 28.3% |
| Foreign corporate securities (1) | 67,518 | 3,877 | 858 | (1) | 70,538 | 20.6 |
| Foreign government securities | 47,750 | 2,046 | 389 | 161 | 49,246 | 14.4 |
| Residential mortgage-backed securities ( RMBS ) | 42,845 | 1,870 | 652 | 513 | 43,550 | 12.8 |
| U.S. Treasury and agency securities | 34,691 | 1,462 | 588 | | 35,565 | 10.4 |
| Commercial mortgage-backed securities ( CMBS ) (1) | 18,782 | 906 | 176 | (6) | 19,518 | 5.7 |
| Asset-backed securities ( ABS ) | 15,082 | 330 | 483 | 72 | 14,857 | 4.4 |
| State and political subdivision securities | 11,554 | 443 | 328 | | 11,669 | 3.4 |
| Other fixed maturity securities | 4 | | | | 4 | |
| Total fixed maturity securities (2),(3) | $ 330,903 | $ 16,178 | $ 4,598 | $ 739 | $ 341,744 | 100.0% |

| | | | | | | |
|---|---|---|---|---|---|---|
| **Equity Securities:** | | | | | | |
| Common stock | $ 1,959 | $ 142 | $ 11 | $ | $ 2,090 | 64.5% |
| Non-redeemable preferred stock (2) | 1,169 | 83 | 104 | | 1,148 | 35.5 |
| Total equity securities | $ 3,128 | $ 225 | $ 115 | $ | $ 3,238 | 100.0% |

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**MetLife, Inc.**

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

| | December 31, 2010 | | | | | |
|---|---|---|---|---|---|---|
| | 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 | $ 88,905 | $ 4,469 | $ 1,602 | $ | $ 91,772 | 28.3% |
| Foreign corporate securities | 65,487 | 3,326 | 925 | | 67,888 | 20.9 |
| Foreign government securities | 40,871 | 1,733 | 602 | | 42,002 | 12.9 |
| RMBS | 44,468 | 1,652 | 917 | 470 | 44,733 | 13.8 |
| U.S. Treasury and agency securities | 32,469 | 1,394 | 559 | | 33,304 | 10.2 |
| CMBS | 20,213 | 740 | 266 | 12 | 20,675 | 6.4 |
| ABS | 14,722 | 274 | 590 | 119 | 14,287 | 4.4 |
| State and political subdivision securities | 10,476 | 171 | 518 | | 10,129 | 3.1 |
| Other fixed maturity securities | 6 | 1 | | | 7 | |
| Total fixed maturity securities (2),(3) | $ 317,617 | $ 13,760 | $ 5,979 | $ 601 | $ 324,797 | 100.0% |
| **Equity Securities:** | | | | | | |
| Common stock | $ 2,059 | $ 146 | $ 12 | $ | $ 2,193 | 60.9% |
| Non-redeemable preferred stock (2) | 1,562 | 76 | 229 | | 1,409 | 39.1 |
| Total equity securities | $ 3,621 | $ 222 | $ 241 | $ | $ 3,602 | 100.0% |

(1) OTTI losses as presented above represent the noncredit portion of OTTI losses that is included in accumulated other comprehensive income (loss). OTTI losses include both the initial recognition of noncredit losses, and the effects of subsequent increases and decreases in estimated fair value for those fixed maturity securities that were previously noncredit loss impaired. The noncredit loss component of OTTI losses for foreign corporate securities and CMBS were in an unrealized gain (loss) position of $1 million and $6 million, respectively, at June 30, 2011 due to increases in estimated fair value subsequent to initial recognition of noncredit losses on such securities. See also Net Unrealized Investment Gains (Losses).

(2) Upon acquisition, the Company classifies perpetual securities that have attributes of both debt and equity as fixed maturity securities if the security has an interest rate step-up feature which, when combined with other qualitative factors, indicates that the security has more debt-like characteristics; while those with more equity-like characteristics, are classified as equity securities within non-redeemable preferred stock. Many of such securities have been issued by non-U.S. financial institutions that are accorded Tier 1 and Upper Tier 2 capital treatment by their respective regulatory bodies and are commonly referred to as perpetual hybrid securities. The following table presents the perpetual hybrid securities held by the Company at:

| Consolidated Balance Sheets | Classification Sector Table | Primary Issuers | June 30, 2011 Estimated Fair Value | December 31, 2010 Estimated Fair Value |
|---|---|---|---|---|
| | | | (In millions) | |
| Fixed maturity securities | Foreign corporate securities | Non-U.S. financial institutions | $ 1,094 | $ 2,008 |
| Fixed maturity securities | U.S. corporate securities | U.S. financial institutions | $ 77 | $ 83 |
| Equity securities | Non-redeemable preferred stock | Non-U.S. financial institutions | $ 841 | $ 1,043 |
| Equity securities | Non-redeemable preferred stock | U.S. financial institutions | $ 227 | $ 236 |

(3) The Company s holdings in redeemable preferred stock with stated maturity dates, commonly referred to as capital securities, were primarily issued by U.S. financial institutions and have cumulative interest deferral features. The Company held $2.2 billion and $2.7 billion at estimated fair value of such securities at June 30, 2011 and December 31, 2010, respectively, which are included in the U.S. and foreign corporate securities sectors within fixed maturity securities.

**MetLife, Inc.**

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

The below investment grade and non-income producing amounts presented below are based on rating agency designations and equivalent designations of the National Association of Insurance Commissioners ( NAIC ), with the exception of certain structured securities described below held by the Company s insurance subsidiaries that file NAIC statutory financial statements. Non-agency RMBS, CMBS and ABS held by the Company s insurance subsidiaries that file NAIC statutory financial statements are presented based on final ratings from the revised NAIC rating methodologies for structured securities (which may not correspond to rating agency designations). All NAIC designation (e.g., NAIC 1 6) amounts and percentages presented herein are based on the revised NAIC methodologies. All rating agency designation (e.g., Aaa/AAA) amounts and percentages presented herein are based on rating agency designations without adjustment for the revised NAIC methodologies described above. Rating agency designations are based on availability of applicable ratings from rating agencies on the NAIC acceptable rating organization list, including Moody s Investors Service ( Moody s ), Standard & Poor s Ratings Services ( S&P ) and Fitch Ratings ( Fitch ).

The following table presents selected information about certain fixed maturity securities held by the Company at:

| | June 30, 2011 | December 31, 2010 |
|---|---|---|
| | (In millions) | |
| Below investment grade or non-rated fixed maturity securities: | | |
| Estimated fair value | $ 25,941 | $ 24,870 |
| Net unrealized gains (losses) | $ (819) | $ (696) |
| Non-income producing fixed maturity securities: | | |
| Estimated fair value | $ 43 | $ 130 |
| Net unrealized gains (losses) | $ (32) | $ (23) |

*Concentrations of Credit Risk (Fixed Maturity Securities) Summary.* The following section contains a summary of the concentrations of credit risk related to fixed maturity securities holdings.

The Company was not exposed to any concentrations of credit risk of any single issuer greater than 10% of the Company s equity, other than the government securities summarized in the table below. The par value and amortized cost of the Company s holdings in sovereign fixed maturity securities of Portugal, Ireland, Italy, Greece and Spain, commonly referred to as Europe s perimeter region , was $1,178 million and $934 million at June 30, 2011, respectively, and $1,912 million and $1,644 million at December 31, 2010, respectively. The estimated fair value of such holdings was $761 million and $1,562 million prior to considering net purchased credit default swap protection at June 30, 2011 and December 31, 2010, respectively. The estimated fair value of these Europe perimeter region sovereign fixed maturity securities represented 1.4% and 3.2% of the Company s equity at June 30, 2011 and December 31, 2010, respectively, and 0.2% and 0.3% of total cash and invested assets at June 30, 2011 and December 31, 2010, respectively.

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**MetLife, Inc.**

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

*Concentrations of Credit Risk (Government and Agency Securities).* The following section contains a summary of the concentrations of credit risk related to government and agency fixed maturity and fixed-income securities holdings, which were greater than 10% of the Company s equity at:

| | June 30, 2011 | December 31, 2010 |
|---|---|---|
| | Carrying Value (1) (In millions) | |
| Government and agency fixed maturity securities: | | |
| United States | $ 35,565 | $ 33,304 |
| Japan | $ 18,216 | $ 15,591 |
| Mexico | $ 5,573 | $ 5,050 |
| U.S. Treasury and agency fixed-income securities included in: | | |
| Short-term investments | $ 8,616 | $ 4,048 |
| Cash equivalents | $ 1,570 | $ 5,762 |

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

*Concentrations of Credit Risk (Fixed Maturity Securities) U.S. and Foreign Corporate Securities.* The Company maintains a diversified portfolio of corporate fixed maturity securities across industries and issuers. This portfolio does not have an exposure to any single issuer in excess of 1% of total investments. The tables below present information for U.S. and foreign corporate securities at:

| | June 30, 2011 | | December 31, 2010 | |
|---|---|---|---|---|
| | Estimated Fair Value | % of Total | Estimated Fair Value | % of Total |
| | (In millions) | | | |
| Corporate fixed maturity securities by sector: | | | | |
| Foreign corporate fixed maturity securities (1) | $ 70,538 | 42.2% | $ 67,888 | 42.5% |
| U.S. corporate fixed maturity securities by industry: | | | | |
| Industrial | 24,270 | 14.5 | 22,070 | 13.8 |
| Consumer | 22,910 | 13.7 | 21,482 | 13.5 |
| Finance | 20,397 | 12.2 | 20,785 | 13.0 |
| Utility | 18,242 | 10.9 | 16,902 | 10.6 |
| Communications | 7,733 | 4.6 | 7,335 | 4.6 |
| Other | 3,245 | 1.9 | 3,198 | 2.0 |

| | | | | |
|---|---|---|---|---|
| Total | $ 167,335 | 100.0% | $ 159,660 | 100.0% |

(1) Includes U.S. dollar-denominated debt obligations of foreign obligors and other foreign fixed maturity securities.

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**MetLife, Inc.**

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

| | June 30, 2011 | | December 31, 2010 | |
|---|---|---|---|---|
| | Estimated Fair Value | % of Total Investments | Estimated Fair Value | % of Total Investments |
| | (In millions) | | | |
| Concentrations within corporate fixed maturity securities: | | | | |
| Largest exposure to a single issuer | $ 2,207 | 0.5% | $ 2,291 | 0.5% |
| Holdings in ten issuers with the largest exposures | $ 13,328 | 2.8% | $ 14,247 | 3.1% |

*Concentrations of Credit Risk (Fixed Maturity Securities) RMBS.* The table below presents information on the Company s RMBS holdings at:

| | June 30, 2011 | | December 31, 2010 | |
|---|---|---|---|---|
| | Estimated Fair Value | % of Total | Estimated Fair Value | % of Total |
| | (In millions) | | | |
| By security type: | | | | |
| Collateralized mortgage obligations | $ 23,011 | 52.8% | $ 22,303 | 49.9% |
| Pass-through securities | 20,539 | 47.2 | 22,430 | 50.1 |
| Total RMBS | $ 43,550 | 100.0% | $ 44,733 | 100.0% |
| By risk profile: | | | | |
| Agency | $ 32,774 | 75.3% | $ 34,254 | 76.6% |
| Prime | 6,016 | 13.8 | 6,258 | 14.0 |
| Alternative residential mortgage loans | 4,760 | 10.9 | 4,221 | 9.4 |
| Total RMBS | $ 43,550 | 100.0% | $ 44,733 | 100.0% |
| Rated Aaa/AAA | $ 34,105 | 78.3% | $ 36,085 | 80.7% |
| Rated NAIC 1 | $ 37,484 | 86.1% | $ 38,984 | 87.1% |

See Note 3 Investments Concentrations of Credit Risk (Fixed Maturity Securities) RMBS of the Notes to the Consolidated Financial Statements included in the 2010 Annual Report for a description of the security types and risk profile.

**MetLife, Inc.**

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

The following tables present information on the Company s investment in alternative residential mortgage loans ( Alt-A ) RMBS at:

| | June 30, 2011 | | December 31, 2010 | |
|---|---|---|---|---|
| | Estimated Fair Value | % of Total | Estimated Fair Value | % of Total |
| | (In millions) | | | |
| **Vintage Year:** | | | | |
| 2005 & Prior | $ 1,704 | 35.8% | $ 1,576 | 37.3% |
| 2006 | 1,376 | 28.9 | 1,013 | 24.0 |
| 2007 | 1,016 | 21.3 | 922 | 21.8 |
| 2008 | | | 7 | 0.2 |
| 2009 (1) | 627 | 13.2 | 671 | 15.9 |
| 2010 (1) | 37 | 0.8 | 32 | 0.8 |
| 2011 | | | | |
| Total | $ 4,760 | 100.0% | $ 4,221 | 100.0% |

(1) All of the Company s Alt-A RMBS holdings in the 2009 and 2010 vintage years are resecuritization of real estate mortgage investment conduit ( Re-REMIC ) Alt-A RMBS that were purchased in 2009 and 2010 and are comprised of original issue vintage year 2005 through 2007 Alt-A RMBS. All of the Company s Re-REMIC Alt-A RMBS holdings are NAIC 1 rated.

| | June 30, 2011 | | December 31, 2010 | |
|---|---|---|---|---|
| | Amount | % of Total | Amount | % of Total |
| | (In millions) | | | |
| Net unrealized gains (losses) | $ (680) | | $ (670) | |
| Rated Aa/AA or better | | 12.4% | | 15.9% |
| Rated NAIC 1 | | 39.4% | | 39.5% |
| Distribution of holdings at estimated fair value by collateral type: | | | | |
| Fixed rate mortgage loans collateral | | 92.3% | | 90.7% |
| Hybrid adjustable rate mortgage loans collateral | | 7.7 | | 9.3 |
| Total Alt-A RMBS | | 100.0% | | 100.0% |

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**MetLife, Inc.**

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

*Concentrations of Credit Risk (Fixed Maturity Securities) CMBS.* The following tables present the Company s holdings of CMBS by rating agency designation and by vintage year at:

| June 30, 2011 | | | | | |
|---|---|---|---|---|---|
| | | | | Below Investment | |
| Aaa | Aa | A | Baa | Grade | Total |