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.

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,		Six Months Ended June 30,	
	2011	**2010**	**2011**	**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)

	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	Noncontrolli Interests
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.

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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.

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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.

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.

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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*

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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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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.

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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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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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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.

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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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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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	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.

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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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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										
	Aaa		Aa		A		Baa		Below Investment Grade		Tot
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value	Amortized Cost
	(In millions)										
	$ 6,311	$ 6,481	$ 184	$ 186	$ 105	$ 103	$ 63	$ 61	$ 21	$ 20	$ 6,684
	3,693	3,858	462	483	117	115	91	92	76	66	4,439
	2,905	3,141	363	389	307	325	169	175	37	29	3,781
	1,480	1,584	155	157	86	94	153	165	157	155	2,031
	674	687	369	342	155	151	43	44	117	115	1,358
									26	30	26
	2	2									2
	3	3			56	61					59
	402	404									402
	$ 15,470	$ 16,160	$ 1,533	$ 1,557	$ 826	$ 849	$ 519	$ 537	$ 434	$ 415	$ 18,782
ibution		82.8%		8.0%		4.3%		2.8%		2.1%	

	December 31, 2010										
	Aaa		Aa		A		Baa		Below Investment Grade		T
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value	Amortized Cost
	(In millions)										
	$ 7,411	$ 7,640	$ 282	$ 282	$ 228	$ 227	$ 74	$ 71	$ 28	$ 24	$ 8,023
	3,489	3,620	277	273	216	209	181	175	91	68	4,254
	3,113	3,292	322	324	286	280	263	255	73	66	4,057
	1,463	1,545	159	160	168	168	385	398	166	156	2,341
	840	791	344	298	96	95	119	108	122	133	1,521
	2	2									2

	3	3									3
	8	8			4	4					12
	$ 16,329	$ 16,901	$ 1,384	$ 1,337	$ 998	$ 983	$ 1,022	$ 1,007	$ 480	$ 447	$ 20,213
ution		81.7%		6.4%		4.8%		4.9%		2.2%	

The tables above reflect rating agency designations assigned by nationally recognized rating agencies including Moody s, S&P, Fitch and Realpoint, LLC.

The NAIC rating distribution of the Company s holdings of CMBS was as follows at:

	June 30, 2011	December 31, 2010
NAIC 1	94.1%	93.7%
NAIC 2	3.7%	3.2%
NAIC 3	1.2%	1.8%
NAIC 4	0.9%	1.0%
NAIC 5	0.1%	0.3%
NAIC 6	%	%

MetLife, Inc.

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

Concentrations of Credit Risk (Fixed Maturity Securities) ABS. The Company s ABS are diversified both by collateral type and by issuer. The following table presents information about ABS held by the Company at:

	June 30, 2011		December 31, 2010	
	Estimated Fair Value	% of Total	Estimated Fair Value	% of Total
	(In millions)			
By collateral type:				
Credit card loans	$ 5,202	35.0%	$ 6,027	42.2%
Student loans	2,903	19.5	2,416	16.9
Collateralized debt obligations	2,447	16.5	1,798	12.6
RMBS backed by sub-prime mortgage loans	1,065	7.2	1,119	7.8
Automobile loans	836	5.6	605	4.2
Other loans	2,404	16.2	2,322	16.3
Total	$ 14,857	100.0%	$ 14,287	100.0%
Rated Aaa/AAA	$ 9,809	66.0%	$ 10,411	72.9%
Rated NAIC 1	$ 13,683	92.1%	$ 13,133	91.9%

The Company had ABS supported by sub-prime mortgage loans with estimated fair values of $1,065 million and $1,119 million and unrealized losses of $284 million and $317 million at June 30, 2011 and December 31, 2010, respectively. Approximately 27% of this portfolio was rated Aa or better, of which 73% was in vintage year 2005 and prior at June 30, 2011. Approximately 54% of this portfolio was rated Aa or better, of which 88% was in vintage year 2005 and prior at December 31, 2010. These older vintages from 2005 and prior benefit from better underwriting, improved credit enhancement levels and higher residential property price appreciation. Approximately 63% and 66% of this portfolio was rated NAIC 2 or better at June 30, 2011 and December 31, 2010, respectively.

Concentrations of Credit Risk (Equity Securities). The Company was not exposed to any concentrations of credit risk in its equity securities holdings of any single issuer greater than 10% of the Company s equity or 1% of total investments at June 30, 2011 and December 31, 2010.

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, 2011		December 31, 2010	
Amortized	Estimated Fair	Amortized	Estimated Fair

	Cost	Value	Cost	Value
	(In millions)			
Due in one year or less	$ 10,716	$ 10,857	$ 8,580	$ 8,702
Due after one year through five years	69,032	71,319	65,143	66,796
Due after five years through ten years	82,006	86,268	76,508	79,571
Due after ten years	92,440	95,375	87,983	90,033
Subtotal	254,194	263,819	238,214	245,102
RMBS, CMBS and ABS	76,709	77,925	79,403	79,695
Total fixed maturity securities	$ 330,903	$ 341,744	$ 317,617	$ 324,797

MetLife, Inc.

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

Actual maturities may differ from contractual maturities due to the exercise of call or prepayment options. Fixed maturity securities not due at a single maturity date have been 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.

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 2010 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:

	June 30, 2011	December 31, 2010
	(In millions)	
Fixed maturity securities	$ 11,576	$ 7,817
Fixed maturity securities with noncredit OTTI losses in accumulated other comprehensive income (loss)	(739)	(601)
Total fixed maturity securities	10,837	7,216
Equity securities	132	(3)
Derivatives	(165)	(59)
Other	(5)	42
Subtotal	10,799	7,196
Amounts allocated from:		
Insurance liability loss recognition	(1,061)	(672)
DAC and VOBA related to noncredit OTTI losses recognized in accumulated other comprehensive income (loss)	34	38
DAC and VOBA	(1,430)	(1,205)
Policyholder dividend obligation	(1,281)	(876)
Subtotal	(3,738)	(2,715)
Deferred income tax benefit (expense) related to noncredit OTTI losses recognized in accumulated other comprehensive income (loss)	245	197
Deferred income tax benefit (expense)	(2,651)	(1,692)

Net unrealized investment gains (losses)		4,655		2,986
Net unrealized investment gains (losses) attributable to noncontrolling interests		9		4
Net unrealized investment gains (losses) attributable to MetLife, Inc.	$	4,664	$	2,990

MetLife, Inc.

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

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

	June 30, 2011	December 31, 2010
	(In millions)	
Balance, beginning of period	$ (601)	$ (859)
Noncredit OTTI losses recognized (1)	(184)	(212)
Transferred to retained earnings (2)		16
Securities sold with previous noncredit OTTI loss	77	137
Subsequent changes in estimated fair value	(31)	317
Balance, end of period	$ (739)	$ (601)

(1) Noncredit OTTI losses recognized, net of deferred policy acquisition costs (DAC), were ($188) million and ($202) million for the periods ended June 30, 2011 and December 31, 2010, respectively.

(2) Amounts transferred to retained earnings were in connection with the adoption of guidance related to the consolidation of VIEs as described in Note 1 of the Notes to the Consolidated Financial Statements included in the 2010 Annual Report.

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

	Six Months Ended June 30, 2011
	(In millions)
Balance, beginning of period	$ 2,990
Fixed maturity securities on which noncredit OTTI losses have been recognized	(138)
Unrealized investment gains (losses) during the period	3,741
Unrealized investment gains (losses) relating to:	
Insurance liability gain (loss) recognition	(389)
DAC and VOBA related to noncredit OTTI losses recognized in accumulated other comprehensive income (loss)	(4)
DAC and VOBA	(225)
Policyholder dividend obligation	(405)
Deferred income tax benefit (expense) related to noncredit OTTI losses recognized in accumulated other comprehensive income (loss)	48

Deferred income tax benefit (expense)		(959)
Net unrealized investment gains (losses)		4,659
Net unrealized investment gains (losses) attributable to noncontrolling interests		5
Balance, end of period	$	4,664
Change in net unrealized investment gains (losses)	$	1,669
Change in net unrealized investment gains (losses) attributable to noncontrolling interests		5
Change in net unrealized investment gains (losses) attributable to MetLife, Inc.	$	1,674

MetLife, Inc.

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

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

The following tables present the estimated fair value and gross unrealized losses of the Company s fixed maturity and equity securities in an unrealized loss position, aggregated by sector and by length of time that the securities have been in a continuous 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 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, 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	$ 15,021	$ 289	$ 6,662	$ 835	$ 21,683	$ 1,124
Foreign corporate securities	17,137	592	1,953	265	19,090	857
Foreign government securities	21,463	539	153	11	21,616	550
RMBS	5,742	159	5,540	1,006	11,282	1,165
U.S. Treasury and agency securities	11,586	562	108	26	11,694	588
CMBS	1,606	32	926	138	2,532	170
ABS	2,212	22	2,723	533	4,935	555
State and political subdivision securities	2,684	96	1,000	232	3,684	328
Other fixed maturity securities	2				2	
Total fixed maturity securities	$ 77,453	$ 2,291	$ 19,065	$ 3,046	$ 96,518	$ 5,337
Equity Securities:						
Common stock	$ 96	$ 11	$ 23	$	$ 119	$ 11
Non-redeemable preferred stock	174	6	462	98	636	104
Total equity securities	$ 270	$ 17	$ 485	$ 98	$ 755	$ 115
Total number of securities in an unrealized loss position	4,834		1,351			

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MetLife, Inc.

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

	December 31, 2010					
	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	$ 22,954	$ 447	$ 8,319	$ 1,155	$ 31,273	$ 1,602
Foreign corporate securities	22,415	410	3,976	515	26,391	925
Foreign government securities	26,659	585	189	17	26,848	602
RMBS	7,588	212	6,700	1,175	14,288	1,387
U.S. Treasury and agency securities	13,401	530	118	29	13,519	559
CMBS	3,787	29	1,363	249	5,150	278
ABS	2,713	42	3,026	667	5,739	709
State and political subdivision securities	5,061	246	988	272	6,049	518
Other fixed maturity securities	1				1	
Total fixed maturity securities	$ 104,579	$ 2,501	$ 24,679	$ 4,079	$ 129,258	$ 6,580
Equity Securities:						
Common stock	$ 89	$ 12	$ 1	$	$ 90	$ 12
Non-redeemable preferred stock	191	9	824	220	1,015	229
Total equity securities	$ 280	$ 21	$ 825	$ 220	$ 1,105	$ 241
Total number of securities in an unrealized loss position	5,609		1,704			

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

The following tables present the cost or amortized cost, gross unrealized losses, including the portion of OTTI loss on fixed maturity securities recognized in accumulated other comprehensive income (loss), gross unrealized losses as a percentage of cost or amortized cost and number of securities for fixed maturity and equity securities where the estimated fair value had declined and remained below cost or amortized cost by less than 20%, or 20% or more at:

	June 30, 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	$ 26,453	$ 2,874	$ 367	$ 825	1,963	167
Six months or greater but less than nine months	50,011	420	1,329	104	2,639	31
Nine months or greater but less than twelve months	1,985	186	130	64	260	12
Twelve months or greater	16,861	3,065	1,489	1,029	1,025	196
Total	$ 95,310	$ 6,545	$ 3,315	$ 2,022		
Percentage of amortized cost			3%	31%		
Equity Securities:						
Less than six months	$ 132	$ 8	$ 6	$ 4	74	16
Six months or greater but less than nine months	144	1	6		32	9
Nine months or greater but less than twelve months		1				4
Twelve months or greater	355	229	30	69	23	11
Total	$ 631	$ 239	$ 42	$ 73		
Percentage of cost			7%	31%		

MetLife, Inc.

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

	December 31, 2010					
	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	$ 105,301	$ 1,403	$ 2,348	$ 368	5,320	121
Six months or greater but less than nine months	1,125	376	29	102	104	29
Nine months or greater but less than twelve months	371	89	28	27	50	9
Twelve months or greater	21,627	5,546	1,863	1,815	1,245	311
Total	$ 128,424	$ 7,414	$ 4,268	$ 2,312		
Percentage of amortized cost			3%	31%		
Equity Securities:						
Less than six months	$ 247	$ 94	$ 10	$ 22	106	33
Six months or greater but less than nine months	29	65	5	16	3	2
Nine months or greater but less than twelve months	6	47		16	3	2
Twelve months or greater	518	340	56	116	35	14
Total	$ 800	$ 546	$ 71	$ 170		
Percentage of cost			9%	31%		

Equity securities with gross unrealized losses of 20% or more for twelve months or greater decreased from $116 million at December 31, 2010 to $69 million at June 30, 2011. 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, 2011 were financial services industry investment grade non-redeemable preferred stock, of which 72% were rated A or better.

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MetLife, Inc.

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

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

The Company s gross unrealized losses related to its fixed maturity and equity securities, including the portion of OTTI losses on fixed maturity securities recognized in accumulated other comprehensive income (loss) were $5.5 billion and $6.8 billion at June 30, 2011 and December 31, 2010, respectively. The concentration, calculated as a percentage of gross unrealized losses (including OTTI losses), by sector and industry was as follows at:

	June 30, 2011	December 31, 2010
Sector:		
RMBS	21%	20%
U.S. corporate securities	21	23
Foreign corporate securities	16	14
U.S. Treasury and agency securities	11	8
ABS	10	10
Foreign government securities	10	9
State and political subdivision securities	6	8
CMBS	3	4
Other	2	4
Total	100%	100%
Industry:		
Mortgage-backed	24%	24%
Finance	15	21
U.S. Treasury and agency securities	11	8
Asset-backed	10	10
Foreign government securities	10	9
Utility	10	5
State and political subdivision securities	6	8
Consumer	4	4
Communications	2	2
Industrial	1	2
Other	7	7
Total	100%	100%

MetLife, Inc.

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

Evaluating Temporarily Impaired Available-for-Sale Securities

The following table presents the Company s 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, 2011		December 31, 2010	
	Fixed Maturity Securities	Equity Securities	Fixed Maturity Securities	Equity Securities
	(In millions, except number of securities)			
Number of securities	88	3	107	6
Total gross unrealized losses	$ 1,846	$ 43	$ 2,014	$ 103
Percentage of total gross unrealized losses	35%	37%	31%	43%

Fixed maturity and equity securities, each with gross unrealized losses greater than $10 million, decreased $228 million during the six months ended June 30, 2011. The decline in, or improvement in, gross unrealized losses for the six months ended June 30, 2011 was primarily attributable to a decrease in interest rates. These securities were included in the Company s OTTI review process. Based upon the Company s current evaluation of these securities and other 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.

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.

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, 2011:

		Non-Redeemable Preferred Stock				
All Equity Securities	All Types of Non-Redeemable Preferred Stock	Investment Grade				
		All Industries		Financial Services Industry		
Gross	Gross	Gross	% of All	Gross		% A

	Unrealized Losses	Unrealized Losses	% of All Equity Securities	Unrealized Losses	Non-Redeemable Preferred Stock	Unrealized Losses	% of All Industries	Rated or Better
				(In millions)				
Less than six months	$ 4	$	%	$	%	$	%	%
Six months or greater but less than twelve months			%		%		%	%
Twelve months or greater	69	69	100%	69	100%	69	100%	72%
All equity securities with gross unrealized losses of 20% or more	$ 73	$ 69	95%	$ 69	100%	$ 69	100%	72%

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 industry. 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

MetLife, Inc.

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

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).

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 and any of the above factors deteriorate, additional OTTIs may be incurred in upcoming quarters.

Net Investment Gains (Losses)

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
	(In millions)			
Total gains (losses) on fixed maturity securities:				
Total OTTI losses recognized	$ (298)	$ (244)	$ (430)	$ (395)
Less: Noncredit portion of OTTI losses transferred to and recognized in other comprehensive income (loss)	175	98	184	157
Net OTTI losses on fixed maturity securities recognized in earnings	(123)	(146)	(246)	(238)
Fixed maturity securities net gains (losses) on sales and disposals	18	19	(22)	45
Total gains (losses) on fixed maturity securities	(105)	(127)	(268)	(193)
Other net investment gains (losses):				
Equity securities	(70)	74	(34)	101
Mortgage loans	68	11	115	(17)
Real estate and real estate joint ventures	4	(27)	5	(49)
Other limited partnership interests	5	(10)	8	(11)
Other investment portfolio gains (losses)	(6)	17	(2)	76
Subtotal investment portfolio gains (losses)	(104)	(62)	(176)	(93)
Fair value option (FVO) consolidated securitization entities changes in estimated fair value:				
Commercial mortgage loans	7	172	25	653

Securities	39	(17)	(1)	(21)
Long-term debt related to commercial mortgage loans	(8)	(156)	(8)	(635)
Long-term debt related to securities	(54)	(1)	(7)	11
Other gains (losses) (1)	(35)	50	(87)	103
Subtotal FVO consolidated securitization entities and other gains (losses)	(51)	48	(78)	111
Total net investment gains (losses)	$ (155)	$ (14)	$ (254)	$ 18

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MetLife, Inc.

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

(1) 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 MSI MetLife. See Note 2.

See Variable Interest Entities for discussion of consolidated securitization entities (CSEs) included in the table above.

Gains (losses) from foreign currency transactions included within net investment gains (losses) were ($49) million and ($14) million for the three months and six months ended June 30, 2011, respectively, and $56 million and $206 million for the three months and six months ended June 30, 2010, respectively.

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

	Three Months Ended June 30,					
	2011	2010	2011	2010	2011	2010
	Fixed Maturity Securities		Equity Securities		Total	
	(In millions)					
Proceeds	$ 19,316	$ 13,466	$ 489	$ 298	$ 19,805	$ 13,764
Gross investment gains	$ 235	$ 214	$ 26	$ 76	$ 261	$ 290
Gross investment losses	(217)	(195)	(49)	(1)	(266)	(196)
Total OTTI losses recognized in earnings:						
Credit-related	(70)	(146)			(70)	(146)
Other (1)	(53)		(47)	(1)	(100)	(1)
Total OTTI losses recognized in earnings	(123)	(146)	(47)	(1)	(170)	(147)
Net investment gains (losses)	$ (105)	$ (127)	$ (70)	$ 74	$ (175)	$ (53)

	Six Months Ended June 30,					
	2011	2010	2011	2010	2011	2010
	Fixed Maturity Securities		Equity Securities		Total	
	(In millions)					

Proceeds	$ 35,848	$ 21,838	$ 805	$ 443	$ 36,653	$ 22,281
Gross investment gains	$ 428	$ 378	$ 74	$ 107	$ 502	$ 485
Gross investment losses	(450)	(333)	(55)	(4)	(505)	(337)
Total OTTI losses recognized in earnings:						
Credit-related	(113)	(232)			(113)	(232)
Other (1)	(133)	(6)	(53)	(2)	(186)	(8)
Total OTTI losses recognized in earnings	(246)	(238)	(53)	(2)	(299)	(240)
Net investment gains (losses)	$ (268)	$ (193)	$ (34)	$ 101	$ (302)	$ (92)

(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

MetLife, Inc.

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

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.

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, 2011	Three Months Ended June 30, 2010	Six Months Ended June 30, 2011	Six Months Ended June 30, 2010
	(In millions)			
Sector:				
U.S. and foreign corporate securities by industry:				
Finance	$ 40	$ 20	$ 41	$ 28
Consumer	27	1	29	23
Communications	1		14	3
Utility		3	1	3
Total U.S. and foreign corporate securities	68	24	85	57
Foreign government securities	13		89	
RMBS	36	27	54	57
ABS	6	44	15	63
CMBS		51	3	61
Total	$ 123	$ 146	$ 246	$ 238

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

	Three Months Ended June 30, 2011	Three Months Ended June 30, 2010	Six Months Ended June 30, 2011	Six Months Ended June 30, 2010
	(In millions)			
Sector:				
Non-redeemable preferred stock	$ 38	$	$ 38	$
Common stock	9	1	15	2
Total	$ 47	$ 1	$ 53	$ 2

Industry:

Financial services industry perpetual hybrid securities	$	38	$		$	38	$	
Other industries		9		1		15		2
Total	$	47	$	1	$	53	$	2

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MetLife, Inc.

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

Credit Loss Rollforward 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)

The table below presents a rollforward of the cumulative credit loss component of OTTI loss recognized in earnings on fixed maturity securities still held by the Company 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,	
	2011	2010	2011	2010
	(In millions)			
Balance, beginning of period	$ 389	$ 424	$ 443	$ 581
Additions:				
Initial impairments credit loss OTTI recognized on securities not previously impaired	18	62	26	81
Additional impairments credit loss OTTI recognized on securities previously impaired	24	39	40	70
Reductions:				
Due to sales (maturities, pay downs or prepayments) during the period of securities previously credit loss OTTI impaired	(26)	(30)	(55)	(134)
Due to securities de-recognized in connection with the adoption of new guidance related to the consolidation of VIEs				(100)
Due to securities impaired to net present value of expected future cash flows			(44)	
Due to increases in cash flows accretion of previous credit loss OTTI	(4)	(4)	(9)	(7)
Balance, end of period	$ 401	$ 491	$ 401	$ 491

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MetLife, Inc.

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

Net Investment Income

The components of net investment income were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	**2010**	**2011**	**2010**
	(In millions)			
Investment income:				
Fixed maturity securities	$ 3,791	$ 3,013	$ 7,474	$ 6,066
Equity securities	48	39	78	64
Trading and other securities Actively Traded Securities and FVO general account securities (1)	16	(4)	44	11
Mortgage loans	766	695	1,525	1,368
Policy loans	160	157	320	333
Real estate and real estate joint ventures	200	135	354	179
Other limited partnership interests	159	161	402	426
Cash, cash equivalents and short-term investments	44	20	90	38
International joint ventures (2)	9	(97)	(10)	(80)
Other	101	102	69	188
Subtotal	5,294	4,221	10,346	8,593
Less: Investment expenses	260	217	511	442
Subtotal, net	5,034	4,004	9,835	8,151
Trading and other securities FVO contractholder-directed unit-linked investments (1)	(32)	(52)	387	12
FVO consolidated securitization entities:				
Commercial mortgage loans	96	105	191	210
Securities		4	1	8
Subtotal	64	57	579	230
Net investment income	$ 5,098	$ 4,061	$ 10,414	$ 8,381

(1) Changes in estimated fair value subsequent to purchase included in net investment income were:

Trading and other securities Actively Traded Securities and FVO general account securities	$	$ (19)	$ 21	$ (15)
Trading and other securities FVO contractholder-directed unit-linked investments	$ (84)	$ (71)	$ 232	$ (14)

(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 less than $1 million and $23 million for the three months and six months ended June 30, 2011, respectively, and $109 million and $77 million for the three months and six months ended June 30, 2010, respectively.

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

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MetLife, Inc.

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

Securities Lending

The Company participates in a securities lending program whereby blocks of securities, which are included in fixed maturity securities and short-term investments, are loaned to third parties, primarily brokerage firms and commercial banks. The Company generally obtains collateral, generally cash, in an amount equal to 102% of the estimated fair value of the securities loaned, which is obtained at the inception of a loan and maintained at a level greater than or equal to 100% for the duration of the loan. Securities loaned under such transactions may be sold or repledged by the transferee. The Company is liable to return to its counterparties the cash collateral under its control. These transactions are treated as financing arrangements and the associated liability is recorded at the amount of the cash received.

Elements of the securities lending program are presented below at:

	June 30, 2011	December 31, 2010
	(In millions)	
Securities on loan:		
Amortized cost	$ 25,336	$ 23,715
Estimated fair value	$ 25,938	$ 24,230
Aging of cash collateral liability:		
Open (1)	$ 3,477	$ 2,752
Less than thirty days	15,609	12,301
Thirty days or greater but less than sixty days	5,351	4,399
Sixty days or greater but less than ninety days	1,020	2,291
Ninety days or greater	1,124	2,904
Total cash collateral liability	$ 26,581	$ 24,647
Security collateral on deposit from counterparties	$ 22	$
Reinvestment portfolio estimated fair value	$ 26,482	$ 24,177

(1) Open meaning that the related loaned security could be returned to the Company on the next business day requiring the Company to immediately return the cash collateral.

The estimated fair value of the securities on loan related to the cash collateral on open at June 30, 2011 was $3.4 billion, of which $2.9 billion were U.S. Treasury and agency securities which, if put to the Company, can be immediately sold to satisfy the cash requirements. The remainder of the securities on loan was primarily U.S. Treasury and agency securities, and very liquid RMBS. The U.S. Treasury securities on loan were primarily holdings of on-the-run U.S. Treasury securities, the most liquid U.S. Treasury securities available. If these high quality securities that are on loan are put back to the Company, the proceeds from immediately selling these securities can be used to satisfy the related cash requirements. The reinvestment portfolio acquired with the cash collateral consisted principally of fixed maturity securities (including RMBS, U.S. Treasury and agency securities, U.S. corporate securities, ABS, foreign corporate securities and CMBS). If the on loan securities or the reinvestment portfolio become less liquid, the Company has the liquidity resources of most of its general account available to meet any potential cash demands when securities are put back to the Company.

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 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 below at estimated fair value for cash and cash equivalents, short-term investments, fixed maturity, equity, trading and other securities and at carrying value for mortgage loans.

	June 30, 2011	December 31, 2010
	(In millions)	
Invested assets on deposit:		
Regulatory agencies	$ 1,950	$ 2,110
Invested assets held in trust:		
Collateral financing arrangements	5,408	5,340
Reinsurance arrangements	2,971	3,090
Invested assets pledged as collateral:		
Funding agreements and advances Federal Home Loan Bank (FHLB) of New York	20,589	21,975
Funding agreements Federal Agricultural Mortgage Corporation	3,160	3,159
Funding agreements FHLB of Des Moines	850	
Funding agreements FHLB of Boston	534	211
Federal Reserve Bank of New York	1,654	1,822
Collateral financing arrangements	93	112
Derivative transactions	971	1,726
Short sale agreements	568	465
Total invested assets on deposit, held in trust and pledged as collateral	$ 38,748	$ 40,010

See Note 3 Investments Invested Assets on Deposit, Held in Trust and Pledged as Collateral of the Notes to the Consolidated Financial Statements included in the 2010 Annual Report for a description of the types of invested assets on deposit, held in trust and pledged as collateral and selected other information about the related program or counterparty. In 2011, the Company pledged fixed maturity securities in support of its funding agreements with the FHLB of Des Moines. See Note 8 of the Notes to the Consolidated Financial Statements included in the 2010 Annual Report for a description of the nature of these funding agreements.

See also Securities Lending for the amount of the Company s cash received from and due back to counterparties pursuant to the Company s securities lending program. See also Variable Interest Entities for assets of certain CSEs that can only be used to settle liabilities of such entities.

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 FVO has been elected:

	June 30, 2011	December 31, 2010
	(In millions)	
Actively Traded Securities	$ 560	$ 463
FVO general account securities	303	131
FVO contractholder-directed unit-linked investments	18,690	17,794
FVO securities held by consolidated securitization entities	147	201
Total trading and other securities at estimated fair value	$ 19,700	$ 18,589
Actively Traded Securities at estimated fair value	$ 560	$ 463
Short sale agreement liabilities at estimated fair value	(54)	(46)
Net long/short position at estimated fair value	$ 506	$ 417
Investments pledged to secure short sale agreement liabilities	$ 568	$ 465

See Note 1 of the Notes to the Consolidated Financial Statements included in the 2010 Annual Report for discussion of FVO contractholder-directed unit-linked investments and Variable Interest Entities for discussion of 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 net investment income and net investment gains (losses), as applicable.

Mortgage Loans

Mortgage loans are summarized as follows at:

	June 30, 2011		December 31, 2010	
	Carrying Value	% of Total	Carrying Value	% of Total
	(In millions)			
Mortgage loans held-for-investment:				
Commercial	$ 39,050	61.4%	$ 37,818	60.7%
Agricultural	12,981	20.4	12,751	20.4
Residential	2,657	4.2	2,231	3.7

Subtotal	54,688	86.0	52,800	84.8
Valuation allowances	(566)	(0.9)	(664)	(1.1)
Subtotal mortgage loans held-for-investment, net	54,122	85.1	52,136	83.7
Commercial mortgage loans held by consolidated securitization entities FVO	6,697	10.5	6,840	11.0
Total mortgage loans held-for-investment, net	60,819	95.6	58,976	94.7
Mortgage loans held-for-sale:				
Residential FVO	1,863	2.9	2,510	4.0
Agricultural and residential mortgage loans lower of amortized cost or estimated fair value	942	1.5	811	1.3
Total mortgage loans held-for-sale	2,805	4.4	3,321	5.3
Total mortgage loans, net	$ 63,624	100.0%	$ 62,297	100.0%

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

MetLife, Inc.

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

Concentration of Credit Risk. The Company diversifies its mortgage loan portfolio by both geographic region and property type to reduce the risk of concentration. The majority, 91%, of the Company s commercial and agricultural mortgage loans are collateralized by properties located in the U.S., with the remaining 9% collateralized by properties located outside the U.S., calculated as a percent of total mortgage loans held-for-investment (excluding commercial mortgage loans held by CSEs) at June 30, 2011. The carrying value of the Company s commercial and agricultural mortgage loans located in California, New York and Illinois were 19%, 9% and 7%, respectively, of total mortgage loans held-for-investment (excluding commercial mortgage loans held by CSEs) at June 30, 2011. Additionally, the Company manages risk when originating commercial and agricultural mortgage loans by generally lending only up to 75% of the estimated fair value of the underlying real estate.

Certain of the Company s real estate joint ventures have mortgage loans with the Company. The carrying values of such mortgage loans were $286 million and $283 million at June 30, 2011 and December 31, 2010, respectively.

The following tables present the recorded investment in mortgage loans held-for-investment, by portfolio segment, by method of evaluation of credit loss, and the related valuation allowances, by type of credit loss, at:

	Commercial	Agricultural	Residential	Total
		(In millions)		
June 30, 2011:				
Mortgage loans:				
Evaluated individually for credit losses	$ 126	$ 128	$ 11	$ 265
Evaluated collectively for credit losses	38,924	12,853	2,646	54,423
Total mortgage loans	39,050	12,981	2,657	54,688
Valuation allowances:				
Specific credit losses	28	43	1	72
Non-specifically identified credit losses	441	36	17	494
Total valuation allowances	469	79	18	566
Mortgage loans, net of valuation allowance	$ 38,581	$ 12,902	$ 2,639	$ 54,122
December 31, 2010:				
Mortgage loans:				
Evaluated individually for credit losses	$ 120	$ 146	$ 13	$ 279
Evaluated collectively for credit losses	37,698	12,605	2,218	52,521
Total mortgage loans	37,818	12,751	2,231	52,800
Valuation allowances:				
Specific credit losses	36	52		88

Non-specifically identified credit losses		526		36		14		576
Total valuation allowances		562		88		14		664
Mortgage loans, net of valuation allowance	$	37,256	$	12,663	$	2,217	$	52,136

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			
	Commercial	Agricultural	Residential	Total
	(In millions)			
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 Three Months Ended June 30, 2010:				
Balance, beginning of period	$ 624	$ 110	$ 17	$ 751
Provision (release)	(3)	(7)	2	(8)
Charge-offs, net of recoveries		(7)	(2)	(9)
Balance, end of period	$ 621	$ 96	$ 17	$ 734
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
For the Six Months Ended June 30, 2010:				
Balance, beginning of period	$ 589	$ 115	$ 17	$ 721
Provision (release)	32	(1)	2	33
Charge-offs, net of recoveries		(18)	(2)	(20)
Balance, end of period	$ 621	$ 96	$ 17	$ 734

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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 for the commercial mortgage loans held-for-investment is the recorded investment, prior to valuation allowances, by the indicated loan-to-value ratio categories and debt service coverage ratio categories and estimated fair value of such mortgage loans by the indicated loan-to-value ratio categories at:

	Commercial						
	Recorded Investment						
	Debt Service Coverage Ratios					Estimated	
	> 1.20x	1.00x - 1.20x	< 1.00x	Total	% of Total	Fair Value	% of Total
	(In millions)					(In millions)	
June 30, 2011:							
Loan-to-value ratios:							
Less than 65%	$ 20,130	$ 480	$ 432	$ 21,042	53.9%	$ 22,463	55.2%
65% to 75%	9,292	520	478	10,290	26.4	10,811	26.6
76% to 80%	2,528	131	53	2,712	6.9	2,748	6.8
Greater than 80%	3,432	931	643	5,006	12.8	4,638	11.4
Total	$ 35,382	$ 2,062	$ 1,606	$ 39,050	100.0%	$ 40,660	100.0%
December 31, 2010:							
Loan-to-value ratios:							
Less than 65%	$ 16,663	$ 125	$ 483	$ 17,271	45.7%	$ 18,183	46.9%
65% to 75%	9,022	765	513	10,300	27.2	10,685	27.6
76% to 80%	3,033	304	135	3,472	9.2	3,535	9.1
Greater than 80%	4,155	1,813	807	6,775	17.9	6,374	16.4
Total	$ 32,873	$ 3,007	$ 1,938	$ 37,818	100.0%	$ 38,777	100.0%

Agricultural Mortgage Loans by Credit Quality Indicator. The recorded investment in agricultural mortgage loans held-for-investment, prior to valuation allowances, by credit quality indicator, is as shown below. The estimated fair value of agricultural mortgage loans held-for-investment was $13.3 billion and $12.9 billion at June 30, 2011 and December 31, 2010, respectively.

	Agricultural			
	June 30, 2011		December 31, 2010	
	Recorded Investment	% of Total	Recorded Investment	% of Total
	(In millions)		(In millions)	

Loan-to-value ratios:						
Less than 65%	$	11,639	89.7%	$	11,483	90.1%
65% to 75%		888	6.8		885	6.9
76% to 80%		12	0.1		48	0.4
Greater than 80%		442	3.4		335	2.6
Total	$	12,981	100.0%	$	12,751	100.0%

MetLife, Inc.

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

Residential Mortgage Loans by Credit Quality Indicator. The recorded investment in residential mortgage loans held-for-investment, prior to valuation allowances, by credit quality indicator, is as shown below. The estimated fair value of residential mortgage loans held-for-investment was $2.7 billion and $2.3 billion at June 30, 2011 and December 31, 2010, respectively.

	Residential			
	June 30, 2011		December 31, 2010	
	Recorded Investment (In millions)	% of Total	Recorded Investment (In millions)	% of Total
Performance indicators:				
Performing	$ 2,584	97.3%	$ 2,149	96.3%
Nonperforming	73	2.7	82	3.7
Total	$ 2,657	100.0%	$ 2,231	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, 2011 and December 31, 2010. The Company defines delinquent mortgage loans consistent with industry practice, when interest and principal payments are past due as follows: commercial mortgage loans 60 days or more past due; agricultural mortgage loans 90 days or more past due; and residential mortgage loans 60 days or more past due. The recorded investment in mortgage loans held-for-investment, prior to valuation allowances, past due according to these aging categories, greater than 90 days past due and still accruing interest and in nonaccrual status, by portfolio segment, were as follows at:

	Past Due		Greater than 90 Days Past Due Still Accruing Interest		Nonaccrual Status	
	June 30, 2011	December 31, 2010	June 30, 2011	December 31, 2010	June 30, 2011	December 31, 2010
	(In millions)					
Commercial	$ 161	$ 58	$ 115	$ 1	$ 41	$ 7
Agricultural	161	159	17	13	147	177
Residential	35	79	10	11	28	25
Total	$ 357	$ 296	$ 142	$ 25	$ 216	$ 209

Impaired Mortgage Loans. The unpaid principal balance, recorded investment, valuation allowances and carrying value, net of valuation allowances, for impaired mortgage loans held-for-investment, by portfolio segment, were as follows 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, 2011:								
Commercial	$ 126	$ 126	$ 28	$ 98	$ 105	$ 95	$ 231	$ 193
Agricultural	131	128	43	85	105	100	236	185
Residential	11	11	1	10	15	15	26	25
Total	$ 268	$ 265	$ 72	$ 193	$ 225	$ 210	$ 493	$ 403
December 31, 2010:								
Commercial	$ 120	$ 120	$ 36	$ 84	$ 99	$ 87	$ 219	$ 171
Agricultural	146	146	52	94	123	119	269	213
Residential	3	3		3	16	16	19	19
Total	$ 269	$ 269	$ 88	$ 181	$ 238	$ 222	$ 507	$ 403

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Unpaid principal balance is generally prior to any charge-off.

The average investment in impaired mortgage loans held-for-investment, and the related interest income, by portfolio segment was:

	Impaired Mortgage Loans					
	Average Investment		Interest Income Recognized			
			Cash Basis		Accrual Basis	
	(In millions)					
For the Three Months Ended June 30, 2011:						
Commercial	$	292	$		$	
Agricultural		255				1
Residential		32				
Total	$	579	$		$	1
For the Three Months Ended June 30, 2010:						
Commercial	$	182	$	2	$	
Agricultural		278		2		
Residential		7				
Total	$	467	$	4	$	
For the Six Months Ended June 30, 2011:						
Commercial	$	264	$	3	$	1
Agricultural		268		2		1
Residential		28				
Total	$	560	$	5	$	2
For the Six Months Ended June 30, 2010:						
Commercial	$	156	$	4	$	1
Agricultural		289		3		
Residential		7				
Total	$	452	$	7	$	1

Cash Equivalents

Cash equivalents, which include investments with an original or remaining maturity of three months or less at the time of purchase, were $4.9 billion and $9.6 billion at June 30, 2011 and December 31, 2010, respectively.

Purchased Credit Impaired Investments

Investments acquired with evidence of credit quality deterioration since origination and for which it is probable at the acquisition date that the Company will be unable to collect all contractually required payments are classified as purchased credit impaired investments. For each investment, the excess of the cash flows expected to be collected as of the acquisition date over its acquisition date fair value is referred to as the accretable yield and is recognized as net investment income on an effective yield basis. If subsequently, based on current information and events, it is probable that there is a significant increase in cash flows previously expected to be collected or if actual cash flows are significantly greater than cash flows previously expected to be collected, the accretable yield is adjusted prospectively. The excess of the contractually required payments (including interest) as of the acquisition

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

date over the cash flows expected to be collected as of the acquisition date is referred to as the nonaccretable difference, and this amount is not expected to be realized as net investment income. Decreases in cash flows expected to be collected can result in OTTI or the recognition of mortgage loan valuation allowances.

The table below presents the purchased credit impaired investments, by invested asset class, held at:

	Fixed Maturity Securities		Mortgage Loans	
	June 30, 2011	December 31, 2010	June 30, 2011	December 31, 2010
	(In millions)			
Outstanding principal and interest balance (1)	$ 3,360	$ 1,548	$ 510	$ 504
Carrying value (2)	$ 2,377	$ 1,050	$ 205	$ 195

(1) Represents the contractually required payments which is the sum of contractual principal, whether or not currently due, and accrued interest.

(2) Estimated fair value plus accrued interest for fixed maturity securities and amortized cost, plus accrued interest, less any valuation allowances, for mortgage loans.

The following table presents information about purchased credit impaired investments acquired during the periods, as of their respective acquisition dates:

	Fixed Maturity Securities Six Months Ended June 30,		Mortgage Loans Six Months Ended June 30,	
	2011	2010	2011	2010
	(In millions)			
Contractually required payments (including interest)	$ 4,651	$ 1,083	$	$
Cash flows expected to be collected (1)	$ 2,724	$ 1,021	$	$
Fair value of investments acquired	$ 1,503	$ 633	$	$

(1) Represents undiscounted principal and interest cash flow expectations at the date of acquisition.

The following table presents activity for the accretable yield on purchased credit impaired investments for:

	Fixed Maturity Securities				Mortgage Loans			
	Three Months Ended June 30,		Six Months Ended June 30,		Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010	2011	2010	2011	2010
	(In millions)							
Accretable yield, beginning of period	$ 708	$ 70	$ 541	$	$ 176	$	$ 170	$
Investments purchased	1,089	317	1,221	388				
Accretion recognized in net investment income	(32)	(6)	(49)	(7)	(20)		(32)	
Disposals	(18)		(69)					
Reclassification (to) from nonaccretable difference	144	(12)	247	(12)	102		120	
Accretable yield, end of period	$ 1,891	$ 369	$ 1,891	$ 369	$ 258	$	$ 258	$

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

MetLife, Inc.

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

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, 2011 and December 31, 2010. 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, 2011		December 31, 2010	
	Total Assets	Total Liabilities	Total Assets	Total Liabilities
	(In millions)			
Consolidated securitization entities (1)	$ 6,899	$ 6,606	$ 7,114	$ 6,892
MRSC collateral financing arrangement (2)	3,381		3,333	
Other limited partnership interests	354	26	319	85
Trading and other securities	212		186	
Other invested assets	102	1	108	1
Real estate joint ventures	17	18	20	17
Total	$ 10,965	$ 6,651	$ 11,080	$ 6,995

(1) The Company consolidated 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 or any of its subsidiaries or affiliates 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 $280 million and $201 million at estimated fair value at June 30, 2011 and December 31, 2010, respectively. The long-term debt referred to below bears interest at primarily fixed rates ranging from 2.25% to 5.57%, payable primarily on a monthly basis and is expected to be repaid over the next 7 years. Interest expense related to these obligations, included in other expenses, was $92 million and $184 million for the three months and six months ended June 30, 2011, respectively, and $103 million and $209 million for the three months and six months ended June 30, 2010, respectively. The assets and liabilities of these CSEs were as follows at:

	June 30, 2011	December 31, 2010
	(In millions)	
Assets:		
Mortgage loans held-for-investment (commercial mortgage loans)	$ 6,697	$ 6,840
Trading and other securities	147	201
Cash and cash equivalents	21	39
Accrued investment income	34	34

Total assets	$	6,899	$	7,114
Liabilities:				
Long-term debt	$	6,547	$	6,820
Other liabilities		59		72
Total liabilities	$	6,606	$	6,892

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(2) See Note 12 of the Notes to the Consolidated Financial Statements included in the 2010 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 at:

	June 30, 2011	December 31, 2010
	(In millions)	
Fixed maturity securities available-for-sale:		
ABS	$ 1,447	$ 1,333
U.S. corporate securities	745	893
RMBS	547	547
CMBS	412	383
Foreign corporate securities	166	139
State and political subdivision securities	40	30
Foreign government securities		5
Cash and cash equivalents	24	3
Total	$ 3,381	$ 3,333

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, 2011		December 31, 2010	
	Carrying Amount	Maximum Exposure to Loss (1)	Carrying Amount	Maximum Exposure to Loss (1)
	(In millions)			
Fixed maturity securities available-for-sale:				
RMBS (2)	$ 43,550	$ 43,550	$ 44,733	$ 44,733
CMBS (2)	19,518	19,518	20,675	20,675
ABS (2)	14,857	14,857	14,287	14,287
Foreign corporate securities	3,350	3,350	2,950	2,950
U.S. corporate securities	2,610	2,610	2,435	2,435
Other limited partnership interests	4,381	6,180	4,383	6,479
Trading and other securities	784	784	789	789
Other invested assets	582	909	576	773
Mortgage loans	475	475	350	350
Real estate joint ventures	58	104	40	108

Equity securities available-for-sale:				
Non-redeemable preferred stock	33	33		
Total	$ 90,198	$ 92,370	$ 91,218	$ 93,579

(1) The maximum exposure to loss relating to the fixed maturity, equity and trading and other securities is equal to the carrying amounts or carrying amounts of retained interests. The maximum exposure to loss relating to the other limited partnership interests and real estate joint ventures 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 or investee. The maximum exposure to loss relating to the mortgage loans is equal to

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the carrying amounts plus any unfunded commitments of the Company. 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 $333 million and $231 million at June 30, 2011 and December 31, 2010, respectively.

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

As described in Note 8, 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, 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. To a lesser extent, the Company uses credit derivatives, such as credit default 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 contracts that have embedded derivatives.

Freestanding derivatives are carried on 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, when quoted market values are not available, is based on market standard valuation methodologies and inputs that are assumed to be 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 (including the counterparties to the contract), volatility, liquidity and changes in estimates and assumptions used in the pricing models.

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

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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 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 within interest income or interest expense to match the location of the hedged item. However, accruals that are not scheduled to settle until maturity are included in the estimated fair value of derivatives in the consolidated balance sheets.

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 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 within interest income or interest expense to match the location of the hedged item. However, accruals that are not scheduled to settle until maturity are included in the estimated fair value of derivatives in the consolidated balance sheets.

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 statement of operations 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

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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 is also a party to financial instruments that contain terms which are deemed to be 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 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 (GMIBs). 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.

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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:

		June 30, 2011			December 31, 2010		
			Estimated Fair Value (1)			Estimated Fair Value (1)	
Primary Underlying Risk Exposure	**Instrument Type**	**Notional Amount**	**Assets**	**Liabilities**	**Notional Amount**	**Assets**	**Liabilities**
		(In millions)					
Interest rate	Interest rate swaps	$ 69,893	$ 3,112	$ 1,349	$ 54,803	$ 2,654	$ 1,516
	Interest rate floors	23,866	623	78	23,866	630	66
	Interest rate caps	37,726	189		35,412	176	1
	Interest rate futures	12,770	45	36	9,385	43	17
	Interest rate options	16,635	186	49	8,761	144	23
	Interest rate forwards	8,637	31	125	10,374	106	135
	Synthetic GICs	4,392			4,397		
Foreign currency	Foreign currency swaps	17,455	1,404	1,391	17,626	1,616	1,282
	Foreign currency forwards	10,038	80	84	10,443	119	91
	Currency futures	525	4	4	493	2	
	Currency options	2,191	16	1	5,426	50	
	Non-derivative hedging instruments (2)				169		185
Credit	Credit default swaps	12,266	159	94	10,957	173	104
	Credit forwards	121	2	3	90	2	3
Equity market	Equity futures	6,015	10	94	8,794	21	9
	Equity options	16,330	1,679	342	33,688	1,843	1,197
	Variance swaps	18,719	152	169	18,022	198	118
	Total rate of return swaps	1,862	1	2	1,547		
	Total	$ 259,441	$ 7,693	$ 3,821	$ 254,253	$ 7,777	$ 4,747

(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.

(2) The estimated fair value of non-derivative hedging instruments represents the amortized cost of the instruments, as adjusted for foreign currency transaction gains or losses. Non-derivative hedging instruments are reported within policyholder account balances in the consolidated balance sheets.

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

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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.

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. Treasuries 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.

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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 swaps 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, net investment in foreign operations 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 net investment in foreign operations and non-qualifying hedging relationships.

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 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 in the preceding table.

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Swap spreadlocks are used by the Company to hedge invested assets on an economic basis against the risk of changes in credit spreads. Swap spreadlocks are forward transactions between two parties whose underlying reference index is a forward starting interest rate swap where the Company agrees to pay a coupon based on a predetermined reference swap spread in exchange for receiving a coupon based on a floating rate. The Company has the option to cash settle with the counterparty in lieu of maintaining the swap after the effective date. The Company utilizes swap spreadlocks in non-qualifying hedging relationships.

Certain credit default swaps are used by the Company to hedge against credit-related changes in the value of its investments and to diversify its credit risk exposure in certain portfolios. 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, generally the contract will require the swap to 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 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 or agency security. 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 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.

Total rate of return swaps (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 Offer Rate (LIBOR), calculated by reference to an agreed notional principal amount. No cash

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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, 2011			December 31, 2010		
Derivatives Designated as Hedging Instruments	**Notional Amount**	**Estimated Fair Value Assets**	**Estimated Fair Value Liabilities**	**Notional Amount**	**Estimated Fair Value Assets**	**Estimated Fair Value Liabilities**
			(In millions)			
Fair value hedges:						
Foreign currency swaps	$ 3,753	$ 951	$ 67	$ 4,524	$ 907	$ 145
Interest rate swaps	5,310	919	161	5,108	823	169
Subtotal	9,063	1,870	228	9,632	1,730	314
Cash flow hedges:						
Foreign currency swaps	6,459	168	430	5,556	213	347
Interest rate swaps	5,060	113	107	3,562	102	116
Interest rate forwards	1,140		101	1,140		107
Credit forwards	121	2	3	90	2	3
Subtotal	12,780	283	641	10,348	317	573
Foreign operations hedges:						
Foreign currency forwards	1,763	5	17	1,935	9	26
Non-derivative hedging instruments				169		185
Subtotal	1,763	5	17	2,104	9	211
Total qualifying hedges	$ 23,606	$ 2,158	$ 886	$ 22,084	$ 2,056	$ 1,098

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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, 2011 Notional Amount	June 30, 2011 Estimated Fair Value Assets	June 30, 2011 Estimated Fair Value Liabilities	December 31, 2010 Notional Amount	December 31, 2010 Estimated Fair Value Assets	December 31, 2010 Estimated Fair Value Liabilities
	(In millions)					
Interest rate swaps	$ 59,523	$ 2,080	$ 1,081	$ 46,133	$ 1,729	$ 1,231
Interest rate floors	23,866	623	78	23,866	630	66
Interest rate caps	37,726	189		35,412	176	1
Interest rate futures	12,770	45	36	9,385	43	17
Interest rate options	16,635	186	49	8,761	144	23
Interest rate forwards	7,497	31	24	9,234	106	28
Synthetic GICs	4,392			4,397		
Foreign currency swaps	7,243	285	894	7,546	496	790
Foreign currency forwards	8,275	75	67	8,508	110	65
Currency futures	525	4	4	493	2	
Currency options	2,191	16	1	5,426	50	
Credit default swaps	12,266	159	94	10,957	173	104
Equity futures	6,015	10	94	8,794	21	9
Equity options	16,330	1,679	342	33,688	1,843	1,197
Variance swaps	18,719	152	169	18,022	198	118
Total rate of return swaps	1,862	1	2	1,547		
Total non-designated or non-qualifying derivatives	$ 235,835	$ 5,535	$ 2,935	$ 232,169	$ 5,721	$ 3,649

Net Derivative Gains (Losses)

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

	Three Months Ended June 30, 2011	Three Months Ended June 30, 2010	Six Months Ended June 30, 2011	Six Months Ended June 30, 2010
	(In millions)			
Derivatives and hedging gains (losses) (1)	$ 746	$ 3,680	$ (512)	$ 3,199
Embedded derivatives	(394)	(2,199)	549	(1,677)

Total net derivative gains (losses)	$ 352	$ 1,481	$ 37	$ 1,522

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

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The following table presents the settlement payments recorded in income for the:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
	(In millions)			
Qualifying hedges:				
Net investment income	$ 20	$ 18	$ 42	$ 41
Interest credited to policyholder account balances	57	52	118	113
Other expenses		(2)	(1)	(4)
Non-qualifying hedges:				
Net investment income	(3)	(2)	(4)	(2)
Other revenues	18	27	33	56
Net derivative gains (losses)	32	143	5	173
Policyholder benefits and claims	(2)			
Total	$ 122	$ 236	$ 193	$ 377

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; and (iii) foreign currency swaps to hedge the foreign currency fair value exposure of foreign currency denominated investments and liabilities.

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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 represents 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 (In millions)	Ineffectiveness Recognized in Net Derivative Gains (Losses)
For the Three Months Ended June 30, 2011:				
Interest rate swaps:	Fixed maturity securities	$ (16)	$ 15	$ (1)
	Policyholder account balances (1)	157	(150)	7
Foreign currency swaps:	Foreign-denominated fixed maturity securities			
	Foreign-denominated policyholder account balances (2)	158	(155)	3
Total		$ 299	$ (290)	$ 9
For the Three Months Ended June 30, 2010:				
Interest rate swaps:	Fixed maturity securities	$ (20)	$ 19	$ (1)
	Policyholder account balances (1)	433	(421)	12
Foreign currency swaps:	Foreign-denominated fixed maturity securities	5	(6)	(1)
	Foreign-denominated policyholder account balances (2)	(209)	195	(14)
Total		$ 209	$ (213)	$ (4)
For the Six Months Ended June 30, 2011:				
Interest rate swaps:	Fixed maturity securities	$ (5)	$ 5	$
	Policyholder account balances (1)	43	(34)	9
Foreign currency swaps:	Foreign-denominated fixed maturity securities	(1)	1	
	Foreign-denominated policyholder account balances (2)	235	(242)	(7)
Total		$ 272	$ (270)	$ 2
For the Six Months Ended June 30, 2010:				

Interest rate swaps:	Fixed maturity securities	$ (25)	$ 25	$
	Policyholder account balances (1)	466	(454)	12
Foreign currency swaps:	Foreign-denominated fixed maturity securities	16	(17)	(1)
	Foreign-denominated policyholder account balances (2)	(368)	344	(24)
Total		$ 89	$ (102)	$ (13)

(1) Fixed rate liabilities.

(2) Fixed rate or floating rate liabilities.

All components of each derivative s gain or loss were included in 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 or within two months of that date. The net amounts reclassified into net derivative gains (losses) for the three months and six months ended June 30, 2011 related to such discontinued cash flow hedges were ($1) million and ($14) million, respectively. The net amounts reclassified into net derivative gains (losses) for the three months and six months ended June 30, 2010 related to such discontinued cash flow hedges were insignificant. At June 30, 2011 and December 31, 2010, the maximum

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length of time over which the Company was hedging its exposure to variability in future cash flows for forecasted transactions did not exceed ten years and seven years, respectively.

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,	
	2011	2010	2011	2010
	(In millions)			
Accumulated other comprehensive income (loss), balance at beginning of period	$ (237)	$ 44	$ (59)	$ (76)
Gains (losses) deferred in other comprehensive income (loss) on the effective portion of cash flow hedges	82	566	(103)	617
Amounts reclassified to net derivative gains (losses)	(12)	(17)	(8)	51
Amounts reclassified to net investment income		1	1	2
Amounts reclassified to other expenses	2	(1)	4	(1)
Accumulated other comprehensive income (loss), balance at end of period	$ (165)	$ 593	$ (165)	$ 593

At June 30, 2011, ($39) 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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The following table presents the effects of derivatives in cash flow hedging relationships on the interim condensed consolidated statements of operations 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)			Amount and Location of Gains (Losses) Recognized in Income (Loss) on Derivatives (Ineffective Portion and Amount Excluded from Effectiveness Testing)	
		Net Derivative Gains (Losses)	Net Investment Income	Other Expenses	Net Derivative Gains (Losses)	Net Investment Income
	(In millions)					
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 Three Months Ended June 30, 2010:						
Interest rate swaps	$ 275	$	$	$	$	$
Foreign currency swaps	292	6	(1)	1	2	
Interest rate forwards	(15)	11				
Credit forwards	14					
Total	$ 566	$ 17	$ (1)	$ 1	$ 2	$
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)	$
For the Six Months Ended June 30, 2010:											
Interest rate swaps	$	276	$		$		$		$	2	$
Foreign currency swaps		339		(62)		(3)		1		3	
Interest rate forwards		(15)		11		1					
Credit forwards		17									
Total	$	617	$	(51)	$	(2)	$	1	$	5	$

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 foreign currency swaps, 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

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

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.

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 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)	Amount and Location of Gains (Losses) Reclassified From Accumulated Other Comprehensive Income (Loss) into Income (Loss) (Effective Portion) Net Investment Gains (Losses)
	(In millions)	
For the Three Months Ended June 30, 2011:		
Foreign currency forwards	$ (57)	$
Non-derivative hedging instruments		
Total	$ (57)	$
For the Three Months Ended June 30, 2010:		
Foreign currency forwards	$ 37	$
Non-derivative hedging instruments		
Total	$ 37	$
For the Six Months Ended June 30, 2011:		
Foreign currency forwards	$ (113)	$
Non-derivative hedging instruments	6	
Total	$ (107)	$

For the Six Months Ended June 30, 2010:			
Foreign currency forwards	$	27	$
Non-derivative hedging instruments			
Total	$	27	$

(1) During the six months ended June 30, 2011, the Company sold its interest in its Japanese joint venture, which was a hedged item in a net investment hedging relationship. See Note 2. As a result, the Company released losses of $71 million from accumulated other comprehensive income (loss) upon the sale. This release 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 sale. During the three months and six months ended June 30, 2010, 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.

(2) There was no ineffectiveness recognized for the Company s hedges of net investments in foreign operations.

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

At June 30, 2011 and December 31, 2010, the cumulative foreign currency translation gain (loss) recorded in accumulated other comprehensive income (loss) related to hedges of net investments in foreign operations was ($259) million and ($223) 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) swap spreadlocks to economically hedge invested assets against the risk of changes in credit spreads; (vi) interest rate forwards to buy and sell securities to economically hedge its exposure to interest rates; (vii) credit default swaps, TRRs, and structured interest rate swaps to synthetically create investments; (viii) basis swaps to better match the cash flows of assets and related liabilities; (ix) credit default swaps held in relation to trading portfolios; (x) swaptions to hedge interest rate risk; (xi) inflation swaps to reduce risk generated from inflation-indexed liabilities; (xii) covered call options for income generation; (xiii) interest rate lock commitments; (xiv) synthetic GICs; and (xv) equity options to economically hedge certain invested assets against adverse changes in equity indices.

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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) (In millions)	Other Revenues (3)	Other Expenses (4)
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)			
Total rate of return swaps	1				
Total	$ 660	$ 4	$ (6)	$ 43	$
For the Three Months Ended June 30, 2010:					
Interest rate swaps	$ 962	$ 4	$ 36	$ 199	$
Interest rate floors	281				
Interest rate caps	(98)				
Interest rate futures	87	(1)		(3)	
Equity futures	(87)	21	159		
Foreign currency swaps	288				
Foreign currency forwards	266	30			
Currency options	14				
Equity options	1,366	59			
Interest rate options	50			1	
Interest rate forwards				(53)	
Variance swaps	450	11			

Credit default swaps	12	3			
Total rate of return swaps	(31)				
Total	$ 3,560	$ 127	$ 195	$ 144	$

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	Net Derivative Gains (Losses)	Net Investment Income (1)	Policyholder Benefits and Claims (2)	Other Revenues (3)	Other Expenses (4)
			(In millions)		
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)			
Total rate of return swaps	(1)				
Total	$ (575)	$ (22)	$ (108)	$ (22)	$
For the Six Months Ended June 30, 2010:					
Interest rate swaps	$ 1,043	$ 3	$ 39	$ 256	$
Interest rate floors	274				
Interest rate caps	(211)				
Interest rate futures	67	(6)		(3)	
Equity futures	(169)	10	71		
Foreign currency swaps	346				
Foreign currency forwards	325	38			
Currency options	17	(1)			(4)
Equity options	984	37			
Interest rate options	50			(1)	
Interest rate forwards	8			(86)	
Variance swaps	330	8			
Credit default swaps	15	3			
Total rate of return swaps	(19)				
Total	$ 3,060	$ 92	$ 110	$ 166	$ (4)

(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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(4) Changes in estimated fair value related to economic hedges of foreign currency exposure associated with the Company s international subsidiaries.

Credit Derivatives

In connection with synthetically created 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, generally the contract will require the Company to pay 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 $6,490 million and $5,089 million at June 30, 2011 and December 31, 2010, 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, 2011 and December 31, 2010, the Company would have received $58 million and $62 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:

	June 30, 2011			December 31, 2010		
Rating Agency Designation of Referenced Credit Obligations (1)	**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)					
Aaa/Aa/A						
Single name credit default swaps (corporate)	$ 7	$ 740	3.9	$ 5	$ 470	3.8
Credit default swaps referencing indices	42	2,813	3.5	45	2,928	3.7
Subtotal	49	3,553	3.6	50	3,398	3.7
Baa						
Single name credit default swaps (corporate)	2	1,155	4.3	5	735	4.3
Credit default swaps referencing indices	7	1,752	5.0	7	931	5.0
Subtotal	9	2,907	4.8	12	1,666	4.7

Ba										
Single name credit default swaps (corporate)				30	4.2				25	4.4
Credit default swaps referencing indices										
Subtotal				30	4.2				25	4.4
Total	$	58	$	6,490	4.1	$	62	$	5,089	4.1

(1) The rating agency designations are based on availability and the midpoint of the applicable ratings among Moody s, S&P and Fitch. 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.

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

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 $6,490 million and $5,089 million from the table above were $105 million and $120 million at June 30, 2011 and December 31, 2010, 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 derivative instruments. At June 30, 2011 and December 31, 2010, the Company was obligated to return cash collateral under its control of $3,498 million and $2,625 million, respectively. This unrestricted 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, 2011 and December 31, 2010, the Company had also accepted collateral consisting of various securities with a fair market value of $1,578 million and $984 million, respectively, which were held in separate custodial accounts. The Company is permitted by contract to sell or repledge this collateral, but at June 30, 2011, 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 the Company to maintain a specific investment grade credit rating from at least one of the major credit rating agencies. If the Company s credit ratings were to fall below that specific investment grade credit rating, it would be in violation of these provisions, and the counterparties to the derivative instruments could request immediate payment or demand immediate and ongoing full overnight collateralization on derivative instruments that are in a net liability position after considering the effect of netting agreements.

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

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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 (1) of Derivatives in Net Liability Position	Estimated Fair Value of Collateral Provided: Fixed Maturity Securities (2)	Cash (3)	Fair Value of Incremental Collateral Provided Upon: 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, 2011:					
Derivatives subject to credit-contingent provisions	$ 693	$ 404	$	$ 93	$ 223
Derivatives not subject to credit- contingent provisions	4	8	1		
Total	$ 697	$ 412	$ 1	$ 93	$ 223
December 31, 2010:					
Derivatives subject to credit-contingent provisions	$ 1,167	$ 1,024	$	$ 99	$ 231
Derivatives not subject to credit- contingent provisions	22		43		
Total	$ 1,189	$ 1,024	$ 43	$ 99	$ 231

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

(2) Included in fixed maturity securities in the consolidated balance sheets. 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, 2011 was $1,034 million. At June 30, 2011, the Company provided securities collateral of $404 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, 2011 would be $630 million. This amount does not consider gross derivative assets of $341 million for which the Company has the contractual right of offset.

The Company also has exchange-traded futures and options, which require the pledging of collateral. At both June 30, 2011 and December 31, 2010, the Company pledged securities collateral for exchange-traded futures and options of $40 million, which is included in fixed maturity securities. The counterparties are permitted by contract to sell or repledge this collateral. At June 30, 2011 and December 31, 2010, the Company provided cash collateral for exchange-traded futures and options of $518 million and $662 million, respectively, which is included in premiums, reinsurance and other receivables.

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Embedded Derivatives

The Company has certain embedded derivatives that are required to be separated from their host contracts and accounted for as 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 contracts of guaranteed minimum benefits related to GMABs and certain GMIBs; assumed reinsurance contracts of guaranteed minimum benefits related to GMWBs and GMABs; funding agreements with equity or bond indexed crediting rates; 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, 2011	December 31, 2010
	(In millions)	
Net embedded derivatives within asset host contracts:		
Ceded guaranteed minimum benefits	$ 194	$ 185
Options embedded in debt or equity securities	(68)	(57)
Other	4	
Net embedded derivatives within asset host contracts	$ 130	$ 128
Net embedded derivatives within liability host contracts:		
Direct guaranteed minimum benefits	$ (49)	$ 370
Assumed guaranteed minimum benefits (1)	2,244	2,186
Other	90	78
Net embedded derivatives within liability host contracts	$ 2,285	$ 2,634

(1) Assumed reinsurance contracts of guaranteed minimum benefits related to GMWBs and GMABs of the Japanese joint venture interest, which was sold during the second quarter of 2011, have been separately presented in the current period. See Note 2. Comparative prior year balances, which were previously presented in direct guaranteed minimum benefits, have been conformed to the current period presentation.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
	(In millions)			

Net derivative gains (losses) (1)	$ (394)	$ (2,199)	$ 549	$ (1,677)
Policyholder benefits and claims	$ 10	$ 67	$ (8)	$ 46

(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 $108 million and $34 million for the three months and six months ended June 30, 2011, respectively, and $776 million and $690 million for the three months and six months ended June 30, 2010, respectively. The net derivative gains (losses) for the three months and six months ended June 30, 2010 included ($955) million relating to a refinement for estimating nonperformance risk in fair value measurements implemented at June 30, 2010. See Note 5.

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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Assets and Liabilities Measured at Fair Value

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, 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	$	$ 89,926	$ 6,871	$ 96,797
Foreign corporate securities		64,694	5,844	70,538
Foreign government securities	82	46,003	3,161	49,246
RMBS		43,116	434	43,550
U.S. Treasury and agency securities	19,812	15,727	26	35,565
CMBS		18,737	781	19,518
ABS		12,406	2,451	14,857
State and political subdivision securities		11,580	89	11,669
Other fixed maturity securities		2	2	4
Total fixed maturity securities	19,894	302,191	19,659	341,744
Equity securities:				
Common stock	685	1,100	305	2,090
Non-redeemable preferred stock		494	654	1,148
Total equity securities	685	1,594	959	3,238
Trading and other securities:				
Actively Traded Securities		558	2	560

FVO general account securities				249		54		303
FVO contractholder-directed unit-linked investments		7,622		10,445		623		18,690
FVO securities held by consolidated securitization entities				147				147
Total trading and other securities		7,622		11,399		679		19,700
Short-term investments (1)		4,265		6,764		732		11,761
Mortgage loans:								
Mortgage loans held by consolidated securitization entities				6,697				6,697
Mortgage loans held-for-sale (2)				1,831		32		1,863
Total mortgage loans				8,528		32		8,560
Other invested assets:								
MSRs						964		964
Other investments		362		122				484
Derivative assets: (3)								
Interest rate contracts		55		4,087		44		4,186
Foreign currency contracts		4		1,451		49		1,504
Credit contracts				114		47		161
Equity market contracts		14		1,581		247		1,842
Total derivative assets		73		7,233		387		7,693
Total other invested assets		435		7,355		1,351		9,141
Net embedded derivatives within asset host contracts (4)				2		196		198
Separate account assets (5)		28,099		172,447		1,836		202,382
Total assets	$	61,000	$	510,280	$	25,444	$	596,724
Liabilities:								
Derivative liabilities: (3)								
Interest rate contracts	$	54	$	1,472	$	111	$	1,637
Foreign currency contracts		4		1,476				1,480
Credit contracts				92		5		97
Equity market contracts		95		320		192		607
Total derivative liabilities		153		3,360		308		3,821
Net embedded derivatives within liability host contracts (4)				15		2,270		2,285
Long-term debt of consolidated securitization entities				6,413		134		6,547
Trading liabilities (6)		54						54
Total liabilities	$	207	$	9,788	$	2,712	$	12,707

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MetLife, Inc.

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

	December 31, 2010 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	$	$ 84,623	$ 7,149	$ 91,772
Foreign corporate securities		62,162	5,726	67,888
Foreign government securities	149	38,719	3,134	42,002
RMBS	274	43,037	1,422	44,733
U.S. Treasury and agency securities	14,602	18,623	79	33,304
CMBS		19,664	1,011	20,675
ABS		10,142	4,145	14,287
State and political subdivision securities		10,083	46	10,129
Other fixed maturity securities		3	4	7
Total fixed maturity securities	15,025	287,056	22,716	324,797
Equity securities:				
Common stock	831	1,094	268	2,193
Non-redeemable preferred stock		504	905	1,409
Total equity securities	831	1,598	1,173	3,602
Trading and other securities:				
Actively Traded Securities		453	10	463
FVO general account securities		54	77	131
FVO contractholder-directed unit-linked investments	6,270	10,789	735	17,794
FVO securities held by consolidated securitization entities		201		201
Total trading and other securities	6,270	11,497	822	18,589
Short-term investments (1)	3,026	4,681	858	8,565

Mortgage loans:				
Mortgage loans held by consolidated securitization entities		6,840		6,840
Mortgage loans held-for-sale (2)		2,486	24	2,510
Total mortgage loans		9,326	24	9,350
Other invested assets:				
MSRs			950	950
Other investments	373	121		494
Derivative assets: (3)				
Interest rate contracts	131	3,583	39	3,753
Foreign currency contracts	2	1,711	74	1,787
Credit contracts		125	50	175
Equity market contracts	23	1,757	282	2,062
Total derivative assets	156	7,176	445	7,777
Total other invested assets	529	7,297	1,395	9,221
Net embedded derivatives within asset host contracts (4)			185	185
Separate account assets (5)	25,566	155,589	1,983	183,138
Total assets	$ 51,247	$ 477,044	$ 29,156	$ 557,447
Liabilities:				
Derivative liabilities: (3)				
Interest rate contracts	$ 35	$ 1,598	$ 125	$ 1,758
Foreign currency contracts		1,372	1	1,373
Credit contracts		101	6	107
Equity market contracts	10	1,174	140	1,324
Total derivative liabilities	45	4,245	272	4,562
Net embedded derivatives within liability host contracts (4)		11	2,623	2,634
Long-term debt of consolidated securitization entities		6,636		