METLIFE INC
Form 10-Q
August 02, 2010

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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, 2010
	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 28, 2010, 820,439,008 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), and its subsidiaries, including Metropolitan Life Insurance Company (MLIC).

Note Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q, including the 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 futur 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. See Management s Discussion and Analysis of Financial Condition and Results of Operations.

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 MetLife s actual future results. 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) any delay or failure to complete the acquisition of American Life Insurance Company (Alico), a subsidiary of ALICO Holdings LLC (Alico Holdings) and Delaware American Life Insurance Company (DelAm) (collectively, the Acquisition); (2) the imposition of onerous conditions following the Acquisition; (3) difficulties in integrating the business acquired in the Acquisition (the Alico Business); (4) uncertainty with respect to the outcome of the closing agreement entered into between Alico and the United States Internal Revenue Service in connection with the Acquisition; (5) uncertainty with respect to the making of elections under Section 338 of the U.S. Internal Revenue Code of 1986, as amended, and any benefits therefrom; (6) an inability to manage the growth of the Alico Business; (7) a writedown of the goodwill established in connection with the Acquisition; (8) exchange rate fluctuations; (9) an inability to predict the financial impact of the Acquisition on MetLife s business and financial results; (10) events relating to American International Group, Inc. (AIG) that could adversely affect the Alico Business or MetLife; (11) the dilutive impact on MetLife, Inc. s stockholders resulting from the issuance of equity securities to Alico Holdings in connection with the Acquisition; (12) a decrease in MetLife, Inc. s stock price as a result of Alico Holdings ability to sell its equity securities; (13) the conditional payment obligation of approximately $300 million to Alico Holdings if the conversion of MetLife, Inc. s Series B Contingent Convertible Junior Participating Non-Cumulative Perpetual Preferred Stock (Series B Preferred Stock) issued to Alico Holdings in connection with the Acquisition into MetLife, Inc. s common stock is not approved; (14) change of control provisions in the Alico Business agreements; (15) effects of guarantees within certain of the Alico Business variable life and annuity products; (16) regulatory action in the financial services industry affecting the combined business; (17) financial instability in Europe and possible writedowns of sovereign debt of European nations; (18) difficult conditions in the global capital markets; (19) increased volatility and disruption of the capital and credit markets, which may affect MetLife s ability to seek financing or access its credit facilities; (20) 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; (21) impact of comprehensive financial services regulation reform on MetLife; (22) exposure to financial and capital market risk; (23) changes in general economic conditions,

including the performance of financial markets and interest rates, which may affect MetLife s ability to raise capital, generate fee income and market-related revenue and finance statutory reserve requirements and may require MetLife to pledge collateral or make payments related to declines in value of specified assets; (24) potential liquidity and other risks resulting from MetLife s participation in a securities lending program and other transactions; (25) investment losses and defaults, and changes to investment valuations; (26) impairments of goodwill and realized losses or market value impairments to illiquid assets; (27) defaults on MetLife s mortgage loans; (28) the impairment of other financial institutions; (29) MetLife s ability to address unforeseen liabilities, asset impairments or rating actions arising from any future acquisitions, including the Acquisition, and to successfully integrate acquired businesses with

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minimal disruption; (30) economic, political, currency and other risks relating to MetLife s international operations; (31) MetLife, Inc. s primary reliance, as a holding company, on dividends from its subsidiaries to meet debt payment obligations and the applicable regulatory restrictions on the ability of the subsidiaries to pay such dividends; (32) downgrades in MetLife, Inc. s and its affiliates claims paying ability, financial strength or credit ratings; (33) ineffectiveness of risk management policies and procedures; (34) availability and effectiveness of reinsurance or indemnification arrangements, as well as default or failure of counterparties to perform; (35) discrepancies between actual claims experience and assumptions used in setting prices for MetLife s products and establishing the liabilities for MetLife s obligations for future policy benefits and claims; (36) catastrophe losses; (37) 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; (38) unanticipated changes in industry trends; (39) changes in accounting standards, practices and/or policies; (40) changes in assumptions related to deferred policy acquisition costs (DAC), deferred sales inducements (DSI), value of business acquired (VOBA) or goodwill; (41) increased expenses relating to pension and postretirement benefit plans, as well as health care and other employee benefits; (42) 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; (43) deterioration in the experience of the closed block established in connection with the reorganization of MLIC; (44) adverse results or other consequences from litigation, arbitration or regulatory investigations; (45) discrepancies between actual experience and assumptions used in establishing liabilities related to other contingencies or obligations; (46) regulatory, legislative or tax changes relating to MetLife s insurance, banking, international, or other operations that may affect the cost of, or demand for, MetLife s products or services, impair its ability to attract and retain talented and experienced management and other employees, or increase the cost or administrative burdens of providing benefits to employees; (47) the effects of business disruption or economic contraction due to terrorism, other hostilities, or natural catastrophes; (48) the effectiveness of MetLife s programs and practices in avoiding giving its associates incentives to take excessive risks; (49) other risks and uncertainties described from time to time in MetLife, Inc. s filings with the SEC; and (50) any of the foregoing factors as they relate to the Alico Business and its operations.

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 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. and its subsidiaries 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, 2010 (Unaudited) and December 31, 2009

(In millions, except share and per share data)

	June 30, 2010	December 31, 2009
Assets		
Investments:		
Fixed maturity securities available-for-sale, at estimated fair value (amortized cost: $238,877 and $229,709, respectively; includes $3,256 and $3,171, respectively, relating to variable interest entities)	$ 246,348	$ 227,642
Equity securities available-for-sale, at estimated fair value (cost: $2,956 and $3,187, respectively)	2,741	3,084
Trading securities, at estimated fair value (cost: $3,183 and $2,249, respectively; includes $257 and $0, respectively, relating to variable interest entities)	3,158	2,384
Mortgage loans:		
Held-for-investment, at amortized cost (net of valuation allowances of $734 and $721, respectively; includes $7,107 and $0, respectively, relating to variable interest entities)	55,601	48,181
Held-for-sale, principally at estimated fair value	2,650	2,728
Mortgage loans, net	58,251	50,909
Policy loans	10,180	10,061
Real estate and real estate joint ventures held-for-investment (includes $19 and $18, respectively, relating to variable interest entities)	6,832	6,852
Real estate held-for-sale	9	44
Other limited partnership interests (includes $197 and $236, respectively, relating to variable interest entities)	5,856	5,508
Short-term investments	9,746	8,374
Other invested assets (includes $105 and $137, respectively, relating to variable interest entities)	15,584	12,709
Total investments	358,705	327,567
Cash and cash equivalents (includes $103 and $68, respectively, relating to variable interest entities)	10,702	10,112
Accrued investment income (includes $38 and $0, respectively, relating to variable interest entities)	3,249	3,173
Premiums, reinsurance and other receivables	18,177	16,752

Deferred policy acquisition costs and value of business acquired	17,720	19,256
Current income tax recoverable	243	316
Deferred income tax assets		1,228
Goodwill	5,037	5,047
Other assets (includes $7 and $16, respectively, relating to variable interest entities)	6,712	6,822
Separate account assets	153,362	149,041
Total assets	$ 573,907	$ 539,314
Liabilities and Stockholders Equity		
Liabilities		
Future policy benefits	$ 140,239	$ 135,879
Policyholder account balances	142,822	138,673
Other policyholder funds	8,660	8,446
Policyholder dividends payable	775	761
Policyholder dividend obligation	1,080	
Payables for collateral under securities loaned and other transactions	29,772	24,196
Bank deposits	9,790	10,211
Short-term debt	879	912
Long-term debt (includes $7,187 and $64, respectively, relating to variable interest entities)	20,647	13,220
Collateral financing arrangements	5,297	5,297
Junior subordinated debt securities	3,191	3,191
Deferred income tax liability	2,050	
Other liabilities (includes $79 and $26, respectively, relating to variable interest entities)	15,619	15,989
Separate account liabilities	153,362	149,041
Total liabilities	534,183	505,816
Contingencies, Commitments and Guarantees (Note 8)		
Stockholders Equity		
MetLife, Inc. s stockholders equity:		
Preferred stock, par value $0.01 per share; 200,000,000 shares authorized; 84,000,000 shares issued and outstanding; $2,100 aggregate liquidation preference	1	1
Common stock, par value $0.01 per share; 3,000,000,000 shares authorized; 823,590,958 and 822,359,818 shares issued at June 30, 2010 and December 31, 2009, respectively; 820,397,071 and 818,833,810 shares outstanding at June 30, 2010 and December 31, 2009, respectively	8	8
Additional paid-in capital	16,896	16,859
Retained earnings	21,820	19,501
Treasury stock, at cost; 3,193,887 and 3,526,008 shares at June 30, 2010 and December 31, 2009, respectively	(172)	(190)
Accumulated other comprehensive income (loss)	822	(3,058)
Total MetLife, Inc. s stockholders equity	39,375	33,121
Noncontrolling interests	349	377
Total equity	39,724	33,498
Total liabilities and stockholders equity	$ 573,907	$ 539,314

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, 2010 and 2009 (Unaudited)

(In millions, except per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
Revenues				
Premiums	$ 6,662	$ 6,576	$ 13,516	$ 12,698
Universal life and investment-type product policy fees	1,485	1,216	2,892	2,399
Net investment income	4,087	3,730	8,431	6,991
Other revenues	544	572	1,057	1,126
Net investment gains (losses):				
Other-than-temporary impairments on fixed maturity securities	(244)	(566)	(395)	(1,119)
Other-than-temporary impairments on fixed maturity securities transferred to other comprehensive income (loss)	98	234	157	234
Other net investment gains (losses), net	1,614	(3,497)	1,778	(3,850)
Total net investment gains (losses)	1,468	(3,829)	1,540	(4,735)
Total revenues	14,246	8,265	27,436	18,479
Expenses				
Policyholder benefits and claims	7,018	6,946	14,555	13,528
Interest credited to policyholder account balances	1,049	1,229	2,192	2,397
Policyholder dividends	388	434	765	858
Other expenses	3,420	2,031	6,362	5,033
Total expenses	11,875	10,640	23,874	21,816
Income (loss) from continuing operations before provision for income tax	2,371	(2,375)	3,562	(3,337)
Provision for income tax expense (benefit)	830	(956)	1,188	(1,333)
Income (loss) from continuing operations, net of income tax	1,541	(1,419)	2,374	(2,004)
Income (loss) from discontinued operations, net of income tax	6	1	7	38
Net income (loss)	1,547	(1,418)	2,381	(1,966)
Less: Net income (loss) attributable to noncontrolling interests	(10)	(16)	(11)	(20)

Net income (loss) attributable to MetLife, Inc.		1,557		(1,402)		2,392		(1,946)
Less: Preferred stock dividends		31		31		61		61
Net income (loss) available to MetLife, Inc. s common shareholders	$	1,526	$	(1,433)	$	2,331	$	(2,007)
Income (loss) from continuing operations, net of income tax, available to MetLife, Inc. s common shareholders per common share:								
Basic	$	1.84	$	(1.74)	$	2.82	$	(2.51)
Diluted	$	1.83	$	(1.74)	$	2.80	$	(2.51)
Net income (loss) available to MetLife, Inc. s common shareholders per common share:								
Basic	$	1.85	$	(1.74)	$	2.83	$	(2.46)
Diluted	$	1.84	$	(1.74)	$	2.81	$	(2.46)

See accompanying notes to the interim condensed consolidated financial statements.

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MetLife, Inc.

Interim Condensed Consolidated Statements of Stockholders Equity
For the Six Months Ended June 30, 2010 (Unaudited)

(In millions)

						Accumulated Other Comprehensive Income (Loss)					
	Preferred Stock	Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock at Cost	Net Unrealized Investment Gains (Losses)	Other-Than-Temporary Impairments	Foreign Currency Translation Adjustments	Defined Benefit Plans Adjustment	Total MetLife, Inc. s Stockholders Equity	Noncontrolli 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):											
ains (losses) e instruments, e tax						435				435	
nvestment), net of ts and income						3,469	16			3,485	
ency djustments, net x								(151)		(151)	1
efit plans net of income									69	69	

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

See accompanying notes to the interim condensed consolidated financial statements.

MetLife, Inc.

Interim Condensed Consolidated Statements of Stockholders Equity (Continued)
For the Six Months Ended June 30, 2009 (Unaudited)

(In millions)

	Preferred Stock	Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock at Cost	Accumulated Other Comprehensive Income (Loss): Net Unrealized Investment Gains (Losses)	Other-Than-Temporary Impairments	Foreign Currency Translation Adjustments	Defined Benefit Plans Adjustment	Total MetLife, Inc. s Stockholders Equity	Noncontrolling Interests	T Eq
e at ber 31,	$ 1	$ 8	$ 15,811	$ 22,403	$ (236)	$ (12,564)	$	$ (246)	$ (1,443)	$ 23,734	$ 251	$ 2
tive f change unting e, net of tax				76			(76)					
n stock e newly hares			1,035							1,035		
y stock ions, net			2		33					35		
l of ased sation			1							1		
ds on d stock				(61)						(61)		
in f trolling s											95	
hensive (loss): s				(1,946)						(1,946)	(20)	(
hensive (loss): zed osses)						(57)				(57)		
vative												

ents, net ne tax zed ent osses), elated and tax						4,624	(145)			4,479	(7)	
y on ents, net ne tax benefit								(6)		(6)		
ent, net ne tax									79	79		
hensive (loss)										4,495	(7)	
hensive (loss)										2,549	(27)	
at , 2009	$ 1	$ 8	$ 16,849	$ 20,472	$ (203)	$ (7,997)	$ (221)	$ (252)	$ (1,364)	$ 27,293	$ 319	$ 2

See accompanying notes to the interim condensed consolidated financial statements.

MetLife, Inc.

Interim Condensed Consolidated Statements of Cash Flows
For the Six Months Ended June 30, 2010 and 2009 (Unaudited)

(In millions)

	Six Months Ended June 30,	
	2010	**2009**
Net cash provided by (used in) operating activities	$ 3,928	$ (1,227)
Cash flows from investing activities		
Sales, maturities and repayments of:		
Fixed maturity securities	38,035	31,711
Equity securities	690	1,154
Mortgage loans	2,715	3,015
Real estate and real estate joint ventures	87	7
Other limited partnership interests	251	640
Purchases of:		
Fixed maturity securities	(47,014)	(47,052)
Equity securities	(364)	(1,102)
Mortgage loans	(2,878)	(2,076)
Real estate and real estate joint ventures	(305)	(213)
Other limited partnership interests	(452)	(413)
Cash received in connection with freestanding derivatives	986	2,810
Cash paid in connection with freestanding derivatives	(1,077)	(3,582)
Sales of businesses, net of cash disposed of $0 and $180, respectively		(46)
Net change in policy loans	(119)	(105)
Net change in short-term investments	(1,334)	5,761
Net change in other invested assets	754	713
Other, net	(95)	(103)
Net cash used in investing activities	(10,120)	(8,881)
Cash flows from financing activities		
Policyholder account balances:		
Deposits	34,213	45,763
Withdrawals	(32,390)	(46,389)
Net change in bank deposits	(497)	840
Net change in payables for collateral under securities loaned and other transactions	5,576	(6,452)
Net change in short-term debt	(33)	2,098
Long-term debt issued	678	2,225
Long-term debt repaid	(511)	(134)
Collateral financing arrangements issued		105

Cash received in connection with collateral financing arrangements				400
Cash paid in connection with collateral financing arrangements				(400)
Debt issuance costs		(1)		(17)
Common stock issued to settle stock forward contracts				1,035
Dividends on preferred stock		(61)		(61)
Other, net		(113)		(15)
Net cash provided by (used in) financing activities		6,861		(1,002)
Effect of change in foreign currency exchange rates on cash balances		(79)		84
Change in cash and cash equivalents		590		(11,026)
Cash and cash equivalents, beginning of period		10,112		24,239
Cash and cash equivalents, end of period	$	10,702	$	13,213
Cash and cash equivalents, subsidiaries held-for-sale, beginning of period	$		$	32
Cash and cash equivalents, subsidiaries held-for-sale, end of period	$		$	
Cash and cash equivalents, from continuing operations, beginning of period	$	10,112	$	24,207
Cash and cash equivalents, from continuing operations, end of period	$	10,702	$	13,213
Supplemental disclosures of cash flow information:				
Net cash paid (received) during the period for:				
Interest	$	744	$	475
Income tax	$	(11)	$	195
Non-cash transactions during the period:				
Remarketing of debt securities:				
Fixed maturity securities redeemed	$		$	32
Long-term debt issued	$		$	1,035
Junior subordinated debt securities redeemed	$		$	1,067
Real estate and real estate joint ventures acquired in satisfaction of debt	$	10	$	172

See accompanying notes to the interim condensed consolidated financial statements.

MetLife, Inc.

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)

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

Business

MetLife or the Company refers to MetLife, Inc., a Delaware corporation incorporated in 1999 (the Holding Company), and its subsidiaries, including Metropolitan Life Insurance Company (MLIC). MetLife is a leading provider of insurance, employee benefits and financial services with operations throughout the United States and the Latin America, Asia Pacific and Europe, Middle East and India regions. Through its subsidiaries and affiliates, MetLife offers life insurance, annuities, auto and homeowners insurance, retail banking and other financial services to individuals, as well as group insurance and retirement & savings products and services to corporations and other institutions.

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.

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. See Adoption of New Accounting Pronouncements. 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.

Certain amounts in the prior year periods interim condensed consolidated financial statements have been reclassified to conform with the 2010 presentation. Such reclassifications include $840 million reclassified from policyholder account balances to net change in bank deposits within cash flows from financing activities in the interim condensed consolidated statement of cash flows for the six months ended June 30, 2009. In addition, $2,810 million and ($3,582) million were reclassified from net change in other invested assets to cash received in connection with freestanding derivatives and cash paid in connection with freestanding derivatives, respectively, within cash flows from investing activities in the interim condensed consolidated statement of cash flows for the six months ended June 30, 2009. See also Note 14 for reclassifications related to discontinued operations.

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, 2010, its consolidated results of operations for the three months and six months ended June 30, 2010 and 2009, its consolidated cash flows for the six months ended June 30, 2010 and 2009, and its consolidated statements of stockholders equity for the six months ended June 30, 2010 and 2009, in conformity with GAAP. Interim results are not necessarily indicative of full year performance. The December 31, 2009 consolidated balance sheet data was

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

derived from audited consolidated financial statements included in MetLife s Annual Report on Form 10-K for the year ended December 31, 2009 (the 2009 Annual Report) filed with the U.S. Securities and Exchange Commission (SEC), which includes 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 2009 Annual Report.

Adoption of New Accounting Pronouncements

Financial Instruments

Effective January 1, 2010, the Company adopted new guidance related to financial instrument transfers and consolidation of VIEs. The financial instrument transfer guidance eliminates the concept of a qualified special purpose entity (QSPE), eliminates the guaranteed mortgage securitization exception, changes the criteria for achieving sale accounting when transferring a financial asset and changes the initial recognition of retained beneficial interests. The new consolidation guidance changes the definition of the primary beneficiary as well as the method of determining whether an entity is a primary beneficiary of a VIE from a quantitative model to a qualitative model. Under the new qualitative model, the entity that has both the ability to direct the most significant activities of the VIE and the obligation to absorb losses or receive benefits that could be significant to the VIE is considered to be the primary beneficiary of the VIE. The guidance requires reassessment on a quarterly basis, as well as enhanced disclosures, including the effects of a company s involvement with VIEs on its financial statements.

As a result of the adoption of this guidance, the Company consolidated certain former QSPEs that were previously accounted for as fixed maturity commercial mortgage-backed securities and equity security collateralized debt obligations. The Company also elected the fair value option for all of the consolidated assets and liabilities of these entities. Upon consolidation, the Company recorded $278 million of securities classified as trading securities, $6,769 million of commercial mortgage loans and $6,822 million of long-term debt based on estimated fair values at January 1, 2010 and de-recognized $179 million in fixed maturity securities and less than $1 million in equity securities. The consolidation also resulted in a decrease in retained earnings of $12 million, net of income tax, and an increase in accumulated other comprehensive income (loss) of $42 million, net of income tax, at January 1, 2010. For the three months and six months ended June 30, 2010, the Company recorded $109 million and $218 million, respectively, of net investment income on the consolidated assets, $103 million and $209 million, respectively, of interest expense in other expenses on the related long-term debt, and ($2) million and $8 million, respectively, in net investment gains (losses) to remeasure the assets and liabilities at their estimated fair values at June 30, 2010.

In addition, the Company also deconsolidated certain partnerships for which the Company does not have the power to direct activities and for which the Company has concluded it is no longer the primary beneficiary. These deconsolidations did not result in a cumulative effect adjustment to retained earnings and did not have a material impact on the Company s consolidated financial statements.

Also effective January 1, 2010, the Company adopted new guidance that indefinitely defers the above changes relating to the Company s interests in entities that have all the attributes of an investment company or for which it is industry practice to apply measurement principles for financial reporting that are consistent with those applied by an investment company. As a result of the deferral, the above guidance did not apply to certain real estate joint ventures and other limited partnership interests held by the Company.

Fair Value

Effective January 1, 2010, the Company adopted new guidance that requires new disclosures about significant transfers in and/or out of Levels 1 and 2 of the fair value hierarchy and activity in Level 3 (Accounting Standards Update (ASU) 2010-06, *Fair Value Measurements and Disclosures (Topic 820): Improving Disclosures about Fair Value Measurements*). In addition, this guidance provides clarification of existing disclosure requirements

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about level of disaggregation and inputs and valuation techniques. The adoption of this guidance did not have an impact on the Company s consolidated financial statements.

Future Adoption of New Accounting Pronouncements

In July 2010, Financial Accounting Standards Board (FASB) issued new guidance regarding disclosures about the credit quality of financing receivables and the allowance for credit losses ASU 2010-20, *Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses*). This guidance requires additional disclosures about the credit quality of financing receivables, such as aging information and credit quality indicators. In addition, disclosures must be disaggregated by portfolio segment or class based on how a company develops its allowance for credit losses and how it manages its credit exposure. Most of the requirements are effective for the fourth quarter of 2010 with certain additional disclosures required for the first quarter of 2011. The Company is currently evaluating the impact of this guidance on its consolidated financial statements.

In April 2010, the FASB issued new guidance regarding accounting for investment funds determined to be VIEs (ASU 2010-15, *How Investments Held through Separate Accounts Affect an Insurer s Consolidation Analysis of Those Investments*). 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 contract holder is a related party. The guidance is effective for the first quarter of 2011. The Company does not expect the adoption of this new guidance to have a material impact on its consolidated financial statements.

In March 2010, the FASB issued new guidance regarding accounting for embedded credit derivatives within structured securities (ASU 2010-11, *Scope Exception Related to Embedded Credit Derivatives*). This guidance clarifies the type of embedded credit derivative that is exempt from embedded derivative bifurcation requirements. Specifically, embedded credit derivatives resulting only from subordination of one financial instrument to another continue to qualify for the scope exception. Embedded credit derivative features other than subordination must be analyzed to determine if they require bifurcation and separate accounting. The guidance is effective for the third quarter of 2010. The Company does not expect the adoption of this new guidance to have a material impact on its consolidated financial statements.

2. Pending Acquisition and Disposition

Pending Acquisition

On March 7, 2010, the Holding Company entered into a stock purchase agreement (the Stock Purchase Agreement) with Alico Holdings LLC (Alico Holdings) and American International Group, Inc., pursuant to which the Holding Company agreed to acquire all of the issued and outstanding capital stock of American Life Insurance Company (Alico) and Delaware American Life Insurance Company. The transaction is expected to close by the end of 2010, subject to certain regulatory approvals and determinations, as well as other customary closing conditions.

Pursuant to the Stock Purchase Agreement, the Holding Company will (i) pay $6.8 billion to Alico Holdings in cash, and (ii) issue to Alico Holdings (a) 78,239,712 shares of its common stock, (b) 6,857,000 shares of Series B Contingent Convertible Junior Participating Non-Cumulative Perpetual Preferred Stock of the Holding Company,

which will be convertible into approximately 68,570,000 shares of the Holding Company s common stock (subject to anti-dilution adjustments) upon a favorable vote of the Holding Company s common stockholders and (c) $3.0 billion aggregate stated amount of equity units of the Holding Company (together, the Securities), initially consisting of (x) forward purchase contracts obligating the holder to purchase a variable number of shares of the Holding Company s common stock on each of three specified future settlement dates (expected to be approximately two, three and four years after closing), for a fixed amount per purchase contract, (an aggregate of

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$1 billion each settlement date) and (y) an interest in shares of the Holding Company s preferred stock. At a future date, the interest in the preferred stock forming part of the equity units will be mandatorily exchanged for an interest in debt securities of the Company, which will be subject to remarketing and sold to investors. Holders of the equity units who elect to include their debt securities in a remarketing can use the proceeds thereof to meet their obligations under the forward purchase contracts. The aggregate amount of the Holding Company s common stock to be issued to Alico Holdings in connection with the transaction is expected to be 214.6 million to 231.5 million shares, consisting of 78.2 million shares to be issued at closing, 68.6 million shares to be issued upon conversion of the Series B Contingent Convertible Junior Participating Non-Cumulative Perpetual Preferred Stock (with the stockholder vote on such conversion to be held within one year after the closing) and between 67.8 million and 84.7 million shares of common stock, in total, issuable upon settlement of the purchase contracts forming part of the equity units (in three tranches approximately two, three and four years after the closing). The ownership of the Securities is subject to an investor rights agreement, which grants to Alico Holdings certain rights and sets forth certain agreements with respect to Alico Holdings ownership, voting and transfer of the Securities. Alico Holdings has indicated that it intends to monetize the Securities over time, subject to market conditions, following the lapse of agreed-upon minimum holding periods. See Note 7 for discussion of a related commitment letter signed by the Holding Company with various financial institutions for a senior credit facility.

Pending Disposition

During the second quarter of 2010, the Company entered into a definitive agreement with a third party to sell MetLife Taiwan Insurance Company Limited (MetLife Taiwan) for approximately $113 million in cash consideration. The total equity of MetLife Taiwan was $234 million, including accumulated other comprehensive income (loss) of $65 million, at June 30, 2010. The Company has not classified the assets and liabilities of MetLife Taiwan as held-for-sale and its operations as discontinued for the periods presented in the interim condensed consolidated financial statements due to anticipated delays in the approval process in Taiwan.

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3. Investments

Fixed Maturity and Equity Securities Available-for-Sale

The following tables present the cost or amortized cost, gross unrealized gain and loss, 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) loss:

	June 30, 2010					
	Cost or Amortized Cost	Gross Unrealized Gain	Gross Unrealized Temporary Loss	Gross Unrealized OTTI Loss	Estimated Fair Value	% of Total
	(In millions)					
Fixed Maturity Securities:						
U.S. corporate securities	$ 73,787	$ 4,812	$ 1,743	$ 8	$ 76,848	31.2%
Residential mortgage-backed securities (RMBS)	42,632	1,941	1,225	598	42,750	17.3
Foreign corporate securities	39,586	2,441	1,164		40,863	16.6
U.S. Treasury, agency and government guaranteed securities (1)	30,810	2,139	87		32,862	13.3
Commercial mortgage-backed securities (CMBS)	15,903	568	486	1	15,984	6.5
Asset-backed securities (ABS)	15,110	312	804	199	14,419	5.9
Foreign government securities	12,110	1,517	68		13,559	5.5
State and political subdivision securities	8,924	376	252		9,048	3.7
Other fixed maturity securities	15	1	1		15	
Total fixed maturity securities (2),(3)	$ 238,877	$ 14,107	$ 5,830	$ 806	$ 246,348	100.0%
Equity Securities:						
Common stock	$ 1,483	$ 53	$ 21	$	$ 1,515	55.3%
Non-redeemable preferred stock (2)	1,473	52	299		1,226	44.7
Total equity securities (4)	$ 2,956	$ 105	$ 320	$	$ 2,741	100.0%

	December 31, 2009					
	Cost or Amortized Cost	Gross Unrealized Gain	Gross Unrealized Temporary Loss	Gross Unrealized OTTI Loss	Estimated Fair Value	% of Total
	(In millions)					

Fixed Maturity Securities:						
U.S. corporate securities	$ 72,075	$ 2,821	$ 2,699	$ 10	$ 72,187	31.7%
RMBS	45,343	1,234	1,957	600	44,020	19.3
Foreign corporate securities	37,254	2,011	1,226	9	38,030	16.7
U.S. Treasury, agency and government guaranteed securities (1)	25,712	745	1,010		25,447	11.2
CMBS	16,555	191	1,106	18	15,622	6.9
ABS	14,272	189	1,077	222	13,162	5.8
Foreign government securities	11,010	1,076	139		11,947	5.2
State and political subdivision securities	7,468	151	411		7,208	3.2
Other fixed maturity securities	20	1	2		19	
Total fixed maturity securities (2),(3)	$ 229,709	$ 8,419	$ 9,627	$ 859	$ 227,642	100.0%
Equity Securities:						
Common stock	$ 1,537	$ 92	$ 8	$	$ 1,621	52.6%
Non-redeemable preferred stock (2)	1,650	80	267		1,463	47.4
Total equity securities (4)	$ 3,187	$ 172	$ 275	$	$ 3,084	100.0%

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

(1) The Company has classified within the U.S. Treasury, agency and government guaranteed securities caption certain corporate fixed maturity securities issued by U.S. financial institutions that were guaranteed by the Federal Deposit Insurance Corporation (FDIC) pursuant to the FDIC s Temporary Liquidity Guarantee Program of $315 million and $407 million at estimated fair value with unrealized gains of $5 million and $2 million at June 30, 2010 and December 31, 2009, respectively.

(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. The Company classifies perpetual securities with an interest rate step-up feature which, when combined with other qualitative factors, indicates that the security has more equity-like characteristics, 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:

Classification			June 30, 2010 Estimated Fair Value	December 31, 2009 Estimated Fair Value
Consolidated Balance Sheets	**Sector Table**	**Primary Issuers**		
			(In millions)	
Equity securities	Non-redeemable preferred stock	Non-U.S. financial institutions	$ 967	$ 988
Equity securities	Non-redeemable preferred stock	U.S. financial institutions	$ 243	$ 349
Fixed maturity securities	Foreign corporate securities	Non-U.S. financial institutions	$ 2,343	$ 2,626
Fixed maturity securities	U.S. corporate securities	U.S. financial institutions	$ 96	$ 91

(3) Redeemable preferred stock with stated maturity dates are included in the U.S. corporate securities sector within fixed maturity securities. These securities, commonly referred to as capital securities, are primarily issued by U.S. financial institutions and have cumulative interest deferral features. The Company held $2.4 billion and $2.5 billion at estimated fair value of such securities at June 30, 2010 and December 31, 2009, respectively.

(4) Equity securities primarily consist of investments in common and preferred stocks, including certain perpetual hybrid securities and mutual fund interests. Privately-held equity securities were $1.1 billion and $1.0 billion at estimated fair value at June 30, 2010 and December 31, 2009, respectively.

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 non-agency RMBS held by the Company s domestic insurance subsidiaries. Non-agency RMBS, including RMBS backed by sub-prime mortgage loans reported within ABS, held by the Company s domestic insurance subsidiaries are presented based on final ratings from the revised NAIC rating methodology (i.e., NAIC 1 6) which became effective December 31, 2009 (which may not correspond to rating agency designations). All NAIC designation amounts and percentages presented herein are based on the revised NAIC methodology described above. All rating agency designation (i.e., Aaa/AAA) amounts and percentages presented herein are based on rating agency designations without adjustment for the revised NAIC methodology described above. Rating agency designations (i.e., Aaa/AAA) 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).

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

	June 30, 2010	December 31, 2009
	(In millions)	
Below investment grade or non-rated fixed maturity securities:		
Estimated fair value	$ 20,793	$ 20,201
Net unrealized loss	$ 1,996	$ 2,609
Non-income producing fixed maturity securities:		
Estimated fair value	$ 186	$ 312
Net unrealized loss	$ 17	$ 31
Fixed maturity securities credit enhanced by financial guarantor insurers by sector at estimated fair value:		
State and political subdivision securities	$ 2,249	$ 2,154
U.S. corporate securities	1,845	1,750
ABS	801	803
Other	53	43
Total fixed maturity securities credit enhanced by financial guarantor insurers	$ 4,948	$ 4,750
Ratings of the financial guarantor insurers providing the credit enhancement:		
Portion rated Aa/AA	19%	18%
Portion rated A	2%	2%
Portion rated Baa/BBB	36%	36%

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 stockholders equity, other than the U.S. and Mexican government securities described below. The Company s holdings in U.S. Treasury, agency and government guaranteed fixed maturity securities at estimated fair value were $32.9 billion and $25.4 billion at June 30, 2010 and December 31, 2009, respectively. The Company s holdings in Mexican government and certain Mexican government agency fixed maturity securities at estimated fair value were $4.7 billion and $4.8 billion at June 30, 2010 and December 31, 2009, respectively.

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 exposure to any single issuer in excess of 1% of total investments. The tables below present

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the major industry types that comprise the corporate fixed maturity securities holdings, the largest exposure to a single issuer and the combined holdings in the ten issuers to which it had the largest exposure at:

	June 30, 2010		December 31, 2009	
	Estimated Fair Value	% of Total	Estimated Fair Value	% of Total
	(In millions)			
Corporate fixed maturity securities by industry type:				
Foreign (1)	$ 40,863	34.7%	$ 38,030	34.5%
Consumer	19,176	16.3	16,924	15.4
Industrial	18,794	16.0	17,246	15.6
Utility	16,271	13.8	14,785	13.4
Finance	12,937	11.0	13,756	12.5
Communications	6,563	5.6	6,580	6.0
Other	3,107	2.6	2,896	2.6
Total	$ 117,711	100.0%	$ 110,217	100.0%

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

	June 30, 2010		December 31, 2009	
	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	$ 915	0.3%	$ 1,038	0.3%
Holdings in ten issuers with the largest exposures	$ 7,021	2.0%	$ 7,506	2.3%

Concentrations of Credit Risk (Fixed Maturity Securities) RMBS. The table below presents the Company s RMBS holdings and portion rated Aaa/AAA and portion rated NAIC 1 at:

	June 30, 2010		December 31, 2009	
	Estimated Fair	% of	Estimated Fair	% of

	Value	Total	Value	Total
	(In millions)			
By security type:				
Collateralized mortgage obligations	$ 23,318	54.5%	$ 24,480	55.6%
Pass-through securities	19,432	45.5	19,540	44.4
Total RMBS	$ 42,750	100.0%	$ 44,020	100.0%
By risk profile:				
Agency	$ 32,148	75.2%	$ 33,334	75.7%
Prime	6,433	15.0	6,775	15.4
Alternative residential mortgage loans	4,169	9.8	3,911	8.9
Total RMBS	$ 42,750	100.0%	$ 44,020	100.0%
Portion rated Aaa/AAA	$ 34,103	79.8%	$ 35,626	80.9%
Portion rated NAIC 1	$ 37,186	87.0%	$ 38,464	87.4%

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Collateralized mortgage obligations are a type of mortgage-backed security structured by dividing the cash flows of mortgages into separate pools or tranches of risk that create multiple classes of bonds with varying maturities and priority of payments. Pass-through mortgage-backed securities are a type of asset-backed security that is secured by a mortgage or collection of mortgages. The monthly mortgage payments from homeowners pass from the originating bank through an intermediary, such as a government agency or investment bank, which collects the payments, and for a fee, remits or passes these payments through to the holders of the pass-through securities.

Prime residential mortgage lending includes the origination of residential mortgage loans to the most creditworthy borrowers with high quality credit profiles. Alternative residential mortgage loans (Alt-A) are a classification of mortgage loans where the risk profile of the borrower falls between prime and sub-prime. Sub-prime mortgage lending is the origination of residential mortgage loans to borrowers with weak credit profiles.

The following tables present the Company s investment in Alt-A RMBS by vintage year (vintage year refers to the year of origination and not to the year of purchase) and certain other selected data:

	June 30, 2010		December 31, 2009	
	Estimated Fair Value	% of Total	Estimated Fair Value	% of Total
	(In millions)			
Vintage Year:				
2004 & Prior	$ 72	1.7%	$ 109	2.8%
2005	1,518	36.4	1,395	35.7
2006	974	23.4	825	21.1
2007	848	20.3	814	20.8
2008	6	0.2		
2009	718	17.2	768	19.6
2010	33	0.8		
Total	$ 4,169	100.0%	$ 3,911	100.0%

	June 30, 2010		December 31, 2009	
	Amount	% of Total	Amount	% of Total
	(In millions)			
Net unrealized loss	$ 956		$ 1,248	
Rated Aa/AA or better		20.2%		26.3%
Rated NAIC 1		33.6%		31.3%
By collateral type:				

Fixed rate mortgage loans collateral	90.3%	89.3%
Hybrid adjustable rate mortgage loans collateral	9.7	10.7
Total Alt-A RMBS	100.0%	100.0%

Concentrations of Credit Risk (Fixed Maturity Securities) CMBS. The Company s holdings in CMBS were $16.0 billion and $15.6 billion at estimated fair value at June 30, 2010 and December 31, 2009, respectively. The Company had no exposure to CMBS index securities at June 30, 2010 and December 31, 2009. The Company held commercial real estate collateralized debt obligations securities of $120 million and $111 million at estimated fair value at June 30, 2010 and December 31, 2009, respectively.

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

The following tables present the Company s holdings of CMBS by rating agency designation and by vintage year at:

	June 30, 2010											
	Aaa		Aa		A		Baa		Below Investment Grade		Total	
	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	E
	(In millions)											
or	$ 7,477	$ 7,701	$ 272	$ 268	$ 119	$ 113	$ 55	$ 49	$ 22	$ 15	$ 7,945	$
	2,024	2,145	123	117	52	43	88	69	64	50	2,351	
	2,616	2,723	41	40	63	50	69	51	3	5	2,792	
	1,568	1,571	45	41	51	39	28	24	86	66	1,778	
	754	586	126	93	117	88	26	25	10	8	1,033	
	2	2									2	
	2	2									2	
	$ 14,443	$ 14,730	$ 607	$ 559	$ 402	$ 333	$ 266	$ 218	$ 185	$ 144	$ 15,903	$
tribution		92.1%		3.5%		2.1%		1.4%		0.9%		

The June 30, 2010 table reflects ratings assigned by nationally recognized rating agencies including Moody s, S&P, Fitch and Realpoint, LLC.

	December 31, 2009										
	Aaa		Aa		A		Baa		Below Investment Grade		Tota
	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)										
r	$ 6,836	$ 6,918	$ 394	$ 365	$ 162	$ 140	$ 52	$ 41	$ 36	$ 18	$ 7,480
	2,240	2,255	200	166	114	71	133	87	88	58	2,775
	2,956	2,853	144	108	85	65	39	24	57	51	3,281
	1,087	1,009	162	139	380	323	187	129	123	48	1,939
	432	314	13	12	361	257	234	153	35	13	1,075
	5	5									5

	$ 13,556	$ 13,354	$ 913	$ 790	$ 1,102	$ 856	$ 645	$ 434	$ 339	$ 188	$ 16,555
ribution		85.4%		5.1%		5.5%		2.8%		1.2%	

The December 31, 2009 table reflects ratings assigned by nationally recognized rating agencies including Moody s, S&P and Fitch.

Concentrations of Credit Risk (Fixed Maturity Securities) ABS. The Company s holdings in ABS were $14.4 billion and $13.2 billion at estimated fair value at June 30, 2010 and December 31, 2009, respectively. The Company s ABS are diversified both by collateral type and by issuer.

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

The following table presents the collateral type and certain other information about ABS held by the Company at:

	June 30, 2010		December 31, 2009	
	Estimated Fair Value	% of Total	Estimated Fair Value	% of Total
	(In millions)			
By collateral type:				
Credit card loans	$ 7,212	50.0%	$ 7,057	53.6%
Student loans	2,460	17.1	1,855	14.1
RMBS backed by sub-prime mortgage loans	1,077	7.5	1,044	7.9
Automobile loans	712	4.9	963	7.3
Other loans	2,958	20.5	2,243	17.1
Total	$ 14,419	100.0%	$ 13,162	100.0%
Portion rated Aaa/AAA	$ 10,480	72.7%	$ 9,354	71.1%
Portion rated NAIC 1	$ 12,779	88.6%	$ 11,573	87.9%
RMBS backed by sub-prime mortgage loans portion credit enhanced by financial guarantor insurers		39.0%		37.6%
Of the 39.0% and 37.6% credit enhanced, the financial guarantor insurers were rated as follows:				
By financial guarantor insurers rated Aa/AA		22.9%		17.2%
By financial guarantor insurers rated A		8.3%		7.9%

The following tables present the Company s holdings of ABS supported by sub-prime mortgage loans by rating agency designation and by vintage year at:

June 30, 2010

	Aaa		Aa		A		Baa		Below Investment Grade		Total	
	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	Estin Fa Va
	(In millions)											
Prior	$ 47	$ 42	$ 66	$ 55	$ 14	$ 12	$ 7	$ 6	$ 94	$ 58	$ 228	$
	88	67	310	233	31	24	10	6	44	29	483	
	58	47	103	85	44	31	117	104	214	117	536	

			63	33			12	4	99	66	174	
			78	41					29	17	107	
	$ 193	$ 156	$ 620	$ 447	$ 89	$ 67	$ 146	$ 120	$ 480	$ 287	$ 1,528	$ 1
Distribution	14.5%		41.5%		6.2%		11.1%		26.7%		1	

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MetLife, Inc.

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

	December 31, 2009											
	Aaa		Aa		A		Baa		Below Investment Grade		Total	
	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	Estim Fai Valu
	(In millions)											
& Prior	$ 57	$ 48	$ 73	$ 58	$ 11	$ 8	$ 7	$ 6	$ 98	$ 56	$ 246	$ 1
	99	68	316	222	39	27	24	15	31	15	509	3
	64	45	226	144	40	26	24	18	209	139	563	3
	6	6	62	22			22	5	115	72	205	1
			78	28					36	16	114	
	$ 226	$ 167	$ 755	$ 474	$ 90	$ 61	$ 77	$ 44	$ 489	$ 298	$ 1,637	$ 1,
s Distribution		16.0%		45.4%		5.8%		4.2%		28.6%		10

The rating distribution of the Company s ABS supported by sub-prime mortgage loans were as follows at:

	June 30, 2010	December 31, 2009
NAIC 1	69.2%	69.1%
NAIC 2	8.4%	4.2%
NAIC 3	12.3%	12.2%
NAIC 4	6.8%	6.2%
NAIC 5	3.2%	8.3%
NAIC 6	0.1%	%

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 stockholders equity at June 30, 2010 and December 31, 2009.

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, 2010	December 31, 2009

	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
		(In millions)		
Due in one year or less	$ 9,482	$ 9,556	$ 6,845	$ 6,924
Due after one year through five years	41,725	42,908	38,408	39,399
Due after five years through ten years	44,589	47,295	40,448	41,568
Due after ten years	69,436	73,436	67,838	66,947
Subtotal	165,232	173,195	153,539	154,838
RMBS, CMBS and ABS	73,645	73,153	76,170	72,804
Total fixed maturity securities	$ 238,877	$ 246,348	$ 229,709	$ 227,642

Actual maturities may differ from contractual maturities due to the exercise of call or prepayment options. Fixed maturity securities not due at a single maturity date have been included in the above table in the year of final contractual maturity. RMBS, CMBS and ABS are shown separately in the table, as they are not due at a single maturity.

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MetLife, Inc.

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

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

As described more fully in Note 1 of the Notes to the Consolidated Financial Statements included in the 2009 Annual Report, the Company performs a regular evaluation, on a security-by-security basis, of its available-for-sale securities holdings in accordance with its impairment policy in order to evaluate whether such investments are other-than-temporarily impaired. As described more fully in Note 1 of the Notes to the Consolidated Financial Statements included in the 2009 Annual Report, effective April 1, 2009, the Company adopted new OTTI guidance that amends the methodology for determining for fixed maturity securities whether an OTTI exists, and for certain fixed maturity securities, changes how the amount of the OTTI loss that is charged to earnings is determined. There was no change in the OTTI methodology for equity securities.

With respect to fixed maturity securities, the Company considers, among other impairment criteria, whether it has the intent to sell a particular impaired fixed maturity security. The Company s intent to sell a particular impaired fixed maturity security considers broad portfolio management objectives such as asset/liability duration management, issuer and industry segment exposures, interest rate views and the overall total return focus. In following these portfolio management objectives, changes in facts and circumstances that were present in past reporting periods may trigger a decision to sell securities that were held in prior reporting periods. Decisions to sell are based on current conditions or the Company s need to shift the portfolio to maintain its portfolio management objectives including liquidity needs or duration targets on asset/liability managed portfolios. The Company attempts to anticipate these types of changes and if a sale decision has been made on an impaired security, the security will be deemed other-than-temporarily impaired in the period that the sale decision was made and an OTTI loss will be recorded in earnings. In certain circumstances, the Company may determine that it does not intend to sell a particular security but that it is more likely than not that it will be required to sell that security before recovery of the decline in estimated fair value below amortized cost. In such instances, the fixed maturity security will be deemed other-than-temporarily impaired in the period during which it was determined more likely than not that the security will be required to be sold and an OTTI loss will be recorded in earnings. If the Company does not have the intent to sell (i.e., has not made the decision to sell) and it does not believe that it is more likely than not that it will be required to sell the security before recovery of its amortized cost, an impairment assessment is made, as described in Note 1 of the Notes to the Consolidated Financial Statements included in the 2009 Annual Report. Prior to April 1, 2009, the Company s assessment of OTTI for fixed maturity securities was performed in the same manner as described below for equity securities.

With respect to equity securities, the Company considers in its OTTI analysis its intent and ability to hold a particular equity security for a period of time sufficient to allow for the recovery of its value to an amount equal to or greater than cost. Decisions to sell equity securities are based on current conditions in relation to the same broad portfolio management considerations in a manner consistent with that described above for fixed maturity securities.

With respect to perpetual hybrid securities, some of which are classified as fixed maturity securities and some of which are classified as equity securities, within non-redeemable preferred stock, the Company considers in its OTTI analysis whether there has been any deterioration in credit of the issuer and the likelihood of recovery in value of the securities that are in a severe and extended unrealized loss position. The Company also considers whether any perpetual hybrid securities with an unrealized loss, regardless of credit rating, have deferred any dividend payments.

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MetLife, Inc.

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

Net Unrealized Investment Gains (Losses)

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

	June 30, 2010	December 31, 2009
	(In millions)	
Fixed maturity securities that were temporarily impaired	$ 8,277	$ (1,208)
Fixed maturity securities with noncredit OTTI losses in other comprehensive income (loss)	(806)	(859)
Total fixed maturity securities	7,471	(2,067)
Equity securities	(215)	(103)
Derivatives	530	(144)
Other	105	71
Subtotal	7,891	(2,243)
Amounts allocated from:		
Insurance liability loss recognition	(1,773)	(118)
DAC and VOBA related to noncredit OTTI losses recognized in other comprehensive income (loss)	57	71
DAC and VOBA	(1,186)	145
Policyholder dividend obligation	(1,080)	
Subtotal	(3,982)	98
Deferred income tax benefit (expense) related to noncredit OTTI losses recognized in other comprehensive income (loss)	263	275
Deferred income tax benefit (expense)	(1,541)	539
Net unrealized investment gains (losses)	2,631	(1,331)
Net unrealized investment gains (losses) attributable to noncontrolling interests	1	1
Net unrealized investment gains (losses) attributable to MetLife, Inc.	$ 2,632	$ (1,330)

Fixed maturity securities with noncredit OTTI losses in accumulated other comprehensive income (loss), as presented above, of ($806) million at June 30, 2010, includes ($859) million recognized prior to January 1, 2010, ($98) million and ($157) million (($61) million and ($162) million, net of DAC) of noncredit losses recognized in the three months and six months ended June 30, 2010, respectively, $16 million transferred to retained earnings in connection with the adoption of new guidance related to the consolidation of VIEs (see Note 1) for the six months ended June 30, 2010, $37 million and $54 million, related to securities sold during the three months and six months ended June 30, 2010,

respectively, for which a noncredit loss was previously recognized in accumulated other comprehensive income (loss) and $46 million and $140 million of subsequent increases in estimated fair value during the three months and six months ended June 30, 2010, respectively, on such securities for which a noncredit loss was previously recognized in accumulated other comprehensive income (loss).

Fixed maturity securities with noncredit OTTI losses in accumulated other comprehensive income (loss), as presented above, of ($859) million at December 31, 2009, includes ($126) million related to the transition adjustment recorded in 2009 upon the adoption of new guidance on the recognition and presentation of OTTI, ($939) million (($857) million, net of DAC) of noncredit losses recognized in the year ended December 31, 2009 (as more fully described in Note 1 of the Notes to the Consolidated Financial Statements included in the 2009 Annual Report), $20 million related to securities sold during the year ended December 31, 2009 for which a noncredit loss was previously recognized in accumulated comprehensive income (loss) and $186 million of subsequent increases

MetLife, Inc.

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

in estimated fair value during the year ended December 31, 2009 on such securities for which a noncredit loss was previously recognized in accumulated other comprehensive income (loss).

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

		Six Months Ended June 30, 2010 (In millions)
Balance, beginning of period	$	(1,330)
Cumulative effect of change in accounting principle, net of income tax		42
Fixed maturity securities on which noncredit OTTI losses have been recognized		37
Unrealized investment gains (losses) during the period		10,033
Unrealized investment gains (losses) relating to:		
Insurance liability gain (loss) recognition		(1,655)
DAC and VOBA related to noncredit OTTI losses recognized in other comprehensive income (loss)		(14)
DAC and VOBA		(1,331)
Policyholder dividend obligation		(1,080)
Deferred income tax benefit (expense) related to noncredit OTTI losses recognized in other comprehensive income (loss)		(7)
Deferred income tax benefit (expense)		(2,063)
Net unrealized investment gains (losses)		2,632
Net unrealized investment gains (losses) attributable to noncontrolling interests		
Balance, end of period	$	2,632
Change in net unrealized investment gains (losses)	$	3,962
Change in net unrealized investment gains (losses) attributable to noncontrolling interests		
Change in net unrealized investment gains (losses) attributable to MetLife, Inc.	$	3,962

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

The following tables present the estimated fair value and gross unrealized loss 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

MetLife, Inc.

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

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, 2010					
	Less than 12 Months		Equal to or Greater than 12 Months		Total	
	Estimated Fair Value	Gross Unrealized Loss	Estimated Fair Value	Gross Unrealized Loss	Estimated Fair Value	Gross Unrealized Loss
	(In millions, except number of securities)					
Fixed Maturity Securities:						
U.S. corporate securities	$ 5,828	$ 271	$ 12,282	$ 1,480	$ 18,110	$ 1,751
RMBS	953	78	7,835	1,745	8,788	1,823
Foreign corporate securities	4,939	303	5,189	861	10,128	1,164
U.S. Treasury, agency and government guaranteed securities	2,595	1	2,348	86	4,943	87
CMBS	1,044	7	2,109	480	3,153	487
ABS	1,709	60	3,941	943	5,650	1,003
Foreign government securities	501	10	550	58	1,051	68
State and political subdivision securities	740	22	1,558	230	2,298	252
Other fixed maturity securities			5	1	5	1
Total fixed maturity securities	$ 18,309	$ 752	$ 35,817	$ 5,884	$ 54,126	$ 6,636
Equity Securities:						
Common stock	227	19	9	2	236	21
Non-redeemable preferred stock	36	5	905	294	941	299
Total equity securities	$ 263	$ 24	$ 914	$ 296	$ 1,177	$ 320
Total number of securities in an unrealized loss position	2,422		2,670			

MetLife, Inc.

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

	December 31, 2009					
	Less than 12 Months		Equal to or Greater than 12 Months		Total	
	Estimated Fair Value	Gross Unrealized Loss	Estimated Fair Value	Gross Unrealized Loss	Estimated Fair Value	Gross Unrealized Loss
	(In millions, except number of securities)					
Fixed Maturity Securities:						
U.S. corporate securities	$ 8,641	$ 395	$ 18,004	$ 2,314	$ 26,645	$ 2,709
RMBS	5,623	119	10,268	2,438	15,891	2,557
Foreign corporate securities	3,786	139	7,282	1,096	11,068	1,235
U.S. Treasury, agency and government guaranteed securities	15,051	990	51	20	15,102	1,010
CMBS	2,052	29	5,435	1,095	7,487	1,124
ABS	1,259	143	5,875	1,156	7,134	1,299
Foreign government securities	2,318	55	507	84	2,825	139
State and political subdivision securities	2,086	94	1,843	317	3,929	411
Other fixed maturity securities	6	2			6	2
Total fixed maturity securities	$ 40,822	$ 1,966	$ 49,265	$ 8,520	$ 90,087	$ 10,486
Equity Securities:						
Common stock	56	7	14	1	70	8
Non-redeemable preferred stock	66	41	930	226	996	267
Total equity securities	$ 122	$ 48	$ 944	$ 227	$ 1,066	$ 275
Total number of securities in an unrealized loss position	2,210		3,333			

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

The following tables present the cost or amortized cost, gross unrealized loss, including the portion of OTTI loss on fixed maturity securities recognized in accumulated other comprehensive income (loss), gross unrealized loss as a percentage of cost or amortized cost and number of securities for fixed maturity and equity securities where

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

the estimated fair value had declined and remained below cost or amortized cost by less than 20%, or 20% or more at:

	June 30, 2010					
	Cost or Amortized Cost		Gross Unrealized Loss		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	$ 15,620	$ 2,383	$ 404	$ 595	1,534	216
Six months or greater but less than nine months	2,120	350	125	134	213	30
Nine months or greater but less than twelve months	926	210	70	59	78	17
Twelve months or greater	31,188	7,965	2,471	2,778	1,950	490
Total	$ 49,854	$ 10,908	$ 3,070	$ 3,566		
Percentage of amortized cost			6%	33%		
Equity Securities:						
Less than six months	$ 224	$ 468	$ 9	$ 129	544	173
Six months or greater but less than nine months	11	1	2	1	22	
Nine months or greater but less than twelve months					5	1
Twelve months or greater	411	382	54	125	44	23
Total	$ 646	$ 851	$ 65	$ 255		
Percentage of cost			10%	30%		

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

	December 31, 2009					
	Cost or Amortized Cost		Gross Unrealized Loss		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	$ 35,163	$ 2,658	$ 933	$ 713	1,725	186
Six months or greater but less than nine months	4,908	674	508	194	124	49
Nine months or greater but less than twelve months	1,723	1,659	167	517	106	79
Twelve months or greater	41,721	12,067	3,207	4,247	2,369	724
Total	$ 83,515	$ 17,058	$ 4,815	$ 5,671		
Percentage of amortized cost			6%	33%		
Equity Securities:						
Less than six months	$ 66	$ 63	$ 7	$ 14	199	8
Six months or greater but less than nine months	6	1	1	1	15	2
Nine months or greater but less than twelve months	13	94	2	39	8	6
Twelve months or greater	610	488	73	138	50	24
Total	$ 695	$ 646	$ 83	$ 192		
Percentage of cost			12%	30%		

Equity securities with a gross unrealized loss of 20% or more for twelve months or greater decreased from $138 million at December 31, 2009 to $125 million at June 30, 2010. As shown in the section Evaluating Temporarily Impaired Available-for-Sale Securities below, the $124 million of equity securities with a gross unrealized loss of 20% or more for twelve months or greater at June 30, 2010 were investment grade non-redeemable preferred stock, of which $120 million were financial services industry investment grade non-redeemable preferred stock, of which 79% were rated A or better.

Concentration of Gross Unrealized Loss and OTTI Loss 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 loss on fixed maturity securities recognized in accumulated other comprehensive income (loss) of

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

$7.0 billion and $10.8 billion at June 30, 2010 and December 31, 2009, respectively, were concentrated, calculated as a percentage of gross unrealized loss and OTTI loss, by sector and industry as follows:

	June 30, 2010	December 31, 2009
Sector:		
RMBS	26%	24%
U.S. corporate securities	25	25
Foreign corporate securities	17	11
ABS	14	12
CMBS	7	10
State and political subdivision securities	4	4
U.S. Treasury, agency and government guaranteed securities	1	9
Other	6	5
Total	100%	100%
Industry:		
Mortgage-backed	33%	34%
Finance	25	22
Asset-backed	14	12
Consumer	6	4
Utility	5	4
State and political subdivision securities	4	4
Communications	3	2
Industrial	2	1
U.S. Treasury, agency and government guaranteed securities	1	9
Other	7	8
Total	100%	100%

Evaluating Temporarily Impaired Available-for-Sale Securities

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

	June 30, 2010		December 31, 2009	
	Fixed Maturity Securities	Equity Securities	Fixed Maturity Securities	Equity Securities

	(In millions, except number of securities)			
Number of securities	133	12	223	9
Total gross unrealized loss	$ 2,437	$ 186	$ 4,465	$ 132
Percentage of total gross unrealized loss	37%	58%	43%	48%

Fixed maturity and equity securities, each with a gross unrealized loss greater than $10 million, decreased $2.0 billion during the six months ended June 30, 2010. The cause of the decline in, or improvement in, gross unrealized losses for the six months ended June 30, 2010, 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

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MetLife, Inc.

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

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 is 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 is 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 a gross unrealized loss of 20% or more at June 30, 2010:

	All Equity Securities	Non-Redeemable Preferred Stock						
		All Types of Non-Redeemable Preferred Stock		Investment Grade				
				All Industries		Financial Services Industry		
	Gross Unrealized Loss	Gross Unrealized Loss	% of All Equity Securities	Gross Unrealized Loss	% of All Non-Redeemable Preferred Stock	Gross Unrealized Loss	% of All Industries	% A Rated or Better
	(In millions)							
Less than six months	$ 129	$ 118	91%	$ 118	100%	$ 118	100%	58%
Six months or greater but less than twelve months	1	1	100%	1	100%	1	100%	20%
Twelve months or greater	125	124	99%	124	100%	120	97%	79%
All equity securities with a gross unrealized loss of 20% or more	$ 255	$ 243	95%	$ 243	100%	$ 239	98%	68%

In connection with the equity securities impairment review process, the Company evaluated its holdings in non-redeemable preferred stock, particularly those companies 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 Company, regardless of credit rating, have deferred any dividend payments. No such dividend payments were 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 rating, 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.

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

Net Investment Gains (Losses)

As described more fully in Note 1 of the Notes to the Consolidated Financial Statements included in the 2009 Annual Report, effective April 1, 2009, the Company adopted new guidance on the recognition and presentation of OTTI that amends the methodology to determine for fixed maturity securities whether an OTTI exists, and for certain fixed maturity securities, changes how OTTI losses that are charged to earnings are measured. There was no change in the methodology for identification and measurement of OTTI losses charged to earnings for impaired equity securities.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
	(In millions)			
Total losses on fixed maturity securities:				
Total OTTI losses recognized	$ (244)	$ (566)	$ (395)	$ (1,119)
Less: Noncredit portion of OTTI losses transferred to and recognized in other comprehensive income (loss)	98	234	157	234
Net OTTI losses on fixed maturity securities recognized in earnings	(146)	(332)	(238)	(885)
Fixed maturity securities net gains (losses) on sales and disposals	20	(46)	45	(102)
Total losses on fixed maturity securities	(126)	(378)	(193)	(987)
Other net investment gains (losses):				
Equity securities	74	(108)	101	(377)
Mortgage loans	11	(125)	(17)	(271)
Commercial mortgage loans held by consolidated securitization entities fair value option	172		653	
Real estate and real estate joint ventures	(27)	(68)	(49)	(93)
Other limited partnership interests	(10)	(247)	(11)	(344)
Freestanding derivatives	3,680	(3,637)	3,199	(4,687)
Embedded derivatives	(2,199)	793	(1,677)	2,010
Trading securities held by consolidated securitization entities fair value option	(17)		(21)	
Long-term debt of consolidated securitization entities related to trading securities fair value option	(1)		11	
Long-term debt of consolidated securitization entities related to mortgage loans fair value option	(156)		(635)	
Other	67	(59)	179	14

Total net investment gains (losses)	$ 1,468	$ (3,829)	$ 1,540	$ (4,735)

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

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.

MetLife, Inc.

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

	Three Months Ended June 30,					
	2010	2009	2010	2009	2010	2009
	Fixed Maturity Securities		Equity Securities		Total	
	(In millions)					
Proceeds	$ 13,500	$ 7,573	$ 300	$ 195	$ 13,800	$ 7,768
Gross investment gains	215	189	76	13	291	202
Gross investment losses	(195)	(235)	(1)	(49)	(196)	(284)
Total OTTI losses recognized in earnings:						
Credit-related	(146)	(287)			(146)	(287)
Other (1)		(45)	(1)	(72)	(1)	(117)
Total OTTI losses recognized in earnings	(146)	(332)	(1)	(72)	(147)	(404)
Net investment gains (losses)	$ (126)	$ (378)	$ 74	$ (108)	$ (52)	$ (486)

	Six Months Ended June 30,					
	2010	2009	2010	2009	2010	2009
	Fixed Maturity Securities		Equity Securities		Total	
	(In millions)					
Proceeds	$ 21,878	$ 19,351	$ 445	$ 253	$ 22,323	$ 19,604
Gross investment gains	379	545	107	20	486	565
Gross investment losses	(334)	(647)	(4)	(67)	(338)	(714)
Total OTTI losses recognized in earnings:						
Credit-related	(232)	(743)			(232)	(743)
Other (1)	(6)	(142)	(2)	(330)	(8)	(472)
Total OTTI losses recognized in earnings	(238)	(885)	(2)	(330)	(240)	(1,215)

Net investment gains (losses)	$	(193)	$	(987)	$	101	$	(377)	$	(92)	$	(1,364)

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

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
	(In millions)			
Sector:				
U.S. and foreign corporate securities by industry:				
Finance	$ 20	$ 67	$ 28	$ 188
Consumer	1	74	23	164
Communications		61	3	203
Utility	3	43	3	76
Industrial		3		20
Other industries		2		26
Total U.S. and foreign corporate securities	24	250	57	677
ABS	44	28	63	94
RMBS	27	20	57	78
CMBS	51	34	61	36
Total	$ 146	$ 332	$ 238	$ 885

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
	(In millions)			
Sector:				
Common stock	$ 1	$ 12	2	$ 50
Non-redeemable preferred stock		60		280
Total	$ 1	$ 72	$ 2	$ 330
Industry:				
Financial services industry:				
Perpetual hybrid securities	$	$ 60	$	$ 260

Common and remaining non-redeemable preferred stock				30
Total financial services industry		60		290
Other industries	1	12	2	40
Total	$ 1	$ 72	$ 2	$ 330

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 at June 30, 2010 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,	
	2010	2009	2010	2009
	(In millions)			
Balance, beginning of period	$ 424	$	$ 581	$
Credit loss component of OTTI loss not reclassified to other comprehensive income (loss) in the cumulative effect transition adjustment		230		230
Additions:				
Initial impairments credit loss OTTI recognized on securities not previously impaired	62	152	81	152
Additional impairments credit loss OTTI recognized on securities previously impaired	39	5	70	5
Reductions:				
Due to sales (maturities, pay downs or prepayments) during the period of securities previously credit loss OTTI impaired	(30)	(7)	(134)	(7)
Due to securities de-recognized in connection with the adoption of new guidance related to the consolidation of VIEs			(100)	
Due to increases in cash flows accretion of previous credit loss OTTI	(4)		(7)	
Balance, end of period	$ 491	$ 380	$ 491	$ 380

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,	
	2010	2009	2010	2009
	(In millions)			
Fixed maturity securities	$ 3,033	$ 2,936	$ 6,106	$ 5,754
Equity securities	39	55	64	93
Trading securities	(56)	130	23	147
Trading securities held by consolidated securitization entities	4		8	
Mortgage loans	696	696	1,369	1,378
Commercial mortgage loans held by consolidated securitization entities	105		210	
Policy loans	159	161	337	318
Real estate and real estate joint ventures	141	(72)	189	(159)
Other limited partnership interests	161	72	426	(181)
Cash, cash equivalents and short-term investments	20	34	38	82
International joint ventures (1)	(97)	(77)	(80)	(70)
Other	102	44	188	119
Total investment income	4,307	3,979	8,878	7,481
Less: Investment expenses	220	249	447	490
Net investment income	$ 4,087	$ 3,730	$ 8,431	$ 6,991

(1) 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 investments that do not qualify for hedge accounting of $109 million and $77 million for the three months and six months ended June 30, 2010, respectively, and ($92) million and ($116) million for the three months and six months ended June 30, 2009, respectively.

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

Securities Lending

The Company participates in securities lending programs 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. These transactions are treated as financing arrangements and the associated liability is recorded at the amount of the cash received. The Company generally obtains collateral in an amount equal to 102% of the estimated fair value of the securities loaned. 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, the amounts of which by aging category are presented below.

MetLife, Inc.

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

Elements of the securities lending programs are presented below at:

	June 30, 2010	December 31, 2009
	(In millions)	
Securities on loan:		
Cost or amortized cost	$ 22,561	$ 21,012
Estimated fair value	$ 23,965	$ 20,949
Aging of cash collateral liability:		
Open (1)	$ 2,682	$ 3,290
Less than thirty days	13,578	13,605
Thirty days or greater but less than sixty days	5,541	3,534
Sixty days or greater but less than ninety days	314	92
Ninety days or greater	2,141	995
Total cash collateral liability	$ 24,256	$ 21,516
Security collateral on deposit from counterparties	$ 236	$ 6
Reinvestment portfolio estimated fair value	$ 23,409	$ 20,339

(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, 2010 was $2,613 million, of which $2,029 million were U.S. Treasury, agency and government guaranteed 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, agency and government guaranteed securities, and very liquid RMBS. The reinvestment portfolio acquired with the cash collateral consisted principally of fixed maturity securities (including U.S. Treasury, agency and government guaranteed, U.S. corporate, RMBS, ABS and CMBS securities).

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. Separately, the Company had $49 million and $46 million, at estimated fair value, of cash and security collateral on deposit from a counterparty to secure its interest in a pooled investment that is held by a third party trustee, as custodian, at June 30, 2010 and December 31, 2009, respectively. This pooled investment is included within fixed maturity securities and had an estimated fair value of $57 million and $51 million at June 30, 2010 and December 31, 2009, respectively.

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

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

MetLife, Inc.

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

	June 30, 2010	December 31, 2009
	(In millions)	
Invested assets on deposit:		
Regulatory agencies (1)	$ 1,482	$ 1,383
Invested assets held in trust:		
Collateral financing arrangements (2)	5,799	5,653
Reinsurance arrangements (3)	2,986	2,719
Invested assets pledged as collateral:		
Funding agreements and advances FHLB of NY (4)	21,321	20,612
Funding agreements FHLB of Boston (4)	408	419
Funding agreements Farmer Mac (5)	2,871	2,871
Federal Reserve Bank of New York (6)	1,763	1,537
Collateral financing arrangements (7)	189	80
Derivative transactions (8)	1,370	1,671
Short sale agreements (9)	463	496
Total invested assets on deposit, held in trust and pledged as collateral	$ 38,652	$ 37,441

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

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

(3) The Company has pledged certain investments, primarily fixed maturity securities, in connection with certain reinsurance transactions.

(4) The Company has pledged fixed maturity securities and mortgage loans in support of its funding agreements with, and advances from, the Federal Home Loan Bank of New York (FHLB of NY) and has pledged fixed maturity securities in support of its funding agreements with the Federal Home Loan Bank of Boston (FHLB of Boston). The nature of these Federal Home Loan Bank arrangements is described in Note 7 herein and Note 8 of the Notes to the Consolidated Financial Statements included in the 2009 Annual Report.

(5) The Company has pledged certain agricultural real estate mortgage loans in connection with funding agreements issued to certain special purpose entities that have issued securities guaranteed by the Federal Agricultural Mortgage Corporation (Farmer Mac). The nature of these Farmer Mac arrangements is described in Note 8 of the Notes to the Consolidated Financial Statements included in the 2009 Annual Report.

(6) The Company has pledged qualifying mortgage loans and fixed maturity securities in connection with collateralized borrowings from the Federal Reserve Bank of New York s Term Auction Facility. The nature of the

Federal Reserve Bank of New York arrangements is described in Note 11 of the Notes to the Consolidated Financial Statements included in the 2009 Annual Report.

(7) The Holding Company has pledged certain collateral in support of the collateral financing arrangements described in Note 12 of the Notes to the Consolidated Financial Statements included in the 2009 Annual Report.

(8) Certain of the Company s invested assets are pledged as collateral for various derivative transactions as described in Note 4.

(9) Certain of the Company s trading securities and cash and cash equivalents are pledged to secure liabilities associated with short sale agreements in the trading securities portfolio as described in the following section.

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MetLife, Inc.

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

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

Trading Securities

The Company has trading securities portfolios to support investment strategies that involve the active and frequent purchase and sale of securities, the execution of short sale agreements and asset and liability matching strategies for certain insurance products. In addition, the Company classifies securities held within consolidated securitization entities as trading securities, with changes in estimated fair value recorded as net investment gains (losses).

The tables below present certain information about the Company s trading securities portfolios:

	June 30, 2010	December 31, 2009
	(In millions)	
Trading securities at estimated fair value	$ 2,901	$ 2,384
Securities held by consolidated securitization entities at estimated fair value	257	
Total trading securities at estimated fair value	$ 3,158	$ 2,384
Short sale agreement liabilities at estimated fair value (included in other liabilities)	$ 47	$ 106
Investments pledged to secure short sale agreement liabilities	$ 463	$ 496

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
	(In millions)			
Trading securities:				
Net investment income (1)	$ (56)	$ 130	$ 23	$ 147
Changes in estimated fair value included in net investment income	$ (90)	$ 141	$ (29)	$ 143
Securities held by consolidated securitization entities:				
Net investment income (2)	$ 4	$	$ 8	$
Changes in estimated fair value included in net investment gains (losses) (3)	$ (17)	$	$ (21)	$

(1) Includes interest and dividends earned on trading securities, in addition to the net realized gains (losses) and changes in estimated fair value subsequent to purchase, recognized on the trading securities and the related short sale agreement liabilities.

(2) Includes interest and dividends earned on securities held by consolidated securitization entities.

(3) Includes net realized gains (losses) and changes in estimated fair value subsequent to consolidation recognized on securities held by consolidated securitization entities accounted for under the fair value option.

See Variable Interest Entities for discussion of consolidated securitization entities included in the tables above.

MetLife, Inc.

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

Mortgage Loans

Mortgage loans, net of valuation allowances, are categorized as follows:

	June 30, 2010		December 31, 2009	
	Carrying Value	% of Total	Carrying Value	% of Total
	(In millions)			
Mortgage loans held-for-investment, net:				
Commercial mortgage loans	$ 34,421	59.1%	$ 34,587	67.9%
Agricultural mortgage loans	12,284	21.1	12,140	23.8
Residential and consumer loans	1,789	3.1	1,454	2.9
Subtotal mortgage loans held-for-investment, net	48,494	83.3%	48,181	94.6%
Commercial mortgage loans held by consolidated securitization entities fair value option	7,107	12.2		
Total mortgage loans held-for-investment, net	55,601	95.5%	48,181	94.6%
Mortgage loans held-for-sale:				
Residential fair value option	2,043	3.5	2,470	4.9
Commercial and residential lower of amortized cost or estimated fair value	607	1.0	258	0.5
Total mortgage loans held-for-sale	2,650	4.5	2,728	5.4
Total mortgage loans, net	$ 58,251	100.0%	$ 50,909	100.0%

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

Additions (reductions) to the mortgage valuation allowance charged to net investment gains (losses) were ($9) million and $34 million for the three months and six months ended June 30, 2010, respectively, and $144 million and $275 million for the three months and six months ended June 30, 2009, respectively.

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MetLife, Inc.

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

Commercial Mortgage Loans by Geographic Region and Property Type The Company diversifies its mortgage loans by both geographic region and property type to reduce the risk of concentration. The following table presents the distribution across geographic regions and property types for commercial mortgage loans at:

	June 30, 2010		December 31, 2009	
	Carrying Value	% of Total	Carrying Value	% of Total
	(In millions)			
Region:				
Pacific	$ 8,346	24.2%	$ 8,684	25.1%
South Atlantic	7,485	21.7	7,342	21.2
Middle Atlantic	5,980	17.4	5,948	17.2
International	3,564	10.4	3,564	10.3
West South Central	2,963	8.6	2,870	8.3
East North Central	2,460	7.1	2,487	7.2
New England	1,400	4.1	1,414	4.1
Mountain	892	2.6	944	2.7
West North Central	629	1.9	641	1.9
East South Central	452	1.3	443	1.3
Other	250	0.7	250	0.7
Total	$ 34,421	100.0%	$ 34,587	100.0%
Property Type:				
Office	$ 15,020	43.6%	$ 14,986	43.3%
Retail	7,900	23.0	7,870	22.8
Apartments	3,607	10.5	3,696	10.7
Hotel	3,037	8.8	2,947	8.5
Industrial	2,847	8.3	2,759	8.0
Other	2,010	5.8	2,329	6.7
Total	$ 34,421	100.0%	$ 34,587	100.0%

MetLife, Inc.

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

Mortgage Servicing Rights

The following table presents the carrying value and changes in capitalized mortgage servicing rights (MSRs), which are included in other invested assets:

	At or For the Six Months Ended June 30,	
	2010	2009
	(In millions)	
Estimated fair value, beginning of period	$ 878	$ 191
Acquisition of MSRs		117
Origination of MSRs	106	289
Reductions due to loan payments	(43)	(61)
Reductions due to loan sales	(43)	
Changes in estimated fair value due to:		
Changes in valuation model inputs or assumptions	(238)	133
Other changes in estimated fair value		1
Estimated fair value, end of period	$ 660	$ 670

The Company recognizes the rights to service residential mortgage loans as MSRs. MSRs are either acquired or are generated from the sale of originated residential mortgage loans where the servicing rights are retained by the Company. MSRs are carried at estimated fair value and changes in estimated fair value, primarily due to changes in valuation inputs and assumptions and to the collection of expected cash flows, are reported in other revenues in the period in which the change occurs. See Note 5 for further information about how the estimated fair value of MSRs is determined and other related information.

Short-term Investments

The carrying value of short-term investments, which include investments with remaining maturities of one year or less, but greater than three months, at the time of acquisition was $9.7 billion and $8.4 billion at June 30, 2010 and December 31, 2009, respectively. The Company is exposed to concentrations of credit risk related to securities of the U.S. government and certain U.S. government agencies included within short-term investments, which were $9.0 billion and $7.5 billion at June 30, 2010 and December 31, 2009, respectively.

Cash Equivalents

The carrying value of cash equivalents, which include investments with an original or remaining maturity of three months or less, at the time of acquisition was $8.4 billion at both June 30, 2010 and December 31, 2009. The

Company is exposed to concentrations of credit risk related to securities of the U.S. government and certain U.S. government agencies included within cash equivalents, which were $5.9 billion and $6.0 billion at June 30, 2010 and December 31, 2009, respectively.

Variable Interest Entities

The Company holds investments in certain entities that are VIEs. In certain instances, the Company holds both the power to direct the most significant activities of the entity, as well as an economic interest in the entity and, as such, consistent with the new guidance described in Note 1, 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 in the Company s financial statements at June 30, 2010 and December 31, 2009. Creditors or beneficial interest holders of VIEs where the

MetLife, Inc.

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

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, 2010		December 31, 2009	
	Total Assets	Total Liabilities	Total Assets	Total Liabilities
	(In millions)			
Consolidated securitization entities (1)	$ 7,429	$ 7,191	$	$
MRSC collateral financing arrangement (2)	3,324		3,230	
Other limited partnership interests	204	58	367	72
Other invested assets	110	1	27	1
Real estate joint ventures	22	16	22	17
Total	$ 11,089	$ 7,266	$ 3,646	$ 90

(1) As discussed in Note 1, upon the adoption of new guidance effective January 1, 2010, the Company consolidated former QSPEs that are structured as CMBS and former QSPEs that are structured as collateralized debt obligations. At June 30, 2010, these entities held total assets of $7,429 million consisting of $257 million of securities classified by the Company as trading securities, $7,107 million of commercial mortgage loans, $38 million of accrued investment income and $27 million of cash. These entities had total liabilities of $7,191 million, consisting of $7,129 million of long-term debt and $62 million of other liabilities. 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 is limited to that of its remaining investment in the former QSPEs of $200 million at estimated fair value at June 30, 2010. The long-term debt referred to above 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 $103 million and $209 million for the three months and six months ended June 30, 2010, respectively.

(2) See Note 12 of the Notes to the Consolidated Financial Statements included in the 2009 Annual Report for a description of the MetLife Reinsurance Company of South Carolina (MRSC) collateral financing arrangement. At June 30, 2010 and December 31, 2009, these assets consist of the following, at estimated fair value:

	June 30, 2010	December 31, 2009
	(In millions)	
Fixed maturity securities available-for-sale:		
ABS	$ 1,212	$ 963
U.S. corporate securities	927	1,049
RMBS	559	672

CMBS	386	348
Foreign corporate securities	106	80
U.S. Treasury, agency and government guaranteed securities	31	33
State and political subdivision securities	30	21
Foreign government securities	5	5
Cash and cash equivalents (including cash held in trust of $0 and less than $1 million, respectively)	68	59
Total	$ 3,324	$ 3,230

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MetLife, Inc.

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

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, 2010		December 31, 2009	
	Carrying Amount	Maximum Exposure to Loss (1)	Carrying Amount	Maximum Exposure to Loss (1)
	(In millions)			
Fixed maturity securities available-for-sale:				
RMBS (2)	$ 42,750	$ 42,750	$	$
CMBS (2)	15,984	15,984		
ABS (2)	14,419	14,419		
U.S. corporate securities	1,799	1,799	1,216	1,216
Foreign corporate securities	1,392	1,392	1,254	1,254
Other limited partnership interests	4,063	6,255	2,543	2,887
Other invested assets	499	520	416	409
Real estate joint ventures	13	62	30	30
Equity securities available-for-sale:				
Non-redeemable preferred stock			31	31
Total	$ 80,919	$ 83,181	$ 5,490	$ 5,827

(1) The maximum exposure to loss relating to the fixed maturity and equity securities available-for-sale 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. Such a maximum loss would be expected to occur only upon bankruptcy of the issuer or investee. For certain of its investments in other invested assets, the Company s return is in the form of 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 amounts guaranteed by third parties of $212 million and $232 million at June 30, 2010 and December 31, 2009, respectively.

(2) As discussed in Note 1, the Company adopted new guidance effective January 1, 2010 which eliminated the concept of a QSPE. As a result, the Company concluded it held variable interests in RMBS, CMBS and ABS. For these 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, 2010.

4. Derivative Financial Instruments

Accounting for Derivative Financial Instruments

Derivatives are financial instruments whose values are derived from interest rates, foreign currency exchange rates, or other financial indices. Derivatives may be exchange-traded or contracted in the over-the-counter market. The Company uses a variety of derivatives, including swaps, forwards, futures and option contracts, to manage 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.

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

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 over-the-counter 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 investment 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 economic hedges of equity method investments in joint ventures, or for all derivatives held in relation to the trading portfolios; (iii) in other revenues for derivatives held in connection with the Company s mortgage banking activities; and (iv) in other expenses for economic hedges of foreign currency exposure related to the Company s international subsidiaries. The fluctuations in estimated fair value of derivatives which have not been designated for hedge accounting can result in significant volatility in net income.

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

The accounting for derivatives is complex and interpretations of the primary accounting guidance continue to evolve in practice. Judgment is applied in determining the availability and application of hedge accounting designations and the appropriate accounting treatment under such accounting guidance. If it was determined that hedge accounting designations were not appropriately applied, reported net income could be materially affected. Differences in judgment as to the availability and application of hedge accounting designations and the appropriate accounting treatment may result in a differing impact in the consolidated financial statements of the Company from that previously reported.

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 investment 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.

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

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 investment 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 investment 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 investment 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 consolidated balance sheets at its estimated fair value, with changes in estimated fair value recognized currently in net investment 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 investment 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 investment 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 investment gains (losses) except for those in policyholder benefits and claims related to ceded reinsurance of guaranteed minimum income benefits. If the Company is unable to properly identify and measure an embedded derivative for separation from its host contract,

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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 in policyholder benefits and claims. 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 in policyholder benefits and claims if that contract contains an embedded derivative that requires bifurcation. There is a risk that embedded derivatives requiring bifurcation may not be identified and reported at estimated fair value in the consolidated financial statements and that their related changes in estimated fair value could materially affect reported net income.

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

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

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

		June 30, 2010			December 31, 2009		
			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	$ 43,142	$ 3,553	$ 1,049	$ 38,152	$ 1,570	$ 1,255
	Interest rate floors	24,191	772	77	23,691	461	37
	Interest rate caps	30,266	92	1	28,409	283	
	Interest rate futures	7,441	21	7	7,563	8	10
	Interest rate options	2,192	40	16	4,050	117	57
	Interest rate forwards	9,526	62	88	9,921	66	27
	Synthetic GICs	4,343			4,352		
Foreign currency	Foreign currency swaps	17,388	1,578	1,043	16,879	1,514	1,392
	Foreign currency forwards	7,774	263	50	6,485	83	57
	Currency options	398	39	2	822	18	
	Non-derivative hedging instruments (2)	169		169			
Credit	Credit default swaps	7,456	81	102	6,723	74	130
	Credit forwards	180	14	2	220	2	6
Equity market	Equity futures	8,957	98	40	7,405	44	21

Equity options	31,598	2,563	621	27,175	1,712	1,018
Variance swaps	16,883	545	78	13,654	181	58
Total rate of return swaps	1,025		67	376		47
Total	$ 212,929	$ 9,721	$ 3,412	$ 195,877	$ 6,133	$ 4,115

(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.

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Interest rate swaps are used by the Company primarily to reduce market risks from changes in interest rates and to alter interest rate exposure arising from mismatches between assets and liabilities (duration mismatches). In an interest rate swap, the Company agrees with another party to exchange, at specified intervals, the difference between fixed rate and floating rate interest amounts as calculated by reference to an agreed notional principal amount. These transactions are entered into pursuant to master agreements that provide for a single net payment to be made by the counterparty at each due date. The Company utilizes interest rate swaps in fair value, cash flow and non-qualifying hedging relationships.

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

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

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

The Company 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

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predetermined price. The call option is covered because the Company owns the referenced security over the term of the option. Covered call options are included in interest rate options in the preceding table. The Company utilizes covered call options in non-qualifying hedging relationships.

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

Interest rate lock commitments are short-term commitments to fund mortgage loan applications in process (the pipeline) for a fixed term at a fixed price. 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 and currency option 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.

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.

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

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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. 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 London Inter-Bank Offer Rate (LIBOR), calculated by reference to an agreed notional principal amount. No cash is exchanged at the outset of the contract. Cash is paid and received over the life of the contract based on the terms of the swap. These transactions are entered into pursuant to master agreements that provide for a single net payment to be made by the counterparty at each due date. The Company uses TRRs to hedge its equity market guarantees in

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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 notional amount and estimated fair value of derivatives designated as hedging instruments by type of hedge designation at:

Derivatives Designated as Hedging Instruments	June 30, 2010 Notional Amount	June 30, 2010 Estimated Fair Value Assets	June 30, 2010 Estimated Fair Value Liabilities	December 31, 2009 Notional Amount	December 31, 2009 Estimated Fair Value Assets	December 31, 2009 Estimated Fair Value Liabilities
	(In millions)					
Fair Value Hedges:						
Foreign currency swaps	$ 4,764	$ 578	$ 199	$ 4,807	$ 854	$ 132
Interest rate swaps	4,946	1,020	102	4,824	500	75
Subtotal	9,710	1,598	301	9,631	1,354	207
Cash Flow Hedges:						
Foreign currency swaps	5,087	418	268	4,108	127	347
Interest rate swaps	2,635	250	20	1,740		48
Interest rate forwards	700		15			
Credit forwards	180	14	2	220	2	6
Subtotal	8,602	682	305	6,068	129	401
Foreign Operations Hedges:						
Foreign currency forwards	2,400	49	23	1,880	27	13
Non-derivative hedging instruments	169		169			
Subtotal	2,569	49	192	1,880	27	13
Total Qualifying Hedges	$ 20,881	$ 2,329	$ 798	$ 17,579	$ 1,510	$ 621

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The following table presents the 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, 2010 Notional Amount	June 30, 2010 Estimated Fair Value Assets	June 30, 2010 Estimated Fair Value Liabilities	December 31, 2009 Notional Amount	December 31, 2009 Estimated Fair Value Assets	December 31, 2009 Estimated Fair Value Liabilities
	(In millions)					
Interest rate swaps	$ 35,561	$ 2,283	$ 927	$ 31,588	$ 1,070	$ 1,132
Interest rate floors	24,191	772	77	23,691	461	37
Interest rate caps	30,266	92	1	28,409	283	
Interest rate futures	7,441	21	7	7,563	8	10
Interest rate options	2,192	40	16	4,050	117	57
Interest rate forwards	8,826	62	73	9,921	66	27
Synthetic GICs	4,343			4,352		
Foreign currency swaps	7,537	582	576	7,964	533	913
Foreign currency forwards	5,374	214	27	4,605	56	44
Currency options	398	39	2	822	18	
Credit default swaps	7,456	81	102	6,723	74	130
Equity futures	8,957	98	40	7,405	44	21
Equity options	31,598	2,563	621	27,175	1,712	1,018
Variance swaps	16,883	545	78	13,654	181	58
Total rate of return swaps	1,025		67	376		47
Total non-designated or non-qualifying derivatives	$ 192,048	$ 7,392	$ 2,614	$ 178,298	$ 4,623	$ 3,494

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

	Three Months Ended June 30, 2010	Three Months Ended June 30, 2009	Six Months Ended June 30, 2010	Six Months Ended June 30, 2009
	(In millions)			
Qualifying hedges:				
Net investment income	$ 18	$ 10	$ 41	$ 27
Interest credited to policyholder account balances	52	55	113	97
Other expenses	(2)	3	(4)	(1)
Non-qualifying hedges:				

Net investment income	(2)		(2)	(1)
Net investment gains (losses)	143	33	173	63
Other revenues	27	14	56	22
Total	$ 236	$ 115	$ 377	$ 207

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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The Company recognizes gains and losses on derivatives and the related hedged items in fair value hedges within net investment gains (losses). The following table represents the amount of such net investment gains (losses) recognized for the three months and six months ended June 30, 2010 and 2009:

Derivatives in Fair Value Hedging Relationships	Hedged Items in Fair Value Hedging Relationships	Net Investment Gains (Losses) Recognized for Derivatives	Net Investment Gains (Losses) Recognized for Hedged Items	Ineffectiveness Recognized in Net Investment Gains (Losses)
			(In millions)	
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 Three Months Ended June 30, 2009:				
Interest rate swaps:	Fixed maturity securities	$ 33	$ (29)	$ 4
	Policyholder account balances (1)	(518)	509	(9)
Foreign currency swaps:	Foreign-denominated fixed maturity securities	(16)	15	(1)
	Foreign-denominated policyholder account balances (2)	427	(421)	6
Total		$ (74)	$ 74	$
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)

For the Six Months Ended June 30, 2009:				
Interest rate swaps:	Fixed maturity securities	$ 47	$ (41)	$ 6
	Policyholder account balances (1)	(812)	801	(11)
Foreign currency swaps:	Foreign-denominated fixed maturity securities	(13)	11	(2)
	Foreign-denominated policyholder account balances (2)	320	(308)	12
Total		$ (458)	$ 463	$ 5

(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 to hedge the forecasted purchases of fixed-rate investments; and (vi) interest rate swaps and interest rate forwards to hedge forecasted fixed-rate borrowings.

For the three months and six months ended June 30, 2010, the Company recognized $2 million and $5 million, respectively, of net investment gains which represented the ineffective portion of all cash flow hedges. For the three months and six months ended June 30, 2009, the Company recognized insignificant net investment losses which represented the ineffective portion of all cash flow hedges. All components of each derivative s gain or loss were

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included in the assessment of hedge effectiveness. 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 investment gains (losses) for the three months and six months ended June 30, 2010 related to such discontinued cash flow hedges were insignificant. The net amounts reclassified into net investment gains (losses) for the three months and six months ended June 30, 2009 related to such discontinued cash flow hedges were gains (losses) of $0 and $1 million, respectively. At June 30, 2010 and December 31, 2009, the maximum length of time over which the Company was hedging its exposure to variability in future cash flows for forecasted transactions did not exceed eight years and five years, respectively.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
	(In millions)			
Other comprehensive income (loss), balance at beginning of period	$ 44	$ 113	$ (76)	$ 82
Gains (losses) deferred in other comprehensive income (loss) on the effective portion of cash flow hedges	566	(97)	617	(105)
Amounts reclassified to net investment gains (losses)	(17)	(6)	51	33
Amounts reclassified to net investment income	1	4	2	6
Amounts reclassified to other expenses	(1)	(1)	(1)	(1)
Amortization of transition adjustment				(2)
Other comprehensive income (loss), balance at end of period	$ 593	$ 13	$ 593	$ 13

At June 30, 2010, $40 million of deferred net gains on derivatives accumulated in other comprehensive income (loss) was expected to be reclassified to earnings within the next 12 months.

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The following tables present the effects of derivatives in cash flow hedging relationships on the interim condensed consolidated statements of operations and the interim condensed consolidated statements of stockholders equity for the three months and six months ended June 30, 2010 and 2009:

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 Investment Gains (Losses)	Net Investment Income	Other Expenses	Net Investment Gains (Losses)	Net Investment Income
	(In millions)					
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 Three Months Ended June 30, 2009:						
Interest rate swaps	$	$	$ (2)	$	$	$
Foreign currency swaps	(170)	6	(2)	1		
Interest rate forwards	73					
Total	$ (97)	$ 6	$ (4)	$ 1	$	$

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	$
For the Six Months Ended June 30, 2009:						
Interest rate swaps	$ 1	$	$ (2)	$	$	$
Foreign currency swaps	(179)	(33)	(2)	1		
Interest rate forwards	73					
Total	$ (105)	$ (33)	$ (4)	$ 1	$	$

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 Company may also use non-derivative financial instruments to hedge portions of its net investments in foreign

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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 stockholders equity for the three months and six months ended June 30, 2010 and 2009:

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, 2010:			
Foreign currency forwards	$	37	$
Foreign currency swaps			
Non-derivative hedging instruments			
Total	$	37	$
For the Three Months Ended June 30, 2009:			
Foreign currency forwards	$	(154)	$
Foreign currency swaps		(14)	
Non-derivative hedging instruments		(26)	
Total	$	(194)	$
For the Six Months Ended June 30, 2010:			
Foreign currency forwards	$	27	$
Foreign currency swaps			
Non-derivative hedging instruments			

Total	$	27	$
For the Six Months Ended June 30, 2009:			
Foreign currency forwards	$	(149)	$
Foreign currency swaps		(10)	
Non-derivative hedging instruments		(20)	
Total	$	(179)	$

(1) There were no sales or substantial liquidations of net investments in foreign operations that would have required the reclassification of gains or losses from accumulated other comprehensive income (loss) into earnings during the periods presented.

(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, 2010 and December 31, 2009, the cumulative foreign currency translation gain (loss) recorded in accumulated other comprehensive income (loss) related to hedges of net investments in foreign operations was ($13) million and ($40) 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 and option 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 and TRRs 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.

MetLife, Inc.

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

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

	Net Investment 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, 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	$
For the Three Months Ended June 30, 2009:					
Interest rate swaps	$ (880)	$ (1)	$	$ (155)	$
Interest rate floors	(302)				
Interest rate caps	98				
Interest rate futures	(366)	6			
Equity futures	(782)	(38)	(210)		
Foreign currency swaps	(240)				
Foreign currency forwards	(85)	(7)			
Currency options	(11)				
Equity options	(784)	(44)			
Interest rate options				2	
Interest rate forwards	(7)			58	
Variance swaps	(106)	(7)			
Swap spreadlocks	9				
Credit default swaps	(208)	(4)			

Total rate of return swaps		28							
Total	$	(3,636)	$	(95)	$	(210)	$	(95)	$

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

:

	Net Investment Gains (Losses)	Net Investment Income (1)	Policyholder Benefits and Claims (2) (In millions)	Other Revenues (3)	Other Expenses (4)
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)
For the Six Months Ended June 30, 2009:					
Interest rate swaps	$ (1,472)	$ (3)	$	$ (146)	$
Interest rate floors	(853)				
Interest rate caps	73				
Interest rate futures	(484)				
Equity futures	(349)	(11)	(97)		
Foreign currency swaps	(162)				
Foreign currency forwards	(84)	(31)			
Currency options	(32)				
Equity options	(732)	(62)			
Interest rate options	(353)			2	
Interest rate forwards	(6)			42	
Variance swaps	(129)	(9)			
Swap spreadlocks	(38)				
Credit default swaps	(119)	(7)			
Total rate of return swaps	8				

Total	$	(4,732)	$	(123)	$	(97)	$	(102)	$

(1) Changes in estimated fair value related to economic hedges of equity method investments in joint ventures, and changes in estimated fair value related to derivatives held in relation to trading portfolios.

(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.

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

MetLife, Inc.

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

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 $4,054 million and $3,101 million at June 30, 2010 and December 31, 2009, 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, 2010 and December 31, 2009, the Company would have received $10 million and $53 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, 2010 and December 31, 2009:

	June 30, 2010			December 31, 2009		
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)	$ 2	$ 320	4.3	$ 5	$ 175	4.3
Credit default swaps referencing indices	19	2,528	4.1	46	2,676	3.4
Subtotal	21	2,848	4.2	51	2,851	3.5
Baa						
Single name credit default swaps (corporate)	(3)	525	4.7	2	195	4.8
Credit default swaps referencing indices	(6)	611	5.0		10	5.0
Subtotal	(9)	1,136	4.9	2	205	4.8
Ba						
Single name credit default swaps (corporate)	(1)	50	4.8		25	5.0

Credit default swaps referencing indices									
Subtotal		(1)		50	4.8				25	5.0
B										
Single name credit default swaps (corporate)										
Credit default swaps referencing indices		(1)		20	5.0				20	5.0
Subtotal		(1)		20	5.0				20	5.0
Total	$	10	$	4,054	4.4	$	53	$	3,101	3.6

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MetLife, Inc.

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

(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.

(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 $4,054 million and $3,101 million from the table above were $145 million and $31 million at June 30, 2010 and December 31, 2009, 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 over-the-counter 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 are affected 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, 2010 and December 31, 2009, the Company was obligated to return cash collateral under its control of $5,516 million and $2,680 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, 2010 and December 31, 2009, the Company had also accepted collateral consisting of various securities with a fair market value of $233 million and $221 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, 2010, none of the collateral had been sold or repledged.

The Company s collateral arrangements for its over-the-counter 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 over-the-counter derivatives that are in a net liability position after considering the effect of netting agreements, together with the estimated fair value and

MetLife, Inc.

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

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

	Estimated Fair Value (1) of Derivatives in Net Liability Position	Estimated Fair Value of Collateral Provided Fixed Maturity Securities (2)	Fair Value of Incremental Collateral Provided Upon: One Notch Downgrade in the Company s Credit Rating	Fair Value of Incremental Collateral Provided Upon: Downgrade in the Company s Credit Rating to a Level that Triggers Full Overnight Collateralization or Termination of the Derivative Position
	(In millions)			
At June 30, 2010:				
Derivatives subject to credit-contingent provisions	$ 605	$ 566	$ 67	$ 149
Derivatives not subject to credit-contingent provisions	79	65		
Total	$ 684	$ 631	$ 67	$ 149
At December 31, 2009:				
Derivatives subject to credit-contingent provisions	$ 1,163	$ 1,017	$ 90	$ 218
Derivatives not subject to credit-contingent provisions	48	42		
Total	$ 1,211	$ 1,059	$ 90	$ 218

(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. At both June 30, 2010 and December 31, 2009, the Company did not provide any cash collateral.

Without considering the effect of netting agreements, the estimated fair value of the Company s over-the-counter derivatives with credit-contingent provisions that were in a gross liability position at June 30, 2010 was $1,181 million. At June 30, 2010, the Company provided securities collateral of $566 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, 2010 would be $615 million. This amount does not consider gross derivative assets of $576 million for which the Company has the contractual right of offset.

The Company also has exchange-traded futures, which require the pledging of collateral. At June 30, 2010 and December 31, 2009, the Company pledged securities collateral for exchange-traded futures of $40 million and $50 million, respectively, which is included in fixed maturity securities. The counterparties are permitted by contract to sell or repledge this collateral. At June 30, 2010 and December 31, 2009, the Company provided cash collateral for exchange-traded futures of $705 million and $562 million, respectively, which is included in premiums, reinsurance and other receivables.

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

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 guaranteed minimum income benefits (GMIBs); ceded reinsurance contracts of guaranteed minimum benefits related to GMABs and certain GMIBs; and funding agreements with equity or bond indexed crediting rates.

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

	June 30, 2010	December 31, 2009
	(In millions)	
Net embedded derivatives within asset host contracts:		
Ceded guaranteed minimum benefits	$ 124	$ 76
Call options in equity securities	(32)	(37)
Net embedded derivatives within asset host contracts	$ 92	$ 39
Net embedded derivatives within liability host contracts:		
Direct guaranteed minimum benefits	$ 3,381	$ 1,500
Other	5	5
Net embedded derivatives within liability host contracts	$ 3,386	$ 1,505

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
	(In millions)			
Net investment gains (losses) (1)	$ (2,199)	$ 793	$ (1,677)	$ 2,010
Policyholder benefits and claims	$ 67	$ (84)	$ 46	$ (68)

(1) The valuation of guaranteed minimum benefits includes an adjustment for nonperformance risk. Included in net investment gains (losses), in connection with this adjustment, were gains (losses) of $776 million and $690 million, for the three months and six months ended June 30, 2010, respectively, and gains (losses) of

($1,538) million and ($710) million, for the three months and six months ended June 30, 2009, respectively. The net investment gains (losses) for the three months and six months ended June 30, 2010 included a loss of $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.

MetLife, Inc.

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

Fair Value of Financial Instruments

Amounts related to the Company s financial instruments were as follows:

June 30, 2010	Notional Amount	Carrying Value	Estimated Fair Value
		(In millions)	
Assets			
Fixed maturity securities		$ 246,348	$ 246,348
Equity securities		$ 2,741	$ 2,741
Trading securities:			
Trading securities		$ 2,901	$ 2,901
Trading securities held by consolidated securitization entities		257	257
Total trading securities		$ 3,158	$ 3,158
Mortgage loans:			
Held-for-investment:			
Mortgage loans		$ 48,494	$ 50,060
Mortgage loans held by consolidated securitization entities		7,107	7,107
Total mortgage loans held-for-investment		$ 55,601	$ 57,167
Held-for-sale		$ 2,650	$ 2,655
Mortgage loans, net		$ 58,251	$ 59,822
Policy loans		$ 10,180	$ 11,926
Real estate joint ventures (1)		$ 102	$ 121
Other limited partnership interests (1)		$ 1,557	$ 1,746
Short-term investments		$ 9,746	$ 9,746
Other invested assets: (1)			
Derivative assets: (2)			
Interest rate contracts	$ 95,607	$ 4,540	$ 4,540
Foreign currency contracts	17,597	1,880	1,880
Credit contracts	4,757	95	95
Equity market contracts	39,676	3,206	3,206
Total derivative assets	$ 157,637	$ 9,721	$ 9,721
Mortgage servicing rights		$ 660	$ 660
Other		$ 864	$ 864
Cash and cash equivalents		$ 10,702	$ 10,702

Accrued investment income			$ 3,249	$ 3,249
Premiums, reinsurance and other receivables (1)			$ 3,409	$ 3,904
Other assets (1)			$ 425	$ 386
Separate account assets			$ 153,362	$ 153,362
Net embedded derivatives within asset host contracts (3)			$ 124	$ 124
Liabilities				
Policyholder account balances (1)			$ 98,469	$ 101,652
Payables for collateral under securities loaned and other transactions			$ 29,772	$ 29,772
Bank deposits			$ 9,790	$ 9,857
Short-term debt			$ 879	$ 879
Long-term debt: (1)				
Long-term debt			$ 13,484	$ 14,222
Long-term debt of consolidated securitization entities			7,129	7,129
Total long-term debt			$ 20,613	$ 21,351
Collateral financing arrangements			$ 5,297	$ 2,384
Junior subordinated debt securities			$ 3,191	$ 3,169
Other liabilities: (1)				
Derivative liabilities: (2)				
Interest rate contracts		$ 25,494	$ 1,238	$ 1,238
Foreign currency contracts		7,963	1,095	1,095
Credit contracts		2,879	104	104
Equity market contracts		18,787	806	806
Total derivative liabilities		$ 55,123	$ 3,243	$ 3,243
Trading liabilities			$ 47	$ 47
Other			$ 2,602	$ 2,602
Separate account liabilities (1)			$ 35,124	$ 35,124
Net embedded derivatives within liability host contracts (3)			$ 3,386	$ 3,386
Commitments (4)				
Mortgage loan commitments		$ 2,705	$	$ (2)
Commitments to fund bank credit facilities, bridge loans and private corporate bond investments		$ 2,329	$	$ 43

See Note 3 for discussion of consolidated securitization entities included in the table above.

MetLife, Inc.

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

December 31, 2009	Notional Amount	Carrying Value (In millions)	Estimated Fair Value
Assets			
Fixed maturity securities		$ 227,642	$ 227,642
Equity securities		$ 3,084	$ 3,084
Trading securities		$ 2,384	$ 2,384
Mortgage loans:			
Held-for-investment		$ 48,181	$ 46,315
Held-for-sale		2,728	2,728
Mortgage loans, net		$ 50,909	$ 49,043
Policy loans		$ 10,061	$ 11,294
Real estate joint ventures (1)		$ 115	$ 127
Other limited partnership interests (1)		$ 1,571	$ 1,581
Short-term investments		$ 8,374	$ 8,374
Other invested assets: (1)			
Derivative assets (2)	$ 122,156	$ 6,133	$ 6,133
Mortgage servicing rights		$ 878	$ 878
Other		$ 1,241	$ 1,284
Cash and cash equivalents		$ 10,112	$ 10,112
Accrued investment income		$ 3,173	$ 3,173
Premiums, reinsurance and other receivables (1)		$ 3,375	$ 3,532
Other assets (1)		$ 425	$ 440
Separate account assets		$ 149,041	$ 149,041
Net embedded derivatives within asset host contracts (3)		$ 76	$ 76
Liabilities			
Policyholder account balances (1)		$ 97,131	$ 96,735
Payables for collateral under securities loaned and other transactions		$ 24,196	$ 24,196
Bank deposits		$ 10,211	$ 10,300
Short-term debt		$ 912	$ 912
Long-term debt (1)		$ 13,185	$ 13,831
Collateral financing arrangements		$ 5,297	$ 2,877
Junior subordinated debt securities		$ 3,191	$ 3,167
Other liabilities: (1)			
Derivative liabilities (2)	$ 73,721	$ 4,115	$ 4,115
Trading liabilities		$ 106	$ 106
Other		$ 1,788	$ 1,788
Separate account liabilities (1)		$ 32,171	$ 32,171
Net embedded derivatives within liability host contracts (3)		$ 1,505	$ 1,505
Commitments (4)			

Mortgage loan commitments	$	2,220	$		$	(48)
Commitments to fund bank credit facilities, bridge loans and private corporate bond investments	$	1,261	$		$	(52)

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MetLife, Inc.

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

(1) Carrying values presented herein differ from those presented in the consolidated balance sheets because certain items within the respective financial statement caption are not considered financial instruments. Financial statement captions excluded from the table above are not considered financial instruments.

(2) Derivative assets are presented within other invested assets and derivative liabilities are presented within other liabilities. At June 30, 2010 and December 31, 2009, certain non-derivative hedging instruments of $169 million and $0, respectively, which are carried at amortized cost, are included with the liabilities total in Note 4 but excluded from derivative liabilities in the table above as they are not derivative instruments.

(3) Net embedded derivatives within asset host contracts are presented within premiums, reinsurance and other receivables. Net embedded derivatives within liability host contracts are presented primarily within policyholder account balances. At June 30, 2010 and December 31, 2009, equity securities also included embedded derivatives of ($32) million and ($37) million, respectively.

(4) Commitments are off-balance sheet obligations. Negative estimated fair values represent off-balance sheet liabilities.

The methods and assumptions used to estimate the fair value of financial instruments are summarized as follows:

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

When quoted prices in active markets are not available, the determination of estimated fair value is based on market standard valuation methodologies. The market standard valuation methodologies utilized include: discounted cash flow methodologies, matrix pricing or other similar techniques. The inputs in applying these market standard valuation methodologies include, but are not limited to: interest rates, credit standing of the issuer or counterparty, industry sector of the issuer, coupon rate, call provisions, sinking fund requirements, maturity and management s assumptions regarding estimated duration, liquidity and estimated future cash flows. Accordingly, the estimated fair values are based on available market information and management s judgments about financial instruments.

The significant inputs to the market standard valuation methodologies for certain types of securities with reasonable levels of price transparency are inputs that are observable in the market or can be derived principally from or corroborated by observable market data. Such observable inputs include benchmarking prices for similar assets in active markets, quoted prices in markets that are not active and observable yields and spreads in the market.

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

The estimated fair value of trading securities held by consolidated securitization entities is determined on a basis consistent with the methodologies described herein for trading securities.

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

Mortgage Loans The Company originates mortgage loans for both investment purposes and with the intention to sell them to third parties. Commercial and agricultural mortgage loans are originated for investment

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MetLife, Inc.

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

purposes and are primarily carried at amortized cost. Residential mortgage and consumer loans are generally purchased from third parties for investment purposes and are primarily carried at amortized cost. Mortgage loans held-for-sale consist principally of residential mortgage loans for which the Company has elected the fair value option and which are carried at estimated fair value and to a significantly lesser degree certain mortgage loans which were previously held-for-investment but where the Company has changed its intention as it relates to holding them for investment. In addition, as discussed in Note 1, the Company adopted new guidance effective January 1, 2010 and consolidated certain securitization entities that hold commercial mortgage loans. The estimated fair values of these mortgage loans are determined as follows:

Mortgage Loans Held-for-Investment. For mortgage loans held-for-investment and carried at amortized cost, estimated fair value was primarily determined by estimating expected future cash flows and discounting them using current interest rates for similar mortgage loans with similar credit risk.

Mortgage Loans Held by Consolidated Securitization Entities. For commercial mortgage loans held by the Company s consolidated securitization entities, the Company has determined that the principal market for these commercial loan portfolios is the securitization market. The Company uses the securitization market price of the obligations of the consolidated securitization entities to determine the estimated fair value of these commercial loan portfolios, which is provided primarily by independent pricing services using observable inputs.

Mortgage Loans Held-for-Sale. Mortgage loans held-for-sale principally include residential mortgage loans for which the fair value option was elected and which are carried at estimated fair value. Generally, quoted market prices are not available for residential mortgage loans held-for-sale; accordingly, the estimated fair values of such assets are determined based on observable pricing of residential mortgage loans held-for-sale with similar characteristics, or observable pricing for securities backed by similar types of mortgage loans, adjusted to convert the securities prices to mortgage loan prices. When observable pricing for similar loans or securities that are backed by similar loans are not available, the estimated fair values of residential mortgage loans held-for-sale are determined using independent broker quotations or valuation models, which are intended to approximate the amounts that would be received from third parties. Certain other mortgage loans previously classified as held-for-investment have also been designated as held-for-sale. For these mortgage loans, estimated fair value is determined using independent broker quotations or, when the mortgage loan is in foreclosure or otherwise determined to be collateral dependent, the fair value of the underlying collateral is estimated using internal models.

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

Real Estate Joint Ventures and Other Limited Partnership Interests Real estate joint ventures and other limited partnership interests included in the preceding tables consist of those investments accounted for using the cost method.

The remaining carrying value recognized in the consolidated balance sheets represents investments in real estate or real estate joint ventures and other limited partnership interests accounted for using the equity method, which do not meet the definition of financial instruments for which fair value is required to be disclosed.

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

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

Short-term Investments Certain short-term investments do not qualify as securities and are recognized at amortized cost in the consolidated balance sheets. For these instruments, the Company believes that there is minimal risk of material changes in interest rates or credit of the issuer such that estimated fair value approximates carrying value. In light of recent market conditions, short-term investments have been monitored to ensure there is sufficient demand and maintenance of issuer credit quality and the Company has determined additional adjustment is not required. Short-term investments that meet the definition of a security are recognized at estimated fair value in the consolidated balance sheets in the same manner described above for similar instruments that are classified within captions of other major investment classes.

Other Invested Assets Other invested assets in the consolidated balance sheets are principally comprised of freestanding derivatives with positive estimated fair values, leveraged leases, joint venture investments, investments in tax credit partnerships, investment in a funding agreement, MSRs, funds withheld and various interest-bearing assets held in foreign subsidiaries. Leveraged leases and investments in tax credit partnerships and joint venture investments, which are accounted for under the equity method or under the effective yield method, are not financial instruments subject to fair value disclosure. Accordingly, they have been excluded from the preceding table.

The estimated fair value of derivatives with positive and negative estimated fair values is described in the section labeled Derivatives which follows.

Although MSRs are not financial instruments, the Company has included them in the preceding table as a result of its election to carry MSRs at estimated fair value. As sales of MSRs tend to occur in private transactions where the precise terms and conditions of the sales are typically not readily available, observable market valuations are limited. As such, the Company relies primarily on a discounted cash flow model to estimate the fair value of the MSRs. The model requires inputs such as type of loan (fixed vs. variable and agency vs. other), age of loan, loan interest rates and current market interest rates that are generally observable. The model also requires the use of unobservable inputs including assumptions regarding estimates of discount rates, loan prepayments and servicing costs.

The estimated fair value of the investment in funding agreements is estimated by discounting the expected future cash flows using current market rates and the credit risk of the note issuer. For funds withheld and the various interest-bearing assets held in foreign subsidiaries, the Company evaluates the specific facts and circumstances of each instrument to determine the appropriate estimated fair values. These estimated fair values were not materially different from the recognized carrying values.

Cash and Cash Equivalents Due to the short term maturities of cash and cash equivalents, the Company believes there is minimal risk of material changes in interest rates or credit of the issuer such that estimated fair value generally approximates carrying value. In light of recent market conditions, cash and cash equivalent instruments have been monitored to ensure there is sufficient demand and maintenance of issuer credit quality, or sufficient solvency in the case of depository institutions, and the Company has determined additional adjustment is not required.

Accrued Investment Income Due to the short term until settlement of accrued investment income, the Company believes there is minimal risk of material changes in interest rates or credit of the issuer such that estimated fair value approximates carrying value. In light of recent market conditions, the Company has monitored the credit quality of the issuers and has determined additional adjustment is not required.

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Premiums, Reinsurance and Other Receivables Premiums, reinsurance and other receivables in the consolidated balance sheets are principally comprised of premiums due and unpaid for insurance contracts, amounts recoverable under reinsurance contracts, amounts on deposit with financial institutions to facilitate daily settlements related to certain derivative positions, amounts receivable for securities sold but not yet settled, fees and general operating receivables and embedded derivatives related to the ceded reinsurance of certain variable annuity guarantees.

Premiums receivable and those amounts recoverable under reinsurance treaties determined to transfer sufficient risk are not financial instruments subject to disclosure and thus have been excluded from the amounts presented in the preceding table. Amounts recoverable under ceded reinsurance contracts, which the Company has determined do not transfer sufficient risk such that they are accounted for using the deposit method of accounting, have been included in the preceding table with the estimated fair value determined as the present value of expected future cash flows under the related contracts discounted using an interest rate determined to reflect the appropriate credit standing of the assuming counterparty.

The amounts on deposit for derivative settlements essentially represent the equivalent of demand deposit balances and amounts due for securities sold are generally received over short periods such that the estimated fair value approximates carrying value. In light of recent market conditions, the Company has monitored the solvency position of the financial institutions and has determined additional adjustments are not required.

Embedded derivatives recognized in connection with ceded reinsurance of certain variable annuity guarantees are included in this caption in the consolidated financial statements but excluded from this caption in the preceding table as they are separately presented. The estimated fair value of these embedded derivatives is described in the section labeled Embedded Derivatives within Asset and Liability Host Contracts which follows.

Other Assets Other assets in the consolidated balance sheets are principally comprised of prepaid expenses, amounts held under corporate owned life insurance, fixed assets, capitalized software, deferred sales inducements, value of distribution agreements and value of customer relationships acquired. Also included within other assets is a receivable for cash paid to an unaffiliated financial institution under the MetLife Reinsurance Company of Charleston (MRC) collateral financing arrangement as described in Note 12 of the Notes to the Consolidated Financial Statements included in the 2009 Annual Report. With the exception of the receivable for cash paid to the unaffiliated financial institution, other assets are not considered financial instruments subject to disclosure. Accordingly, the amount presented in the preceding table represents the receivable for the cash paid to the unaffiliated financial institution under the MRC collateral financing arrangement for which the estimated fair value was determined by discounting the expected future cash flows using a discount rate that reflects the credit rating of the unaffiliated financial institution.

Separate Account Assets Separate account assets are carried at estimated fair value and reported as a summarized total on the consolidated balance sheets. The estimated fair value of separate account assets are based on the estimated fair value of the underlying assets owned by the separate account. Assets within the Company s separate accounts include: mutual funds, fixed maturity securities, equity securities, mortgage loans, derivatives, hedge funds, other limited partnership interests, short-term investments and cash and cash equivalents. The estimated fair values of fixed maturity securities, equity securities, derivatives, short-term investments and cash and cash equivalents held by separate accounts are determined on a basis consistent with the methodologies described herein for similar financial instruments held within the general account. The estimated fair value of hedge funds and mutual funds is based upon NAVs provided by the fund manager. The estimated fair value of mortgage loans is determined by discounting expected future cash flows, using current interest rates for similar loans with similar credit risk. Other limited

partnership interests are valued giving consideration to the value of the underlying holdings of the partnerships and by applying a premium or discount, if appropriate, for factors such as liquidity, bid/ask spreads, the performance record of the fund manager or other relevant variables which may impact the exit value of the particular partnership interest.

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Policyholder Account Balances Policyholder account balances in the tables above include investment contracts. Embedded derivatives on investment contracts and certain variable annuity guarantees accounted for as embedded derivatives are included in this caption in the consolidated financial statements but excluded from this caption in the tables above as they are separately presented therein. The remaining difference between the amounts reflected as policyholder account balances in the preceding table and those recognized in the consolidated balance sheets represents those amounts due under contracts that satisfy the definition of insurance contracts and are not considered financial instruments.

The investment contracts primarily include certain funding agreements, fixed deferred annuities, modified guaranteed annuities, fixed term payout annuities and total control accounts. The fair values for these investment contracts are estimated by discounting best estimate future cash flows using current market risk-free interest rates and adding a spread to reflect the nonperformance risk in the liability.

Payables for Collateral Under Securities Loaned and Other Transactions The estimated fair value for payables for collateral under securities loaned and other transactions approximates carrying value. The related agreements to loan securities are short-term in nature such that the Company believes there is limited risk of a material change in market interest rates. Additionally, because borrowers are cross-collateralized by the borrowed securities, the Company believes no additional consideration for changes in nonperformance risk are necessary.

Bank Deposits Due to frequency of interest rate resets on customer bank deposits held in money market accounts, the Company believes that there is minimal risk of a material change in interest rates such that the estimated fair value approximates carrying value. For time deposits, estimated fair values are estimated by discounting the expected cash flows to maturity using a discount rate based on an average market rate for certificates of deposit being offered by a representative group of large financial institutions at the date of the valuation.

Short-term and Long-term Debt, Collateral Financing Arrangements and Junior Subordinated Debt Securities The estimated fair value for short-term debt approximates carrying value due to the short-term nature of these obligations. The estimated fair values of long-term debt, collateral financing arrangements and junior subordinated debt securities are generally determined by discounting expected future cash flows using market rates currently available for debt with similar remaining maturities and reflecting the credit risk of the Company including inputs, when available, from actively traded debt of the Company or other companies with similar types of borrowing arrangements. Risk-adjusted discount rates applied to the expected future cash flows can vary significantly based upon the specific terms of each individual arrangement, including, but not limited to: subordinated rights; contractual interest rates in relation to current market rates; the structuring of the arrangement; and the nature and observability of the applicable valuation inputs. Use of different risk-adjusted discount rates could result in different estimated fair values.

The carrying value of long-term debt presented in the table above differs from the amounts presented in the consolidated balance sheets as it does not include capital leases which are not required to be disclosed at estimated fair value.

Long-term Debt Obligations of Consolidated Securitization Entities The estimated fair value of the long-term debt obligations of the Company s consolidated securitization entities are based on their quoted prices when traded as assets in active markets, or if not available, based on market standard valuation methodologies, consistent with the Company s methods and assumptions used to estimate the fair value of comparable fixed maturity securities.

Other Liabilities Other liabilities in the consolidated balance sheets are principally comprised of freestanding derivatives with negative estimated fair values; securities trading liabilities; tax and litigation contingency liabilities; obligations for employee-related benefits; interest due on the Company s debt obligations and on cash collateral held in relation to securities lending; dividends payable; amounts due for

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securities purchased but not yet settled; amounts due under assumed reinsurance contracts; and general operating accruals and payables.

The estimated fair value of derivatives with positive and negative estimated fair values and embedded derivatives within asset and liability host contracts are described in the sections labeled Derivatives and Embedded Derivatives within Asset and Liability Host Contracts which follow.

The remaining other amounts included in the table above reflect those other liabilities that satisfy the definition of financial instruments subject to disclosure. These items consist primarily of securities trading liabilities; interest and dividends payable; amounts due for securities purchased but not yet settled; and amounts payable under certain assumed reinsurance contracts recognized using the deposit method of accounting. The Company evaluates the specific terms, facts and circumstances of each instrument to determine the appropriate estimated fair values, which were not materially different from the recognized carrying values.

Separate Account Liabilities Separate account liabilities included in the table above represent those balances due to policyholders under contracts that are classified as investment contracts. The difference between the separate account liabilities reflected above and the amounts presented in the consolidated balance sheets represents those contracts classified as insurance contracts which do not satisfy the criteria of financial instruments for which estimated fair value is to be disclosed.

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

Separate account liabilities, whether related to investment or insurance contracts, are recognized in the consolidated balance sheets at an equivalent summary total of the separate account assets. Separate account assets, which equal net deposits, net investment income and realized and unrealized capital gains and losses, are fully offset by corresponding amounts credited to the contractholders liability which is reflected in separate account liabilities. Since separate account liabilities are fully funded by cash flows from the separate account assets which are recognized at estimated fair value as described above, the Company believes the value of those assets approximates the estimated fair value of the related separate account liabilities.

Derivatives The estimated fair value of derivatives is determined through the use of quoted market prices for exchange-traded derivatives and interest rate forwards to sell certain to be announced securities, or through the use of pricing models for over-the-counter 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 significant inputs to the pricing models for most over-the-counter derivatives are inputs that are observable in the market or can be derived principally from or corroborated by observable market data. Significant inputs that are observable generally include: interest rates, foreign currency exchange rates, interest rate curves, credit curves and volatility. However, certain over-the-counter derivatives may rely on inputs that are significant to the estimated fair

value that are not observable in the market or cannot be derived principally from or corroborated by observable market data. Significant inputs that are unobservable generally include: independent broker quotes, credit correlation assumptions, references to emerging market currencies and inputs that are outside the observable portion of the interest rate curve, credit curve, volatility or other relevant market measure. These unobservable inputs may involve significant management judgment or estimation. Even though unobservable, these inputs are based on assumptions deemed appropriate given the circumstances and are assumed to be consistent with what other market participants would use when pricing such instruments.

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The credit risk of both the counterparty and the Company are considered in determining the estimated fair value for all over-the-counter derivatives, and any potential credit adjustment is based on the net exposure by counterparty after taking into account the effects of netting agreements and collateral arrangements. The Company values its derivative positions using the standard swap curve which includes a spread over the risk free rate. This credit spread is appropriate for those parties that execute trades at pricing levels consistent with the standard swap curve. As the Company and its significant derivative counterparties consistently execute trades at such pricing levels, additional credit risk adjustments are not currently required in the valuation process. The Company s ability to consistently execute at such pricing levels is in part due to the netting agreements and collateral arrangements that are in place with all of its significant derivative counterparties. The evaluation of the requirement to make additional credit risk adjustments is performed by the Company each reporting period.

Most inputs for over-the-counter derivatives are mid market inputs but, in certain cases, bid level inputs are used when they are deemed more representative of exit value. Market liquidity, as well as the use of different methodologies, assumptions and inputs, may have a material effect on the estimated fair values of the Company s derivatives and could materially affect net income.

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

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

The fair value for these guarantees are estimated using the present value of future benefits minus the present value of future fees using actuarial and capital market assumptions related to the projected cash flows over the expected lives of the contracts. A risk neutral valuation methodology is used under which the cash flows from the guarantees are projected under multiple capital market scenarios using observable risk free rates, currency exchange rates and observable and estimated implied volatilities.

The valuation of these guarantee liabilities includes adjustments for nonperformance risk and for a risk margin related to non-capital market inputs. Both of these adjustments are captured as components of the spread which, when combined with the risk free rate, is used to discount the cash flows of the liability for purposes of determining its fair value.

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

As part of its regular review of critical accounting estimates, the Company periodically assesses inputs for estimating nonperformance risk (commonly referred to as own credit) in fair value measurements. During the second quarter of 2010, the Company completed a study that aggregated and evaluated data, including historical recovery rates of

insurance companies as well as policyholder behavior observed over the past two years as the recent financial crisis evolved. As a result, at the end of the second quarter of 2010, the Company refined the way in which its insurance subsidiaries incorporate expected recovery rates into the nonperformance risk adjustment for purposes of estimating the fair value of investment-type contracts and embedded derivatives within insurance contracts. For the three months ended June 30, 2010, the Company recognized income of $305 million, net of DAC and income tax, relating to the change in fair value associated with nonperformance risk for embedded derivatives within insurance contracts. The impact included a loss of $577 million, net of DAC and income tax, relating to implementing the refinement at June 30, 2010. The refinement reduced basic and diluted net income available to

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MetLife, Inc. s common shareholders per common share by $0.70 and $0.69, respectively, for the three months ended June 30, 2010. The refinement reduced both basic and diluted net income available to MetLife, Inc. s common shareholders per common share by $0.70 for the six months ended June 30, 2010.

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

The Company ceded the risk associated with certain of the GMIB and GMAB described in the preceding paragraph. These reinsurance contracts contain embedded derivatives which are included in premiums, reinsurance and other receivables with changes in estimated fair value reported in net investment gains (losses) or policyholder benefit and claims depending on the statement of operations classification of the direct risk. The value of the embedded derivatives on the ceded risk is determined using a methodology consistent with that described previously for the guarantees directly written by the Company.

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

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

Mortgage Loan Commitments and Commitments to Fund Bank Credit Facilities, Bridge Loans and Private Corporate Bond Investments The estimated fair values for mortgage loan commitments and commitments to fund bank credit facilities, bridge loans and private corporate bond investments reflected in the above tables represent the difference between the discounted expected future cash flows using interest rates that incorporate current credit risk for similar instruments on the reporting date and the principal amounts of the original commitments.

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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 fair value option, are determined as described in the preceding section. These estimated fair values and their corresponding fair value hierarchy are summarized as follows:

	June 30, 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	$	$ 69,675	$ 7,173	$ 76,848
RMBS		40,898	1,852	42,750
Foreign corporate securities		36,263	4,600	40,863
U.S. Treasury, agency and government guaranteed securities	15,545	17,280	37	32,862
CMBS		15,714	270	15,984
ABS		10,921	3,498	14,419
Foreign government securities	240	13,039	280	13,559
State and political subdivision securities		8,947	101	9,048
Other fixed maturity securities		10	5	15
Total fixed maturity securities	15,785	212,747	17,816	246,348
Equity securities:				
Common stock	306	1,048	161	1,515
Non-redeemable preferred stock		381	845	1,226
Total equity securities	306	1,429	1,006	2,741

Trading securities:				
Trading securities	2,375	490	36	2,901
Trading securities held by consolidated securitization entities		257		257
Total trading securities	2,375	747	36	3,158
Short-term investments (1)	3,922	5,582	52	9,556
Mortgage loans:				
Mortgage loans held by consolidated securitization entities		7,107		7,107
Mortgage loans held-for-sale (2)		2,017	26	2,043
Total mortgage loans		9,124	26	9,150
Derivative assets: (3)				
Interest rate contracts	31	4,431	78	4,540
Foreign currency contracts		1,835	45	1,880
Credit contracts		49	46	95
Equity market contracts	98	2,397	711	3,206
Total derivative assets	129	8,712	880	9,721
Net embedded derivatives within asset host contracts (4)			124	124
MSRs (5)			660	660
Separate account assets (6)	20,036	131,633	1,693	153,362
Total assets	$ 42,553	$ 369,974	$ 22,293	$ 434,820
Liabilities				
Derivative liabilities: (3)				
Interest rate contracts	$ 76	$ 1,145	$ 17	$ 1,238
Foreign currency contracts		1,078	17	1,095
Credit contracts		89	15	104
Equity market contracts	40	688	78	806
Total derivative liabilities	116	3,000	127	3,243
Net embedded derivatives within liability host contracts (4)		(34)	3,420	3,386
Long-term debt of consolidated securitization entities		6,908	221	7,129
Trading liabilities (7)	15	32		47
Total liabilities	$ 131	$ 9,906	$ 3,768	$ 13,805

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	December 31, 2009 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	$	$ 65,493	$ 6,694	$ 72,187
RMBS		42,180	1,840	44,020
Foreign corporate securities		32,738	5,292	38,030
U.S. Treasury, agency and government guaranteed securities	10,951	14,459	37	25,447
CMBS		15,483	139	15,622
ABS		10,450	2,712	13,162
Foreign government securities	306	11,240	401	11,947
State and political subdivision securities		7,139	69	7,208
Other fixed maturity securities		13	6	19
Total fixed maturity securities	11,257	199,195	17,190	227,642
Equity securities:				
Common stock	490	995	136	1,621
Non-redeemable preferred stock		359	1,104	1,463
Total equity securities	490	1,354	1,240	3,084
Trading securities	1,886	415	83	2,384
Short-term investments (1)	5,650	2,500	23	8,173
Mortgage loans (2)		2,445	25	2,470
Derivative assets (3)	103	5,600	430	6,133
Net embedded derivatives within asset host contracts (4)			76	76
MSRs (5)			878	878
Separate account assets (6)	17,601	129,545	1,895	149,041
Total assets	$ 36,987	$ 341,054	$ 21,840	$ 399,881

Liabilities:								
Derivative liabilities (3)	$	51	$	3,990	$	74	$	4,115
Net embedded derivatives within liability host contracts (4)				(26)		1,531		1,505
Trading liabilities (7)		106						106
Total liabilities	$	157	$	3,964	$	1,605	$	5,726

(1) Short-term investments as presented in the tables above differ from the amounts presented in the consolidated balance sheets because certain short-term investments are not measured at estimated fair value (e.g. time deposits, etc.).

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

(2) Mortgage loans held-for-sale as presented in the tables above differ from the amount presented in the consolidated balance sheets as these tables only include residential mortgage loans held-for-sale measured at estimated fair value on a recurring basis.

(3) Derivative assets are presented within other invested assets and derivative liabilities are presented within other liabilities. The amounts are presented gross in the tables above to reflect the presentation in the consolidated balance sheets, but are presented net for purposes of the rollforward in the following tables. At June 30, 2010 and December 31, 2009, certain non-derivative hedging instruments of $169 million and $0, respectively, which carried at amortized cost, are included with the liabilities total in Note 4 but excluded from derivative liabilities in the tables above as they are not derivative instruments.

(4) Net embedded derivatives within asset host contracts are presented within premiums, reinsurance and other receivables. Net embedded derivatives within liability host contracts are presented primarily within policyholder account balances. At June 30, 2010 and December 31, 2009, equity securities also included embedded derivatives of ($32) million and ($37) million, respectively.

(5) MSRs are presented within other invested assets.

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

(7) Trading liabilities are presented within other liabilities.

The Company has categorized its assets and liabilities into the three-level fair value hierarchy based upon the priority of the inputs to the respective valuation technique. The following summarizes the types of assets and liabilities included within the three-level fair value hierarchy presented in the preceding table.

Level 1 This category includes certain U.S. Treasury, agency and government guaranteed fixed maturity securities, certain foreign government fixed maturity securities; exchange-traded common stock; certain trading securities; and certain short-term money market securities. As it relates to derivatives, this level includes exchange-traded equity and interest rate futures, as well as interest rate forwards to sell certain to be announced securities. Separate account assets classified within this level are similar in nature to those classified in this level for the general account.

Level 2 This category includes fixed maturity and equity securities priced principally by independent pricing services using observable inputs. Fixed maturity securities classified as Level 2 include most U.S. Treasury, agency and government guaranteed securities, as well as the majority of U.S. and foreign corporate securities, RMBS, CMBS, state and political subdivision securities, foreign government securities and ABS. Equity securities classified as Level 2 securities consist principally of common stock and non-redeemable preferred stock where market quotes are available but are not considered actively traded. Short-term investments and trading securities included within Level 2 are of a similar nature to these fixed maturity and equity securities. Mortgage loans included in Level 2 include

mortgage loans held by consolidated securitization entities and residential mortgage loans held-for-sale. Mortgage loans held by consolidated securitization entities are priced using the securitization market price of the obligations of the consolidated securitization entities, which are priced principally by independent pricing services using observable inputs. Residential mortgage loans held-for-sale are priced using readily available observable pricing for similar loans or securities backed by similar loans and the unobservable adjustments to such prices are insignificant. As it relates to derivatives, this level includes all types of derivative instruments utilized by the Company with the exception of exchange-traded futures and interest rate forwards to sell certain to be announced securities included within Level 1 and those derivative instruments with unobservable inputs as described in Level 3. Separate account assets classified within this level are generally similar to those classified within this level for the general account, with the exception of

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certain mutual funds and hedge funds without readily determinable fair values given prices are not published publicly. Embedded derivatives classified within this level include embedded equity and bond indexed derivatives contained in certain funding agreements. Long-term debt of consolidated securitization entities included in this level includes obligations priced principally by independent pricing services using observable inputs.

Level 3 This category includes fixed maturity securities priced principally through independent broker quotations or market standard valuation methodologies using inputs that are not market observable or cannot be derived principally from or corroborated by observable market data. This level primarily consists of less liquid fixed maturity securities with very limited trading activity or where less price transparency exists around the inputs to the valuation methodologies including: U.S. and foreign corporate securities including below investment grade private placements; RMBS and ABS including all of those supported by sub-prime mortgage loans. Equity securities classified as Level 3 securities consist principally of non-redeemable preferred stock and common stock of companies that are privately held or of companies for which there has been very limited trading activity or where less price transparency exists around the inputs to the valuation. Short-term investments and trading securities included within Level 3 are of a similar nature to these fixed maturity and equity securities. Mortgage loans included in Level 3 include residential mortgage loans held-for-sale for which pricing for similar loans or securities backed by similar loans is not observable and the estimated fair value is determined using unobservable independent broker quotations or valuation models. As it relates to derivatives this category includes: swap spreadlocks with maturities which extend beyond observable periods; interest rate forwards with maturities which extend beyond the observable portion of the yield curve; interest rate lock commitments with certain unobservable inputs, including pull-through rates; equity variance swaps with unobservable volatility inputs or that are priced via independent broker quotations; foreign currency swaps which are cancelable and priced through independent broker quotations; interest rate swaps with maturities which extend beyond the observable portion of the yield curve; credit default swaps based upon baskets of credits having unobservable credit correlations, as well as credit default swaps with maturities which extend beyond the observable portion of the credit curves and credit default swaps priced through independent broker quotations; foreign currency forwards priced via independent broker quotations or with liquidity adjustments; interest rate caps and floors referencing unobservable yield curves and/or which include liquidity and volatility adjustments; implied volatility swaps with unobservable volatility inputs; currency options based upon baskets of currencies having unobservable currency correlations; credit forwards having unobservable repurchase rates; and equity options with unobservable volatility inputs. Separate account assets classified within this level are generally similar to those classified within this level for the general account; however, they also include mortgage loans and other limited partnership interests. Embedded derivatives classified within this level primarily include embedded derivatives associated with certain variable annuity guarantees. This category also includes MSRs which are carried at estimated fair value and have multiple significant unobservable inputs including discount rates, estimates of loan prepayments and servicing costs. Long-term debt of consolidated securitization entities included in this level includes obligations priced principally through independent broker quotations or market standard valuation methodologies using inputs that are not market observable or cannot be derived principally from or corroborated by observable market data.

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Valuation Techniques and Inputs by Level Within the Three-Level Fair Value Hierarchy by Major Classes of Assets and Liabilities.

A description of the significant valuation techniques and inputs to the determination of estimated fair value for the more significant asset and liability classes measured at fair value on a recurring basis is as follows:

The Company determines the estimated fair value of its investments using primarily the market approach and the income approach. The use of quoted prices for identical assets and matrix pricing or other similar techniques are examples of market approaches, while the use of discounted cash flow methodologies is an example of the income approach. The Company attempts to maximize the use of observable inputs and minimize the use of unobservable inputs in selecting whether the market or income approach is used.

While certain investments have been classified as Level 1 from the use of unadjusted quoted prices for identical investments supported by high volumes of trading activity and narrow bid/ask spreads, most investments have been classified as Level 2 because the significant inputs used to measure the fair value on a recurring basis of the same or similar investment are market observable or can be corroborated using market observable information for the full term of the investment. Level 3 investments include those where estimated fair values are based on significant unobservable inputs that are supported by little or no market activity and may reflect our own assumptions about what factors market participants would use in pricing these investments.

Level 1 Measurements:

Fixed maturity securities Comprised of U.S. Treasury securities and foreign government securities. Valuation based on unadjusted quoted prices in active markets that are readily and regularly available.

Equity securities common stock Comprised of exchange-traded U.S. and international common stock. Valuation based on unadjusted quoted prices in active markets that are readily and regularly available.

Trading securities Comprised of securities that are similar in nature to the fixed maturity and equity securities referred to above. Valuation based on unadjusted quoted prices in active markets that are readily and regularly available.

Short-term investments Comprised of short-term money market securities, including U.S. Treasury bills. Valuation based on unadjusted quoted prices in active markets that are readily and regularly available.

Derivative assets and derivative liabilities Comprised of exchange-traded equity and interest rate futures, as well as interest rate forwards to sell certain to be announced securities. Valuation based on unadjusted quoted prices in active markets that are readily and regularly available.