METLIFE INC
Form 10-Q
November 04, 2011

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

Form 10-Q

(Mark One)

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

Commission file number: 001-15787

MetLife, Inc.
(Exact name of registrant as specified in its charter)

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

(212) 578-2211
(Registrant s telephone number, including area code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes þ No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes þ No o

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

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

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

At October 31, 2011, 1,057,633,998 shares of the registrant s common stock, $0.01 par value per share, were outstanding.

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As used in this Form 10-Q, MetLife, the Company, we, our and us refer to MetLife, Inc., a Delaware corporation incorporated in 1999 (the Holding Company), its subsidiaries and affiliates.

Note Regarding Forward-Looking Statements

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

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

(22) catastrophe losses; (23) heightened competition, including with respect to pricing, entry of new competitors, consolidation of distributors, the development of new products by new and existing competitors, distribution of amounts available under U.S. government programs, and for personnel; (24) unanticipated changes in industry trends;

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

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

Note Regarding Reliance on Statements in Our Contracts

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

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

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

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

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

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

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Part I Financial Information

Item 1. *Financial Statements*

MetLife, Inc.

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

(In millions, except share and per share data)

	September 30, 2011	December 31, 2010
Assets		
Investments:		
Fixed maturity securities available-for-sale, at estimated fair value (amortized cost: $334,009 and $317,617, respectively; includes $3,265 and $3,330, respectively, relating to variable interest entities)	$ 353,927	$ 324,797
Equity securities available-for-sale, at estimated fair value (cost: $3,227 and $3,621, respectively)	3,118	3,602
Trading and other securities, at estimated fair value (includes $415 and $463, respectively, of actively traded securities; and $321 and $387, respectively, relating to variable interest entities)	18,698	18,589
Mortgage loans:		
Held-for-investment, principally at amortized cost (net of valuation allowances of $529 and $664, respectively; includes $3,277 and $6,840, respectively, at estimated fair value, relating to variable interest entities)	59,209	58,976
Held-for-sale, principally at estimated fair value	3,740	3,321
Mortgage loans, net	62,949	62,297
Policy loans	11,932	11,761
Real estate and real estate joint ventures (includes $12 and $10, respectively, relating to variable interest entities)	8,197	8,030
Other limited partnership interests (includes $319 and $298, respectively, relating to variable interest entities)	6,538	6,416
Short-term investments, principally at estimated fair value	15,913	9,384
Other invested assets, principally at estimated fair value (includes $98 and $104, respectively, relating to variable interest entities)	23,138	15,430
Total investments	504,410	460,306
Cash and cash equivalents, principally at estimated fair value (includes $37 and $69, respectively, relating to variable interest entities)	10,001	12,957
Accrued investment income (includes $17 and $34, respectively, relating to variable interest entities)	4,793	4,328
	23,137	19,799

Premiums, reinsurance and other receivables (includes $2 and $2, respectively, relating to variable interest entities)				
Deferred policy acquisition costs and value of business acquired		27,623		27,092
Goodwill		12,006		11,781
Other assets (includes $5 and $6, respectively, relating to variable interest entities)		8,340		8,174
Assets of subsidiaries held-for-sale		3,421		3,331
Separate account assets		191,499		183,138
Total assets	$	785,230	$	730,906
Liabilities and Equity				
Liabilities				
Future policy benefits	$	182,736	$	170,912
Policyholder account balances		217,764		210,757
Other policy-related balances		15,451		15,750
Policyholder dividends payable		871		830
Policyholder dividend obligation		2,782		876
Payables for collateral under securities loaned and other transactions		34,933		27,272
Bank deposits		10,685		10,316
Short-term debt		451		306
Long-term debt (includes $3,158 and $6,902, respectively, at estimated fair value, relating to variable interest entities)		24,753		27,586
Collateral financing arrangements		5,297		5,297
Junior subordinated debt securities		3,192		3,191
Current income tax payable		385		297
Deferred income tax liability		7,214		1,856
Other liabilities (includes $73 and $93, respectively, relating to variable interest entities)		23,121		20,366
Liabilities of subsidiaries held-for-sale		3,221		3,043
Separate account liabilities		191,499		183,138
Total liabilities		724,355		681,793
Contingencies, Commitments and Guarantees (Note 9)				
Redeemable noncontrolling interests in partially owned consolidated subsidiaries		130		117
Equity				
MetLife, Inc. s stockholders equity:				
Preferred stock, par value $0.01 per share; 200,000,000 shares authorized:				
Preferred stock, 84,000,000 shares issued and outstanding; $2,100 aggregate liquidation preference		1		1
Convertible preferred stock, 0 and 6,857,000 shares issued and outstanding at September 30, 2011 and December 31, 2010, respectively				
Common stock, par value $0.01 per share; 3,000,000,000 shares authorized; 1,060,754,366 and 989,031,704 shares issued at September 30, 2011 and December 31, 2010, respectively; 1,057,560,479 and 985,837,817 shares outstanding at September 30, 2011 and December 31, 2010, respectively		11		10
Additional paid-in capital		26,744		26,423

Retained earnings		26,951		21,363
Treasury stock, at cost; 3,193,887 shares at September 30, 2011 and December 31, 2010		(172)		(172)
Accumulated other comprehensive income (loss)		6,813		1,000
Total MetLife, Inc. s stockholders equity		60,348		48,625
Noncontrolling interests		397		371
Total equity		60,745		48,996
Total liabilities and equity	$	785,230	$	730,906

See accompanying notes to the interim condensed consolidated financial statements.

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MetLife, Inc.

Interim Condensed Consolidated Statements of Operations
For the Three Months and Nine Months Ended September 30, 2011 and 2010 (Unaudited)

(In millions, except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	**2010**	**2011**	**2010**
Revenues				
Premiums	$ 9,342	$ 6,484	$ 27,190	$ 19,856
Universal life and investment-type product policy fees	1,998	1,452	5,856	4,339
Net investment income	4,257	4,364	14,669	12,745
Other revenues	720	624	1,878	1,681
Net investment gains (losses):				
Other-than-temporary impairments on fixed maturity securities	(95)	(143)	(525)	(538)
Other-than-temporary impairments on fixed maturity securities transferred to other comprehensive income (loss)	(189)	24	(5)	181
Other net investment gains (losses)	229	(223)	221	33
Total net investment gains (losses)	(55)	(342)	(309)	(324)
Net derivative gains (losses)	4,196	(244)	4,233	1,278
Total revenues	20,458	12,338	53,517	39,575
Expenses				
Policyholder benefits and claims	9,017	7,309	26,367	21,703
Interest credited to policyholder account balances	738	1,264	4,104	3,454
Policyholder dividends	384	391	1,130	1,156
Other expenses	5,013	2,989	13,410	9,330
Total expenses	15,152	11,953	45,011	35,643
Income (loss) from continuing operations before provision for income tax	5,306	385	8,506	3,932
Provision for income tax expense (benefit)	1,734	68	2,681	1,251
Income (loss) from continuing operations, net of income tax	3,572	317	5,825	2,681
Income (loss) from discontinued operations, net of income tax	4	3	(6)	20
Net income (loss)	3,576	320	5,819	2,701
Less: Net income (loss) attributable to noncontrolling interests	(6)	4	(6)	(7)

Net income (loss) attributable to MetLife, Inc.		3,582		316		5,825		2,708
Less: Preferred stock dividends		30		30		91		91
Preferred stock redemption premium						146		
Net income (loss) available to MetLife, Inc. s common shareholders	$	3,552	$	286	$	5,588	$	2,617
Income (loss) from continuing operations, net of income tax, available to MetLife, Inc. s common shareholders per common share:								
Basic	$	3.35	$	0.33	$	5.29	$	3.09
Diluted	$	3.33	$	0.32	$	5.24	$	3.07
Net income (loss) available to MetLife, Inc. s common shareholders per common share:								
Basic	$	3.35	$	0.33	$	5.28	$	3.11
Diluted	$	3.33	$	0.32	$	5.23	$	3.09

See accompanying notes to the interim condensed consolidated financial statements.

MetLife, Inc.

Interim Condensed Consolidated Statements of Equity
For the Nine Months Ended September 30, 2011 (Unaudited)

(In millions)

	Preferred Stock	Convertible Preferred Stock	Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock at Cost	Accumulated Other Comprehensive Income (Loss): Net Unrealized Investment Gains (Losses)	Other-Than-Temporary Impairments	Foreign Currency Translation Adjustments	Defined Benefit Plans Adjustment	Total MetLife, Inc. s Stockholders Equity	Noncontr Intere (1)
mber 31,	$ 1	$	$ 10	$ 26,423	$ 21,363	$ (172)	$ 3,356	$ (366)	$ (541)	$ (1,449)	$ 48,625	$ 37
convertible				(2,805)							(2,805)	
redemption					(146)						(146)	
ssuance ares			1	2,949							2,950	
npensation				177							177	
eferred					(91)						(91)	
y of nterests												4
income s)					5,825						5,825	
nsive												
s (losses) struments, x							1,005				1,005	
stment et of nd income							4,503	(51)			4,452	(
y tments, net									291		291	(1
plans of income										65	65	

nsive										5,813	(2
income										11,638	(2
ember 30,	$ 1	$	$ 11	$ 26,744	$ 26,951	$ (172)	$ 8,864	$ (417)	$ (250)	$ (1,384)	$ 60,348	$ 39

(1) Net income (loss) attributable to noncontrolling interests excludes gains (losses) of redeemable noncontrolling interests in partially owned consolidated subsidiaries of ($7) million.

See accompanying notes to the interim condensed consolidated financial statements.

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MetLife, Inc.

Interim Condensed Consolidated Statements of Equity (Continued)
For the Nine Months Ended September 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
effect of counting t of income tax				(10)		10					
ck issuance l shares		1	3,528							3,529	
compensation			64		18					82	
n preferred				(91)						(91)	
uity of ng interests											(22)
ive income											
(loss)				2,708						2,708	(7)
rehensive):											
ains (losses) e instruments, e tax						409				409	
nvestment), net of ts and income						6,268	357			6,625	(1)
								(92)		(92)	7

ency djustments, net x											
efit plans net of income									94	94	
rehensive)										7,036	6
ive income										9,744	(1)
eptember 30,	$ 1	$ 9	$ 20,451	$ 22,096	$ (172)	$ 5,901	$ (145)	$ (275)	$ (1,451)	$ 46,415	$ 354

See accompanying notes to the interim condensed consolidated financial statements.

MetLife, Inc.

Interim Condensed Consolidated Statements of Cash Flows
For the Nine Months Ended September 30, 2011 and 2010 (Unaudited)

(In millions)

	Nine Months Ended September 30, 2011	Nine Months Ended September 30, 2010
Net cash provided by operating activities	$ 9,040	$ 5,193
Cash flows from investing activities		
Sales, maturities and repayments of:		
Fixed maturity securities	81,918	55,618
Equity securities	1,342	1,002
Mortgage loans	8,784	4,474
Real estate and real estate joint ventures	856	135
Other limited partnership interests	852	311
Purchases of:		
Fixed maturity securities	(95,660)	(69,997)
Equity securities	(869)	(638)
Mortgage loans	(12,248)	(5,888)
Real estate and real estate joint ventures	(608)	(474)
Other limited partnership interests	(849)	(745)
Cash received in connection with freestanding derivatives	2,841	1,717
Cash paid in connection with freestanding derivatives	(3,102)	(1,949)
Sale of interest in joint venture	265	
Net change in policy loans	(84)	(169)
Net change in short-term investments	(6,508)	(3,152)
Net change in other invested assets	(175)	501
Other, net	(104)	(115)
Net cash used in investing activities	(23,349)	(19,369)
Cash flows from financing activities		
Policyholder account balances:		
Deposits	69,911	53,709
Withdrawals	(67,001)	(50,126)
Net change in payables for collateral under securities loaned and other transactions	7,661	7,695
Net change in bank deposits	296	(959)
Net change in short-term debt	145	1,145
Long-term debt issued	1,346	4,590
Long-term debt repaid	(1,192)	(689)
Cash received in connection with collateral financing arrangements	100	

Debt issuance costs		(1)		(14)
Common stock issued, net of issuance costs		2,950		3,529
Stock options exercised		77		32
Redemption of convertible preferred stock		(2,805)		
Preferred stock redemption premium		(146)		
Dividends on preferred stock		(91)		(91)
Other, net		(68)		(192)
Net cash provided by financing activities		11,182		18,629
Effect of change in foreign currency exchange rates on cash and cash equivalents balances		133		(8)
Change in cash and cash equivalents		(2,994)		4,445
Cash and cash equivalents, beginning of period		13,046		10,112
Cash and cash equivalents, end of period	$	10,052	$	14,557
Cash and cash equivalents, subsidiaries held-for-sale, beginning of period	$	89	$	88
Cash and cash equivalents, subsidiaries held-for-sale, end of period	$	51	$	78
Cash and cash equivalents, from continuing operations, beginning of period	$	12,957	$	10,024
Cash and cash equivalents, from continuing operations, end of period	$	10,001	$	14,479
Supplemental disclosures of cash flow information:				
Net cash paid during the period for:				
Interest	$	1,184	$	997
Income tax	$	668	$	109
Non-cash transactions during the period:				
Real estate and real estate joint ventures acquired in satisfaction of debt	$	106	$	92

See accompanying notes to the interim condensed consolidated financial statements.

MetLife, Inc.

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)

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

Business

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

MetLife is organized into six segments: Insurance Products, Retirement Products, Corporate Benefit Funding and Auto & Home (collectively, U.S. Business), and Japan and Other International Regions (collectively, International). See Note 14 for further business segment information.

Basis of Presentation

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

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

In applying the Company s accounting policies, management makes subjective and complex judgments that frequently require estimates about matters that are inherently uncertain. Many of these policies, estimates and related judgments are common in the insurance and financial services industries; others are specific to the Company s businesses and operations. Actual results could differ from these estimates.

The accompanying interim condensed consolidated financial statements include the accounts of the Holding Company and its subsidiaries, as well as partnerships and joint ventures in which the Company has control, and variable interest entities (VIEs) for which the Company is the primary beneficiary. Closed block assets, liabilities, revenues and expenses are combined on a line-by-line basis with the assets, liabilities, revenues and expenses outside the closed block based on the nature of the particular item. See Note 7. 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 2011 presentation. See Note 14 for a realignment that affected assets, liabilities and results of operations on a segment basis with no impact on the consolidated results and reclassifications related to

MetLife, Inc.

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

operating revenues and expenses that affected results of operations on both a segment and a consolidated basis. See also Note 15 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 September 30, 2011, its consolidated results of operations for the three months and nine months ended September 30, 2011 and 2010, its consolidated statements of equity for the nine months ended September 30, 2011 and 2010, and its consolidated statements of cash flows for the nine months ended September 30, 2011 and 2010, in conformity with GAAP. Interim results are not necessarily indicative of full year performance. The December 31, 2010 consolidated balance sheet data was derived from audited consolidated financial statements included in MetLife, Inc. s Annual Report on Form 10-K for the year ended December 31, 2010, as amended by MetLife, Inc. s Form 10-K/A dated March 1, 2011 (as amended, the 2010 Annual Report), filed with the U.S. Securities and Exchange Commission (SEC), which include all disclosures required by GAAP. Therefore, these interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements of the Company included in the 2010 Annual Report.

Adoption of New Accounting Pronouncements

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

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

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

Effective July 1, 2011, the Company adopted new guidance regarding accounting for troubled debt restructurings. This guidance clarifies whether a creditor has granted a concession and whether a debtor is experiencing financial difficulties for the purpose of determining when a restructuring constitutes a troubled debt restructuring. Additionally, the guidance prohibits creditors from using the borrower s effective rate test to evaluate whether a concession has been granted to the borrower. The adoption did not have a material impact on the Company s consolidated financial statements. See also expanded disclosures in Note 3.

Future Adoption of New Accounting Pronouncements

In September 2011, the Financial Accounting Standards Board (FASB) issued new guidance regarding enhanced disclosures for employers participation in multiemployer pension plans (Accounting Standards Update (ASU) 2011-09, *Compensation-Retirement Benefits-Multiemployer Plans (Subtopic 715-80): Disclosures about*

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an Employer s Participation in a Multiemployer Plan). The revised disclosures will require additional qualitative and quantitative information about the employer s involvement in significant multiemployer pension and other postretirement plans. The enhanced disclosures will be required for annual periods in fiscal years ending after December 15, 2011. The Company is currently evaluating the impact of this guidance on its consolidated financial statements.

In September 2011, the FASB issued new guidance on goodwill impairment testing (ASU 2011-08, *Intangibles Goodwill and Other (Topic 350): Testing Goodwill for Impairment)*, effective for calendar years beginning after December 15, 2011. Early adoption is permitted. The objective of this standard is to simplify how an entity tests goodwill for impairment. The amendments in this standard will allow an entity to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying value as a basis for determining whether it needs to perform the quantitative two-step goodwill impairment test. Only if an entity determines, based on qualitative assessment, that it is more likely than not that a reporting unit s fair value is less than its carrying value will it be required to calculate the fair value of the reporting unit. The Company intends to adopt this new guidance beginning in fiscal year 2012 and is currently evaluating the impact of this guidance on its consolidated financial statements.

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

In June 2011, the FASB issued new guidance regarding comprehensive income (ASU 2011-05, *Comprehensive Income (Topic 220): Presentation of Comprehensive Income)*, effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. The guidance should be applied retrospectively and early adoption is permitted. The new guidance provides companies with the option to present the total of comprehensive income, components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. The objective of the standard is to increase the prominence of items reported in other comprehensive income and to facilitate convergence of GAAP and International Financial Reporting Standards (IFRS). The standard eliminates the option to present components of other comprehensive income as part of the statement of changes in stockholders equity. The Company is currently evaluating the impact of this guidance on its consolidated financial statements.

In May 2011, the FASB issued new guidance regarding fair value measurements (ASU 2011-04, *Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs),* effective for the first interim or annual period beginning after December 15, 2011. The guidance should be applied prospectively. The amendments in this ASU are intended to establish common requirements for measuring fair value and for disclosing information about fair value measurements in accordance with GAAP and IFRS. Some of the amendments clarify the FASB s intent on the application of existing fair value measurement requirements. Other amendments change a particular principle or requirement for measuring fair value or for disclosing information about fair value measurements. The Company is currently evaluating the impact of this guidance on its consolidated financial statements.

In April 2011, the FASB issued new guidance regarding effective control in repurchase agreements (ASU 2011-03, *Transfers and Servicing (Topic 860): Reconsideration of Effective Control for Repurchase Agreements)*, effective for the first interim or annual period beginning on or after December 15, 2011. The

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guidance should be applied prospectively to transactions or modifications of existing transactions that occur on or after the effective date. The amendments in this ASU remove from the assessment of effective control the criterion requiring the transferor to have the ability to repurchase or redeem the financial assets. The Company is currently evaluating the impact of this guidance on its consolidated financial statements.

In October 2010, the FASB issued new guidance regarding accounting for deferred acquisition costs (ASU 2010-26, *Financial Services Insurance (Topic 944): Accounting for Costs Associated with Acquiring or Renewing Insurance Contracts*) (ASU 2010-26), effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2011. ASU 2010-26 specifies that only costs related directly to successful acquisition of new or renewal contracts can be capitalized as deferred acquisition costs (DAC); all other acquisition-related costs must be expensed as incurred. Under the new guidance advertising costs may only be included in DAC if the capitalization criteria in the direct-response advertising guidance in Subtopic 340-20, *Other Assets and Deferred Costs Capitalized Advertising Costs*, are met. As a result, certain direct marketing, sales manager compensation and administrative costs currently capitalized by the Company will no longer be deferred. The Company plans to apply ASU 2010-26 retrospectively to all prior periods presented in its consolidated financial statements for all insurance contracts. The Company expects that the effect upon adoption of ASU 2010-26 will be a reduction in DAC with a corresponding reduction to equity, on an after tax basis. In addition, the Company expects a reduction in prior period earnings as a result of applying the new guidance retrospectively. The Company continues to evaluate the impact of this guidance on its consolidated financial statements and related disclosures.

2. Acquisitions and Dispositions

2010 Acquisition of ALICO

Description of Transaction

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

On March 8, 2011, AM Holdings sold, in public offering transactions, all the shares of common stock and common equity units it received as consideration from MetLife in connection with the Acquisition. The Company did not receive any of the proceeds from the sale of either the shares of common stock or the common equity units owned by AM Holdings. On March 8, 2011, MetLife, Inc. issued 68,570,000 shares of common stock for gross proceeds of $3.0 billion, which were used to repurchase and cancel 6,857,000 shares of convertible preferred stock received as consideration by AM Holdings from MetLife in connection with the Acquisition. See Note 11 herein and Note 2 of the Notes to the Consolidated Financial Statements included in the 2010 Annual Report.

Goodwill

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

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Negative Value of Business Acquired

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

> *Fixed Annuities* - This block of business provides a fixed rate of return to the policyholders. A decrease in market interest rates since the time of issuance was the primary driver that resulted in the fair value of the liabilities associated with this block being significantly greater than the initial policy reserves assumed at the Acquisition Date.
>
> *Interest Sensitive Whole Life and Retirement Savings Products* - These contracts contain guaranteed minimum benefit features. The recorded reserves for these guarantees increase ratably over the life of the policies in relation to future gross revenues. In contrast, the fair value of the guaranteed minimum benefit component of the initial policy reserves assumed represents the amount that would be required to be transferred to a market participant to assume the full liability at the acquisition date, implicitly incorporating market participant views as to all expected future cash flows. This results in a fair value significantly in excess of the initial guaranteed minimum benefit liability assumed at the Acquisition Date.

The weighted average amortization period for negative VOBA as of the Acquisition Date was 6.0 years. The estimated future amortization of credit to expenses recorded in other expenses for the first full five years after the Acquisition Date for negative VOBA is $711 million in 2011, $628 million in 2012, $561 million in 2013, $475 million in 2014 and $385 million in 2015. See Note 12.

Contingent Consideration

American Life has guaranteed that the fair value of a fund of assets backing certain United Kingdom unit-linked contracts will have a value of at least £1 per unit on July 1, 2012. If the shortfall between the aggregate guaranteed amount and the fair value of the fund exceeds £106 million, AIG will pay the difference to American Life and, conversely, if the shortfall at July 1, 2012 is less than £106 million, American Life will pay the difference to AIG. The Company believes that the fair value of the fund will equal or exceed the aggregate guaranteed amount by July 1, 2012. The contingent consideration liability was $121 million at September 30, 2011 and $88 million as of the Acquisition Date. The increase in the contingent consideration liability amount from the Acquisition Date to September 30, 2011 was recorded in net derivative gains (losses) in the interim condensed consolidated statement of operations.

Current and Deferred Income Tax

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

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

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

At September 30, 2011, ALICO s current and deferred income tax liabilities were provisional and not yet finalized. Therefore, current income taxes may be adjusted pending the resolution of the amount of taxes resulting from the Section 338 Elections and the filing of income tax returns. Deferred income taxes may be adjusted as a result of changes in estimates and assumptions relating to the reversal of U.S. temporary differences prior to the completion of the anticipated restructuring of American Life s foreign branches, the filing of income tax returns, and as additional information becomes available during the measurement period. The Company expects to finalize these amounts in the fourth quarter of 2011.

Costs Related to Acquisition

Transaction and Integration-Related Expenses. The Company incurred transaction costs of $2 million and $4 million for the three months and nine months ended September 30, 2011, respectively, and $21 million and $63 million for the three months and nine months ended September 30, 2010, respectively. Transaction costs represent costs directly related to effecting the Acquisition and primarily include banking and legal expenses. Such costs have been expensed as incurred and are included in other expenses. These expenses have been reported within Banking, Corporate & Other.

Integration-related expenses were $84 million and $254 million for the three months and nine months ended September 30, 2011, respectively, and $54 million and $96 million for the three months and nine months ended September 30, 2010, respectively. Integration-related costs represent incremental costs directly related to integrating ALICO, including expenses for consulting, rebranding and the integration of information systems. Such items have been expensed as incurred and are included in other expenses. As the integration of ALICO is an enterprise-wide initiative, these expenses have been reported within Banking, Corporate & Other.

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

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

Estimated restructuring costs may change as management continues to execute its restructuring plans. Management anticipates further restructuring charges, including severance, contract termination costs and other associated costs through the year ended December 31, 2013. However, such restructuring plans are not sufficiently developed to enable management to make an estimate of such restructuring charges at September 30, 2011.

	Three Months Ended September 30, 2011	Nine Months Ended September 30, 2011
	(In millions)	
Balance, beginning of period	$ 9	$ 10
Restructuring charges	7	31
Cash payments	(7)	(32)
Balance, end of period	$ 9	$ 9
Restructuring charges incurred in current period	$ 7	$ 31
Total restructuring charges incurred since inception of plans	$ 41	$ 41

2011 Dispositions

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

During the first quarter of 2011, the Company entered into a definitive agreement with a third party to sell its wholly-owned subsidiary, MetLife Taiwan Insurance Company Limited (MetLife Taiwan) for $180 million in cash consideration. As a result of recording MetLife Taiwan s net assets at the lower of cost or fair value as assets and liabilities held-for-sale, the Company recognized a net investment loss in discontinued operations of $0 and $74 million, net of income tax, for the three months and nine months ended September 30, 2011, respectively. Income (loss) from the operations of MetLife Taiwan of ($11) million and $3 million, net of income tax, for the three months and nine months ended September 30, 2011, respectively, and $2 million and $9 million, net of income tax, for the three months and nine months ended September 30, 2010, respectively, were also recorded in discontinued operations. In October 2011, the sale received final regulatory approval in Taiwan and on November 1, 2011 the Company completed the sale of MetLife Taiwan to the third party. See Note 15.

3. Investments

Fixed Maturity and Equity Securities Available-for-Sale

The following tables present the cost or amortized cost, gross unrealized gains and losses, estimated fair value of the Company s fixed maturity and equity securities and the percentage that each sector represents by the

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respective total holdings for the periods shown. The unrealized loss amounts presented below include the noncredit loss component of other-than-temporary impairment (OTTI) losses:

	September 30, 2011					
	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Temporary Losses	Gross Unrealized OTTI Losses	Estimated Fair Value	% of Total
	(In millions)					
Fixed Maturity Securities:						
U.S. corporate securities	$ 99,832	$ 8,219	$ 1,476	$	$ 106,575	30.1%
Foreign corporate securities (1)	61,013	3,616	1,108	(1)	63,522	18.0
Foreign government securities	50,243	2,936	220		52,959	15.0
Residential mortgage-backed securities (RMBS)	40,799	2,383	698	591	41,893	11.8
U.S. Treasury and agency securities	36,159	5,686	11		41,834	11.8
Commercial mortgage-backed securities (CMBS)	19,259	635	307	2	19,585	5.5
Asset-backed securities (ABS)	14,765	322	583	86	14,418	4.1
State and political subdivision securities	11,939	1,371	169		13,141	3.7
Other fixed maturity securities						
Total fixed maturity securities (2), (3)	$ 334,009	$ 25,168	$ 4,572	$ 678	$ 353,927	100.0%
Equity Securities:						
Common stock	$ 2,173	$ 80	$ 42	$	$ 2,211	70.9%
Non-redeemable preferred stock (2)	1,054	39	186		907	29.1
Total equity securities	$ 3,227	$ 119	$ 228	$	$ 3,118	100.0%

	December 31, 2010					
	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Temporary Losses	Gross Unrealized OTTI Losses	Estimated Fair Value	% of Total
	(In millions)					
Fixed Maturity Securities:						
U.S. corporate securities	$ 88,905	$ 4,469	$ 1,602	$	$ 91,772	28.3%
Foreign corporate securities	65,487	3,326	925		67,888	20.9
Foreign government securities	40,871	1,733	602		42,002	12.9
RMBS	44,468	1,652	917	470	44,733	13.8
U.S. Treasury and agency securities	32,469	1,394	559		33,304	10.2

CMBS	20,213	740	266	12	20,675	6.4
ABS	14,722	274	590	119	14,287	4.4
State and political subdivision securities	10,476	171	518		10,129	3.1
Other fixed maturity securities	6	1			7	
Total fixed maturity securities (2), (3)	$ 317,617	$ 13,760	$ 5,979	$ 601	$ 324,797	100.0%
Equity Securities:						
Common stock	$ 2,059	$ 146	$ 12	$	$ 2,193	60.9%
Non-redeemable preferred stock (2)	1,562	76	229		1,409	39.1
Total equity securities	$ 3,621	$ 222	$ 241	$	$ 3,602	100.0%

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

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

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

Consolidated Balance Sheets	Classification Sector Table	Primary Issuers	September 30, 2011 Estimated Fair Value	December 31, 2010 Estimated Fair Value
			(In millions)	
Fixed maturity securities	Foreign corporate securities	Non-U.S. financial institutions	$ 632	$ 2,008
Fixed maturity securities	U.S. corporate securities	U.S. financial institutions	$ 181	$ 83
Equity securities	Non-redeemable preferred stock	Non-U.S. financial institutions	$ 481	$ 1,043
Equity securities	Non-redeemable preferred stock	U.S. financial institutions	$ 381	$ 236

(3) The Company s holdings in redeemable preferred stock with stated maturity dates, commonly referred to as capital securities, were primarily issued by U.S. financial institutions and have cumulative interest deferral features. The Company held $2.0 billion and $2.7 billion at estimated fair value of such securities at September 30, 2011 and December 31, 2010, respectively, which are included in the U.S. and foreign corporate securities sectors within fixed maturity securities.

The below investment grade and non-income producing amounts presented below are based on rating agency designations and equivalent designations of the National Association of Insurance Commissioners (NAIC), with the exception of certain structured securities described below held by the Company s insurance subsidiaries that file NAIC statutory financial statements. Non-agency RMBS, CMBS and ABS held by such subsidiaries are presented based on ratings from the revised NAIC rating methodologies for structured securities (which may not correspond to rating agency designations). Currently, the NAIC evaluates structured securities held by insurers using the revised NAIC rating methodologies on an annual basis. If such insurance subsidiaries of the Company acquire structured securities that have not been previously evaluated by the NAIC, but are expected to be evaluated by the NAIC in the upcoming annual review, an internally developed rating is used for interim reporting. All NAIC designation (e.g., NAIC 1 6) amounts and percentages presented herein are based on the revised NAIC methodologies. All rating agency designation (e.g., Aaa/AAA) amounts and percentages presented herein are based on rating agency designations without adjustment for the revised NAIC methodologies described above. Rating agency designations are based on availability of applicable ratings from rating agencies on the NAIC acceptable rating organization list, including Moody s Investors Service (Moody s), Standard & Poor s Ratings Services (S&P) and Fitch Ratings (Fitch).

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

	September 30, 2011	December 31, 2010
	(In millions)	
Below investment grade or non-rated fixed maturity securities:		
Estimated fair value	$ 24,494	$ 24,870
Net unrealized gains (losses)	$ (1,683)	$ (696)
Non-income producing fixed maturity securities:		
Estimated fair value	$ 145	$ 130
Net unrealized gains (losses)	$ (54)	$ (23)

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

The Company was not exposed to any concentrations of credit risk of any single issuer greater than 10% of the Company s equity, other than the government securities summarized in the table below. The par value and amortized cost of the Company s holdings in sovereign fixed maturity securities of Portugal, Ireland, Italy, Greece and Spain, commonly referred to as Europe s perimeter region, was $1,018 million and $571 million at September 30, 2011, respectively, and $1,912 million and $1,644 million at December 31, 2010, respectively. The estimated fair value of such holdings was $629 million and $1,562 million prior to considering net purchased credit default swap protection at September 30, 2011 and December 31, 2010, respectively. The estimated fair value of these Europe perimeter region sovereign fixed maturity securities represented 1.0% and 3.2% of the Company s equity at September 30, 2011 and December 31, 2010, respectively, and 0.1% and 0.3% of total cash and invested assets at September 30, 2011 and December 31, 2010, respectively.

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

	September 30, 2011	December 31, 2010
	Carrying Value (1) (In millions)	
Government and agency fixed maturity securities:		
United States	$ 41,834	$ 33,304
Japan	$ 20,644	$ 15,591
Mexico (2)	$	$ 5,050
U.S. Treasury and agency fixed-income securities included in:		
Short-term investments	$ 13,565	$ 4,048
Cash equivalents	$ 2,847	$ 5,762

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

(2) The Company s investment in Mexico government and agency fixed maturity securities at September 30, 2011 of $5,028 million is less than 10% of the Company s equity.

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

	September 30, 2011		December 31, 2010	
	Estimated Fair Value (In millions)	% of Total	Estimated Fair Value (In millions)	% of Total
Corporate fixed maturity securities by sector:				
Foreign corporate fixed maturity securities (1)	$ 63,522	37.3%	$ 67,888	42.5%
U.S. corporate fixed maturity securities by industry:				
Industrial	27,245	16.0	22,070	13.8
Consumer	26,414	15.5	21,482	13.5
Finance	21,864	12.9	20,785	13.0
Utility	19,152	11.3	16,902	10.6
Communications	8,318	4.9	7,335	4.6
Other	3,582	2.1	3,198	2.0
Total	$ 170,097	100.0%	$ 159,660	100.0%

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

	September 30, 2011		December 31, 2010	
	Estimated Fair Value (In millions)	% of Total Investments	Estimated Fair Value (In millions)	% of Total Investments
Concentrations within corporate fixed maturity securities:				
Largest exposure to a single issuer	$ 1,883	0.4%	$ 2,291	0.5%
Holdings in ten issuers with the largest exposures	$ 11,955	2.4%	$ 14,247	3.1%

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

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

	September 30, 2011		December 31, 2010	
	Estimated Fair Value (In millions)	% of Total	Estimated Fair Value (In millions)	% of Total
By security type:				
Collateralized mortgage obligations	$ 22,903	54.7%	$ 22,303	49.9%
Pass-through securities	18,990	45.3	22,430	50.1
Total RMBS	$ 41,893	100.0%	$ 44,733	100.0%
By risk profile:				
Agency	$ 31,386	74.9%	$ 34,254	76.6%
Prime	5,935	14.2	6,258	14.0
Alternative residential mortgage loans	4,572	10.9	4,221	9.4
Total RMBS	$ 41,893	100.0%	$ 44,733	100.0%
Rated Aaa/AAA	$ 32,452	77.5%	$ 36,085	80.7%
Rated NAIC 1	$ 36,543	87.2%	$ 38,984	87.1%

See Note 3 of the Notes to the Consolidated Financial Statements included in the 2010 Annual Report for a description of the security types and risk profile.

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

	September 30, 2011		December 31, 2010	
	Estimated Fair Value (In millions)	% of Total	Estimated Fair Value (In millions)	% of Total
Vintage Year:				

2005 & Prior	$	1,632	35.7%	$	1,576	37.3%
2006		1,294	28.3		1,013	24.0
2007		997	21.8		922	21.8
2008					7	0.2
2009 (1)		615	13.5		671	15.9
2010 (1)		34	0.7		32	0.8
2011						
Total	$	4,572	100.0%	$	4,221	100.0%

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

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

	September 30, 2011		December 31, 2010	
	Amount (In millions)	% of Total	Amount (In millions)	% of Total
Net unrealized gains (losses)	$ (824)		$ (670)	
Rated Aa/AA or better		12.7%		15.9%
Rated NAIC 1		47.1%		39.5%
Distribution of holdings at estimated fair value by collateral type:				
Fixed rate mortgage loans collateral		92.7%		90.7%
Hybrid adjustable rate mortgage loans collateral		7.3		9.3
Total Alt-A RMBS		100.0%		100.0%

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

September 30, 2011

	Aaa		Aa		A		Baa		Below Investment Grade		Tot
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value	Amortized Cost
						(In millions)					
	$ 5,936	6,040	178	176	105	101	58	55	21	20	$ 6,298
	3,698	3,823	447	455	134	126	92	89	33	26	4,404
	3,117	3,316	400	401	324	311	168	153	37	26	4,046
	1,733	1,813	229	217	91	87	147	135	157	137	2,357
	700	714	439	362	163	137	39	38	126	117	1,467
									24	29	24
	2	2									2
	2	3			60	66					62
	505	513			94	97					599
	$ 15,693	$ 16,224	$ 1,693	$ 1,611	$ 971	$ 925	$ 504	$ 470	$ 398	$ 355	$ 19,259
ibution		82.8%		8.3%		4.7%		2.4%		1.8%	

	December 31, 2010										
	Aaa		Aa		A		Baa		Below Investment Grade		T
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value	Amortized Cost
	(In millions)										
	$ 7,411	$ 7,640	$ 282	$ 282	$ 228	$ 227	$ 74	$ 71	$ 28	$ 24	$ 8,023
	3,489	3,620	277	273	216	209	181	175	91	68	4,254
	3,113	3,292	322	324	286	280	263	255	73	66	4,057
	1,463	1,545	159	160	168	168	385	398	166	156	2,341
	840	791	344	298	96	95	119	108	122	133	1,521
	2	2									2
	3	3									3
	8	8			4	4					12
	$ 16,329	$ 16,901	$ 1,384	$ 1,337	$ 998	$ 983	$ 1,022	$ 1,007	$ 480	$ 447	$ 20,213
ution		81.7%		6.4%		4.8%		4.9%		2.2%	

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MetLife, Inc.

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

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

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

	September 30, 2011	December 31, 2010
NAIC 1	94.3%	93.7%
NAIC 2	4.1%	3.2%
NAIC 3	0.5%	1.8%
NAIC 4	0.7%	1.0%
NAIC 5	%	0.3%
NAIC 6	0.4%	%

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

	September 30, 2011		December 31, 2010	
	Estimated Fair Value (In millions)	% of Total	Estimated Fair Value (In millions)	% of Total
By collateral type:				
Credit card loans	$ 4,444	30.8%	$ 6,027	42.2%
Student loans	2,645	18.4	2,416	16.9
Collateralized debt obligations	2,578	17.9	1,798	12.6
Automobile loans	1,039	7.2	605	4.2
RMBS backed by sub-prime mortgage loans	997	6.9	1,119	7.8
Other loans	2,715	18.8	2,322	16.3
Total	$ 14,418	100.0%	$ 14,287	100.0%
Rated Aaa/AAA	$ 9,250	64.2%	$ 10,411	72.9%
Rated NAIC 1	$ 13,324	92.4%	$ 13,133	91.9%

The Company had ABS supported by sub-prime mortgage loans with estimated fair values of $997 million and $1,119 million and unrealized losses of $350 million and $317 million at September 30, 2011 and December 31, 2010, respectively. Approximately 24% of this portfolio was rated Aa or better, of which 71% was in vintage year 2005 and prior at September 30, 2011. Approximately 54% of this portfolio was rated Aa or better, of which 88% was in vintage year 2005 and prior at December 31, 2010. These older vintages from 2005 and prior benefit from better underwriting, improved credit enhancement levels and higher residential property price appreciation. Approximately 68% and 66% of this portfolio was rated NAIC 2 or better at September 30, 2011 and December 31, 2010, respectively.

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

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MetLife, Inc.

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

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:

	September 30, 2011		December 31, 2010	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
	(In millions)			
Due in one year or less	$ 13,713	$ 13,813	$ 8,580	$ 8,702
Due after one year through five years	68,498	70,234	65,143	66,796
Due after five years through ten years	83,338	88,497	76,508	79,571
Due after ten years	93,637	105,487	87,983	90,033
Subtotal	259,186	278,031	238,214	245,102
RMBS, CMBS and ABS	74,823	75,896	79,403	79,695
Total fixed maturity securities	$ 334,009	$ 353,927	$ 317,617	$ 324,797

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

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

As described more fully in Note 1 of the Notes to the Consolidated Financial Statements included in the 2010 Annual Report, the Company performs a regular evaluation, on a security-by-security basis, of its available-for-sale securities holdings, including fixed maturity securities, equity securities and perpetual hybrid securities, in accordance with its impairment policy in order to evaluate whether such investments are other-than-temporarily impaired.

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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:

	September 30, 2011	December 31, 2010
	(In millions)	
Fixed maturity securities	$ 20,703	$ 7,817
Fixed maturity securities with noncredit OTTI losses in accumulated other comprehensive income (loss)	(678)	(601)
Total fixed maturity securities	20,025	7,216
Equity securities	(95)	(3)
Derivatives	1,486	(59)
Other	63	42
Subtotal	21,479	7,196
Amounts allocated from:		
Insurance liability loss recognition	(3,946)	(672)
DAC and VOBA related to noncredit OTTI losses recognized in accumulated other comprehensive income (loss)	41	38
DAC and VOBA	(2,070)	(1,205)
Policyholder dividend obligation	(2,782)	(876)
Subtotal	(8,757)	(2,715)
Deferred income tax benefit (expense) related to noncredit OTTI losses recognized in accumulated other comprehensive income (loss)	220	197
Deferred income tax benefit (expense)	(4,504)	(1,692)
Net unrealized investment gains (losses)	8,438	2,986
Net unrealized investment gains (losses) attributable to noncontrolling interests	9	4
Net unrealized investment gains (losses) attributable to MetLife, Inc.	$ 8,447	$ 2,990

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

	September 30, 2011	December 31, 2010
	(In millions)	
Balance, beginning of period	$ (601)	$ (859)
Noncredit OTTI losses recognized (1)	5	(212)
Transferred to retained earnings (2)		16
Securities sold with previous noncredit OTTI loss	99	137
Subsequent changes in estimated fair value	(181)	317
Balance, end of period	$ (678)	$ (601)

(1) Noncredit OTTI losses recognized, net of DAC, were $6 million and ($202) million for the periods ended September 30, 2011 and December 31, 2010, respectively.

MetLife, Inc.

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

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

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

		Nine Months Ended September 30, 2011 (In millions)
Balance, beginning of period	$	2,990
Fixed maturity securities on which noncredit OTTI losses have been recognized		(77)
Unrealized investment gains (losses) during the period		14,360
Unrealized investment gains (losses) relating to:		
Insurance liability gain (loss) recognition		(3,274)
DAC and VOBA related to noncredit OTTI losses recognized in accumulated other comprehensive income (loss)		3
DAC and VOBA		(865)
Policyholder dividend obligation		(1,906)
Deferred income tax benefit (expense) related to noncredit OTTI losses recognized in accumulated other comprehensive income (loss)		23
Deferred income tax benefit (expense)		(2,812)
Net unrealized investment gains (losses)		8,442
Net unrealized investment gains (losses) attributable to noncontrolling interests		5
Balance, end of period	$	8,447
Change in net unrealized investment gains (losses)	$	5,452
Change in net unrealized investment gains (losses) attributable to noncontrolling interests		5
Change in net unrealized investment gains (losses) attributable to MetLife, Inc.	$	5,457

MetLife, Inc.

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

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

The following tables present the estimated fair value and gross unrealized losses of the Company s fixed maturity and equity securities in an unrealized loss position, aggregated by sector and by length of time that the securities have been in a continuous unrealized loss position. The unrealized loss amounts presented below include the noncredit component of OTTI loss. Fixed maturity securities on which a noncredit OTTI loss has been recognized in accumulated other comprehensive income (loss) are categorized by length of time as being less than 12 months or equal to or greater than 12 months in a continuous unrealized loss position based on the point in time that the estimated fair value initially declined to below the amortized cost basis and not the period of time since the unrealized loss was deemed a noncredit OTTI loss.

	September 30, 2011					
	Less than 12 Months		Equal to or Greater than 12 Months		Total	
	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses
	(In millions, except number of securities)					
Fixed Maturity Securities:						
U.S. corporate securities	$ 18,303	$ 597	$ 4,981	$ 879	$ 23,284	$ 1,476
Foreign corporate securities	16,560	846	1,480	261	18,040	1,107
Foreign government securities	8,092	208	158	12	8,250	220
RMBS	3,761	324	4,501	965	8,262	1,289
U.S. Treasury and agency securities	8,937	9	39	2	8,976	11
CMBS	4,974	200	620	109	5,594	309
ABS	4,670	189	2,087	480	6,757	669
State and political subdivision securities	416	6	981	163	1,397	169
Other fixed maturity securities						
Total fixed maturity securities	$ 65,713	$ 2,379	$ 14,847	$ 2,871	$ 80,560	$ 5,250
Equity Securities:						
Common stock	$ 416	$ 41	$ 23	$ 1	$ 439	$ 42
Non-redeemable preferred stock	227	30	386	156	613	186
Total equity securities	$ 643	$ 71	$ 409	$ 157	$ 1,052	$ 228
Total number of securities in an unrealized loss position	4,414		1,340			

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MetLife, Inc.

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

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

MetLife, Inc.

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

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

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

	September 30, 2011					
	Cost or Amortized Cost		Gross Unrealized Losses		Number of Securities	
	Less than 20%	20% or more	Less than 20%	20% or more	Less than 20%	20% or more
	(In millions, except number of securities)					
Fixed Maturity Securities:						
Less than six months	$ 50,785	$ 5,026	$ 1,365	$ 1,377	2,871	290
Six months or greater but less than nine months	1,747	349	68	106	200	23
Nine months or greater but less than twelve months	13,543	147	367	41	1,126	9
Twelve months or greater	11,858	2,355	1,018	908	971	181
Total	$ 77,933	$ 7,877	$ 2,818	$ 2,432		
Percentage of amortized cost			4%	31%		
Equity Securities:						
Less than six months	$ 571	$ 304	$ 36	$ 89	168	54
Six months or greater but less than nine months	10		1		7	3
Nine months or greater but less than twelve months	46	1	4	1	14	9
Twelve months or greater	125	223	12	85	11	13
Total	$ 752	$ 528	$ 53	$ 175		
Percentage of cost			7%	33%		

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

	December 31, 2010					
	Cost or Amortized Cost		Gross Unrealized Losses		Number of Securities	
	Less than 20%	20% or more	Less than 20%	20% or more	Less than 20%	20% or more
	(In millions, except number of securities)					
Fixed Maturity Securities:						
Less than six months	$ 105,301	$ 1,403	$ 2,348	$ 368	5,320	121
Six months or greater but less than nine months	1,125	376	29	102	104	29
Nine months or greater but less than twelve months	371	89	28	27	50	9
Twelve months or greater	21,627	5,546	1,863	1,815	1,245	311
Total	$ 128,424	$ 7,414	$ 4,268	$ 2,312		
Percentage of amortized cost			3%	31%		
Equity Securities:						
Less than six months	$ 247	$ 94	$ 10	$ 22	106	33
Six months or greater but less than nine months	29	65	5	16	3	2
Nine months or greater but less than twelve months	6	47		16	3	2
Twelve months or greater	518	340	56	116	35	14
Total	$ 800	$ 546	$ 71	$ 170		
Percentage of cost			9%	31%		

Equity securities with gross unrealized losses of 20% or more for twelve months or greater decreased from $116 million at December 31, 2010 to $85 million at September 30, 2011. As shown in the section Evaluating Temporarily Impaired Available-for-Sale Securities below, all of the equity securities with gross unrealized losses of 20% or more for twelve months or greater at September 30, 2011 were financial services industry investment grade non-redeemable preferred stock, of which 72% were rated A or better.

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MetLife, Inc.

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

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

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

	September 30, 2011	December 31, 2010
Sector:		
U.S. corporate securities	27%	23%
RMBS	24	20
Foreign corporate securities	20	14
ABS	12	10
CMBS	6	4
Foreign government securities	4	9
State and political subdivision securities	3	8
U.S. Treasury and agency securities		8
Other	4	4
Total	100%	100%
Industry:		
Mortgage-backed	30%	24%
Finance	25	21
Asset-backed	12	10
Utility	8	5
Consumer	7	4
Foreign government securities	4	9
Communications	4	2
State and political subdivision securities	3	8
Industrial	3	2
U.S. Treasury and agency securities		8
Other	4	7
Total	100%	100%

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

Evaluating Temporarily Impaired Available-for-Sale Securities

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

	September 30, 2011		December 31, 2010	
	Fixed Maturity Securities	Equity Securities	Fixed Maturity Securities	Equity Securities
	(In millions, except number of securities)			
Number of securities	86	5	107	6
Total gross unrealized losses	$ 1,612	$ 79	$ 2,014	$ 103
Percentage of total gross unrealized losses	31%	34%	31%	43%

Fixed maturity and equity securities, each with gross unrealized losses greater than $10 million, decreased $426 million during the nine months ended September 30, 2011. The decline in, or improvement in, gross unrealized losses for the nine months ended September 30, 2011 was primarily attributable to a decrease in interest rates, partially offset by increasing credit spreads. These securities were included in the Company s OTTI review process. Based upon the Company s current evaluation of these securities and other available-for-sale securities in an unrealized loss position in accordance with its impairment policy, and the Company s current intentions and assessments (as applicable to the type of security) about holding, selling and any requirements to sell these securities, the Company has concluded that these securities are not other-than-temporarily impaired.

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

The following table presents certain information about the Company s equity securities available-for-sale with gross unrealized losses of 20% or more at September 30, 2011:

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

	Unrealized Losses	Unrealized Losses	Equity Securities	Unrealized Losses	Non-Redeemable Preferred Stock	Unrealized Losses	% of All Industries	Rated or Better
	(In millions)			(In millions)		(In millions)		
Less than six months	$ 89	$ 67	75%	$ 52	78%	$ 52	100%	52%
Six months or greater but less than twelve months	1		%		%		%	%
Twelve months or greater	85	85	100%	85	100%	85	100%	72%
All equity securities with gross unrealized losses of 20% or more	$ 175	$ 152	87%	$ 137	90%	$ 137	100%	64%

In connection with the equity securities impairment review process, the Company evaluated its holdings in non-redeemable preferred stock, particularly those in the financial services industry. The Company considered several factors including whether there has been any deterioration in credit of the issuer and the likelihood of recovery in value of non-redeemable preferred stock with a severe or an extended unrealized loss. The Company

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

also considered whether any issuers of non-redeemable preferred stock with an unrealized loss held by the Company, regardless of credit rating, have deferred any dividend payments. No such dividend payments had been deferred.

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

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

Trading and Other Securities

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

	September 30, 2011	December 31, 2010
	(In millions)	
Actively Traded Securities	$ 415	$ 463
FVO general account securities	269	131
FVO contractholder-directed unit-linked investments	17,874	17,794
FVO securities held by CSEs	140	201
Total trading and other securities at estimated fair value	$ 18,698	$ 18,589
Actively Traded Securities at estimated fair value	$ 415	$ 463
Short sale agreement liabilities at estimated fair value	(67)	(46)
Net long/short position at estimated fair value	$ 348	$ 417
Investments pledged to secure short sale agreement liabilities	$ 467	$ 465

See Note 1 of the Notes to the Consolidated Financial Statements included in the 2010 Annual Report for discussion of FVO contractholder-directed unit-linked investments and Variable Interest Entities for discussion of consolidated securitization entities (CSEs) included in the table above. See Net Investment Income and Net Investment Gains (Losses) for the net investment income recognized on trading and other securities and the related changes in estimated fair value subsequent to purchase included in net investment income and net investment gains (losses), as applicable.

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MetLife, Inc.

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

Net Investment Gains (Losses)

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

	Three Months Ended September 30, 2011	Three Months Ended September 30, 2010	Nine Months Ended September 30, 2011	Nine Months Ended September 30, 2010
	(In millions)			
Total gains (losses) on fixed maturity securities:				
Total OTTI losses recognized	$ (95)	$ (143)	$ (525)	$ (538)
Less: Noncredit portion of OTTI losses transferred to and recognized in other comprehensive income (loss)	(189)	24	(5)	181
Net OTTI losses on fixed maturity securities recognized in earnings	(284)	(119)	(530)	(357)
Fixed maturity securities net gains (losses) on sales and disposals	101	54	79	99
Total gains (losses) on fixed maturity securities	(183)	(65)	(451)	(258)
Other net investment gains (losses):				
Equity securities	(3)	(1)	(37)	100
Trading and other securities FVO general account securities changes in estimated fair value	(3)		(3)	
Mortgage loans	45	37	160	20
Real estate and real estate joint ventures	139	(1)	144	(50)
Other limited partnership interests		(4)	8	(15)
Other investment portfolio gains (losses)		(67)	(2)	9
Subtotal investment portfolio gains (losses)	(5)	(101)	(181)	(194)
FVO CSEs changes in estimated fair value:				
Commercial mortgage loans	(64)	114	(39)	767
Securities	2	(26)	1	(47)
Long-term debt related to commercial mortgage loans	56	(109)	48	(744)
Long-term debt related to securities	(1)	37	(8)	48
Other gains (losses) (1)	(43)	(257)	(130)	(154)
Subtotal FVO CSEs and other gains (losses)	(50)	(241)	(128)	(130)
Total net investment gains (losses)	$ (55)	$ (342)	$ (309)	$ (324)

(1) Other gains (losses) for the three months and nine months ended September 30, 2011 includes a loss of $0 and $87 million, respectively, related to the sale of the Company s investment in MSI MetLife. See Note 2. Other gains (losses) for both the three months and nine months ended September 30, 2011 includes a loss of $65 million related to goodwill impairment. See Note 6.

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

Gains (losses) from foreign currency transactions included within net investment gains (losses) were $94 million and $80 million for the three months and nine months ended September 30, 2011, respectively, and ($37) million and $169 million for the three months and nine months ended September 30, 2010, respectively.

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

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

	Three Months Ended September 30,					
	2011	2010	2011	2010	2011	2010
	Fixed Maturity Securities		Equity Securities		Total	
	(In millions)					
Proceeds	$ 19,368	$ 10,747	$ 169	$ 96	$ 19,537	$ 10,843
Gross investment gains	$ 252	$ 190	$ 9	$ 7	$ 261	$ 197
Gross investment losses	(151)	(136)	(7)	(7)	(158)	(143)
Total OTTI losses recognized in earnings:						
Credit-related	(269)	(107)			(269)	(107)
Other (1)	(15)	(12)	(5)	(1)	(20)	(13)
Total OTTI losses recognized in earnings	(284)	(119)	(5)	(1)	(289)	(120)
Net investment gains (losses)	$ (183)	$ (65)	$ (3)	$ (1)	$ (186)	$ (66)

	Nine Months Ended September 30,					
	2011	2010	2011	2010	2011	2010
	Fixed Maturity Securities		Equity Securities		Total	
	(In millions)					
Proceeds	$ 55,216	$ 32,585	$ 974	$ 539	$ 56,190	$ 33,124
Gross investment gains	$ 680	$ 568	$ 83	$ 114	$ 763	$ 682
Gross investment losses	(601)	(469)	(62)	(11)	(663)	(480)
Total OTTI losses recognized in earnings:						
Credit-related	(382)	(339)			(382)	(339)
Other (1)	(148)	(18)	(58)	(3)	(206)	(21)

Total OTTI losses recognized in earnings	(530)	(357)	(58)	(3)	(588)	(360)
Net investment gains (losses)	$ (451)	$ (258)	$ (37)	$ 100	$ (488)	$ (158)

(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.

MetLife, Inc.

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

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

	Three Months Ended September 30, 2011	Three Months Ended September 30, 2010	Nine Months Ended September 30, 2011	Nine Months Ended September 30, 2010
	(In millions)			
Sector:				
U.S. and foreign corporate securities by industry:				
Finance	$ 7	$ 54	$ 48	$ 82
Consumer	6	8	35	31
Communications	12	9	26	12
Utility	6		7	3
Total U.S. and foreign corporate securities	31	71	116	128
Foreign government securities	206		295	
RMBS	34	19	88	76
ABS	8	26	23	89
CMBS	5	3	8	64
Total	$ 284	$ 119	$ 530	$ 357

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

	Three Months Ended September 30, 2011	Three Months Ended September 30, 2010	Nine Months Ended September 30, 2011	Nine Months Ended September 30, 2010
	(In millions)			
Sector:				
Non-redeemable preferred stock	$	$	$ 38	$
Common stock	5	1	20	3
Total	$ 5	$ 1	$ 58	$ 3
Industry:				
Financial services industry perpetual hybrid securities	$	$	$ 38	$
Other industries	5	1	20	3

Total	$ 5	$ 1	$ 58	$ 3

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

Credit Loss Rollforward Rollforward of the Cumulative Credit Loss Component of OTTI Loss Recognized in Earnings on Fixed Maturity Securities Still Held for Which a Portion of the OTTI Loss Was Recognized in Other Comprehensive Income (Loss)

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
	(In millions)			
Balance, beginning of period	$ 401	$ 491	$ 443	$ 581
Additions:				
Initial impairments credit loss OTTI recognized on securities not previously impaired	6	13	32	94
Additional impairments credit loss OTTI recognized on securities previously impaired	39	34	79	104
Reductions:				
Due to sales (maturities, pay downs or prepayments) during the period of securities previously impaired as credit loss OTTI	(8)	(97)	(63)	(231)
Due to securities de-recognized in connection with the adoption of new guidance related to the consolidation of VIEs				(100)
Due to securities impaired to net present value of expected future cash flows	(1)		(45)	
Due to increases in cash flows accretion of previous credit loss OTTI		(2)	(9)	(9)
Balance, end of period	$ 437	$ 439	$ 437	$ 439

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MetLife, Inc.

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

Net Investment Income

The components of net investment income were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	**2010**	**2011**	**2010**
	(In millions)			
Investment income:				
Fixed maturity securities	$ 3,770	$ 3,060	$ 11,244	$ 9,126
Equity securities	28	19	106	83
Trading and other securities Actively Traded Securities and FVO general account securities (1)	(38)	45	6	56
Mortgage loans	806	713	2,331	2,081
Policy loans	162	155	482	488
Real estate and real estate joint ventures	213	131	557	300
Other limited partnership interests	180	170	582	596
Cash, cash equivalents and short-term investments	41	26	131	64
International joint ventures (2)	7	19	(3)	(61)
Other	82	(7)	151	181
Subtotal	5,251	4,331	15,587	12,914
Less: Investment expenses	271	222	774	654
Subtotal, net	4,980	4,109	14,813	12,260
Trading and other securities FVO contractholder-directed unit-linked investments (1)	(824)	149	(437)	161
FVO CSEs:				
Commercial mortgage loans	95	102	286	312
Securities	6	4	7	12
Subtotal	(723)	255	(144)	485
Net investment income	$ 4,257	$ 4,364	$ 14,669	$ 12,745

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

Trading and other securities Actively Traded Securities and FVO general account securities	$ (46)	$ 29	$ (25)	$ 16
Trading and other securities FVO contractholder-directed unit-linked investments	$ (873)	$ 124	$ (641)	$ 111

(2) Amounts are presented net of changes in estimated fair value of derivatives related to economic hedges of the Company s investment in these equity method international joint venture investments that do not qualify for hedge accounting of $0 and ($23) million for the three months and nine months ended September 30, 2011, respectively, and ($12) million and $65 million for the three months and nine months ended September 30, 2010, respectively.

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

MetLife, Inc.

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

Securities Lending

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

Elements of the securities lending program are presented below at:

	September 30, 2011		December 31, 2010	
	(In millions)			
Securities on loan:				
Amortized cost	$	22,488	$	23,715
Estimated fair value	$	26,040	$	24,230
Aging of cash collateral liability:				
Open (1)	$	2,440	$	2,752
Less than thirty days		14,993		12,301
Thirty days or greater but less than sixty days		5,405		4,399
Sixty days or greater but less than ninety days		2,057		2,291
Ninety days or greater		908		2,904
Total cash collateral liability	$	25,803	$	24,647
Security collateral on deposit from counterparties	$	613	$	
Reinvestment portfolio estimated fair value	$	25,520	$	24,177

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

The estimated fair value of the securities on loan related to the cash collateral on open at September 30, 2011 was $2.4 billion, of which $2.2 billion were U.S. Treasury and agency securities which, if put to the Company, can be immediately sold to satisfy the cash requirements. The remainder of the securities on loan was primarily U.S. Treasury and agency securities, and very liquid RMBS. The U.S. Treasury securities on loan were primarily holdings of on-the-run U.S. Treasury securities, the most liquid U.S. Treasury securities available. If these high quality securities that are on loan are put back to the Company, the proceeds from immediately selling these securities can be used to satisfy the related cash requirements. The reinvestment portfolio acquired with the cash collateral consisted principally of fixed maturity securities (including RMBS, U.S. Treasury and agency securities, U.S. corporate securities, ABS, foreign corporate securities and CMBS). If the on loan securities or the reinvestment portfolio become less liquid, the Company has the liquidity resources of most of its general account available to meet any potential cash demands when securities are put back to the Company.

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

MetLife, Inc.

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

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

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

	September 30, 2011	December 31, 2010
	(In millions)	
Invested assets on deposit:		
Regulatory agencies	$ 2,050	$ 2,110
Invested assets held in trust:		
Collateral financing arrangements	5,342	5,340
Reinsurance arrangements	4,885	3,090
Invested assets pledged as collateral:		
Funding agreements and advances Federal Home Loan Bank (FHLB) of New York	21,385	21,975
Funding agreements Federal Agricultural Mortgage Corporation	3,160	3,159
Funding agreements FHLB of Des Moines	904	
Funding agreements FHLB of Boston	529	211
Federal Reserve Bank of New York	1,686	1,822
Collateral financing arrangements	273	112
Derivative transactions	1,029	1,726
Short sale agreements	467	465
Total invested assets on deposit, held in trust and pledged as collateral	$ 41,710	$ 40,010

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

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

MetLife, Inc.

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

Mortgage Loans

Mortgage loans are summarized as follows at:

	September 30, 2011		December 31, 2010	
	Carrying Value (In millions)	% of Total	Carrying Value (In millions)	% of Total
Mortgage loans held-for-investment:				
Commercial	$ 40,120	63.8%	$ 37,818	60.7%
Agricultural	12,967	20.6	12,751	20.4
Residential	3,424	5.4	2,231	3.7
Subtotal	56,511	89.8	52,800	84.8
Valuation allowances	(529)	(0.8)	(664)	(1.1)
Subtotal mortgage loans held-for-investment, net	55,982	89.0	52,136	83.7
Commercial mortgage loans held by CSEs FVO	3,227	5.1	6,840	11.0
Total mortgage loans held-for-investment, net	59,209	94.1	58,976	94.7
Mortgage loans held-for-sale:				
Residential FVO	2,590	4.1	2,510	4.0
Mortgage loans lower of amortized cost or estimated fair value	1,150	1.8	811	1.3
Total mortgage loans held-for-sale	3,740	5.9	3,321	5.3
Total mortgage loans, net	$ 62,949	100.0%	$ 62,297	100.0%

See Variable Interest Entities for discussion of CSEs included in the table above and the decrease in commercial mortgage loans held by CSEs FVO.

Concentration of Credit Risk. The Company diversifies its mortgage loan portfolio by both geographic region and property type to reduce the risk of concentration. Of the Company s commercial and agricultural mortgage loans, 91% are collateralized by properties located in the U.S., with the remaining 9% collateralized by properties located outside the U.S., calculated as a percent of total mortgage loans held-for-investment (excluding commercial mortgage loans held by CSEs) at September 30, 2011. The carrying value of the Company s commercial and agricultural mortgage loans located in California, New York and Texas were 19%, 10% and 7%, respectively, of total mortgage loans held-for-investment (excluding commercial mortgage loans held by CSEs) at September 30, 2011. Additionally, the

Company manages risk when originating commercial and agricultural mortgage loans by generally lending only up to 75% of the estimated fair value of the underlying real estate collateral.

Certain of the Company s real estate joint ventures have mortgage loans with the Company. The carrying values of such mortgage loans were $285 million and $283 million at September 30, 2011 and December 31, 2010, respectively.

MetLife, Inc.

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

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

	Commercial	Agricultural	Residential	Total
		(In millions)		
September 30, 2011:				
Mortgage loans:				
Evaluated individually for credit losses	$ 211	$ 150	$ 7	$ 368
Evaluated collectively for credit losses	39,909	12,817	3,417	56,143
Total mortgage loans	40,120	12,967	3,424	56,511
Valuation allowances:				
Specific credit losses	70	46	1	117
Non-specifically identified credit losses	358	36	18	412
Total valuation allowances	428	82	19	529
Mortgage loans, net of valuation allowance	$ 39,692	$ 12,885	$ 3,405	$ 55,982
December 31, 2010:				
Mortgage loans:				
Evaluated individually for credit losses	$ 120	$ 146	$ 13	$ 279
Evaluated collectively for credit losses	37,698	12,605	2,218	52,521
Total mortgage loans	37,818	12,751	2,231	52,800
Valuation allowances:				
Specific credit losses	36	52		88
Non-specifically identified credit losses	526	36	14	576
Total valuation allowances	562	88	14	664
Mortgage loans, net of valuation allowance	$ 37,256	$ 12,663	$ 2,217	$ 52,136

MetLife, Inc.

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

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

	Mortgage Loan Valuation Allowances			
	Commercial	Agricultural	Residential	Total
	(In millions)			
For the Three Months Ended September 30, 2011:				
Balance, beginning of period	$ 469	$ 79	$ 18	$ 566
Provision (release)	(41)	3	2	(36)
Charge-offs, net of recoveries			(1)	(1)
Balance, end of period	$ 428	$ 82	$ 19	$ 529
For the Three Months Ended September 30, 2010:				
Balance, beginning of period	$ 621	$ 96	$ 17	$ 734
Provision (release)	(27)	1	3	(23)
Charge-offs, net of recoveries	(21)	(21)	(3)	(45)
Balance, end of period	$ 573	$ 76	$ 17	$ 666
For the Nine Months Ended September 30, 2011:				
Balance, beginning of period	$ 562	$ 88	$ 14	$ 664
Provision (release)	(134)	(3)	7	(130)
Charge-offs, net of recoveries		(3)	(2)	(5)
Balance, end of period	$ 428	$ 82	$ 19	$ 529
For the Nine Months Ended September 30, 2010:				
Balance, beginning of period	$ 589	$ 115	$ 17	$ 721
Provision (release)	6		5	11
Charge-offs, net of recoveries	(22)	(39)	(5)	(66)
Balance, end of period	$ 573	$ 76	$ 17	$ 666

MetLife, Inc.

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

Commercial Mortgage Loans by Credit Quality Indicators with Estimated Fair Value. Presented below for the commercial mortgage loans held-for-investment is the recorded investment, prior to valuation allowances, by the indicated loan-to-value ratio categories and debt service coverage ratio categories and estimated fair value of such mortgage loans by the indicated loan-to-value ratio categories at:

	Commercial						
	Recorded Investment						
	Debt Service Coverage Ratios					Estimated Fair Value	
	> 1.20x	1.00x - 1.20x	< 1.00x	Total	% of Total		% of Total
	(In millions)					(In millions)	
September 30, 2011:							
Loan-to-value ratios:							
Less than 65%	$ 22,293	$ 438	$ 565	$ 23,296	58.1%	$ 24,587	59.2%
65% to 75%	9,243	426	383	10,052	25.0	10,404	25.1
76% to 80%	1,848	251	156	2,255	5.6	2,301	5.6
Greater than 80%	3,070	922	525	4,517	11.3	4,183	10.1
Total	$ 36,454	$ 2,037	$ 1,629	$ 40,120	100.0%	$ 41,475	100.0%
December 31, 2010:							
Loan-to-value ratios:							
Less than 65%	$ 16,663	$ 125	$ 483	$ 17,271	45.7%	$ 18,183	46.9%
65% to 75%	9,022	765	513	10,300	27.2	10,685	27.6
76% to 80%	3,033	304	135	3,472	9.2	3,535	9.1
Greater than 80%	4,155	1,813	807	6,775	17.9	6,374	16.4
Total	$ 32,873	$ 3,007	$ 1,938	$ 37,818	100.0%	$ 38,777	100.0%

Agricultural Mortgage Loans by Credit Quality Indicator. The recorded investment in agricultural mortgage loans held-for-investment, prior to valuation allowances, by credit quality indicator, is as shown below. The estimated fair value of agricultural mortgage loans held-for-investment was $13.4 billion and $12.9 billion at September 30, 2011 and December 31, 2010, respectively.

	Agricultural			
	September 30, 2011		December 31, 2010	
	Recorded Investment	% of Total	Recorded Investment	% of Total

		(In millions)			**(In millions)**	
Loan-to-value ratios:						
Less than 65%	$	11,818	91.1%	$	11,483	90.1%
65% to 75%		740	5.7		885	6.9
76% to 80%		19	0.2		48	0.4
Greater than 80%		390	3.0		335	2.6
Total	$	12,967	100.0%	$	12,751	100.0%

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

Residential Mortgage Loans by Credit Quality Indicator. The recorded investment in residential mortgage loans held-for-investment, prior to valuation allowances, by credit quality indicator, is as shown below. The estimated fair value of residential mortgage loans held-for-investment was $3.5 billion and $2.3 billion at September 30, 2011 and December 31, 2010, respectively.

	Residential			
	September 30, 2011		December 31, 2010	
	Recorded Investment (In millions)	% of Total	Recorded Investment (In millions)	% of Total
Performance indicators:				
Performing	$ 3,399	99.3%	$ 2,149	96.3%
Nonperforming	25	0.7	82	3.7
Total	$ 3,424	100.0%	$ 2,231	100.0%

Past Due and Interest Accrual Status of Mortgage Loans. The Company has a high quality, well performing, mortgage loan portfolio, with approximately 99% of all mortgage loans classified as performing at both September 30, 2011 and December 31, 2010. The Company defines delinquent mortgage loans consistent with industry practice, when interest and principal payments are past due as follows: commercial mortgage loans 60 days or more; agricultural mortgage loans 90 days or more; and residential mortgage loans 60 days or more. The recorded investment in mortgage loans held-for-investment, prior to valuation allowances, past due according to these aging categories, greater than 90 days past due and still accruing interest and in nonaccrual status, by portfolio segment, were as follows at:

	Past Due		Greater than 90 Days Past Due Still Accruing Interest		Nonaccrual Status	
	September 30, 2011	December 31, 2010	September 30, 2011	December 31, 2010	September 30, 2011	December 31, 2010
	(In millions)					
Commercial	$ 155	$ 58	$ 115	$ 1	$ 60	$ 7
Agricultural	141	159	7	13	165	177
Residential	33	79	8	11	23	25
Total	$ 329	$ 296	$ 130	$ 25	$ 248	$ 209

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

Impaired Mortgage Loans. The unpaid principal balance, recorded investment, valuation allowances and carrying value, net of valuation allowances, for impaired mortgage loans held-for-investment, including those modified in a troubled debt restructuring, by portfolio segment, were as follows at:

	Impaired Mortgage Loans							
	Loans with a Valuation Allowance				Loans without a Valuation Allowance		All Impaired Loans	
	Unpaid Principal Balance (1)	Recorded Investment	Valuation Allowances	Carrying Value	Unpaid Principal Balance (1)	Recorded Investment	Unpaid Principal Balance (1)	Carrying Value
	(In millions)							
September 30, 2011:								
Commercial	$ 211	$ 211	$ 70	$ 141	$ 240	$ 228	$ 451	$ 369
Agricultural	150	150	46	104	84	81	234	185
Residential	7	7	1	6	14	14	21	20
Total	$ 368	$ 368	$ 117	$ 251	$ 338	$ 323	$ 706	$ 574
December 31, 2010:								
Commercial	$ 120	$ 120	$ 36	$ 84	$ 99	$ 87	$ 219	$ 171
Agricultural	146	146	52	94	123	119	269	213
Residential	3	3		3	16	16	19	19
Total	$ 269	$ 269	$ 88	$ 181	$ 238	$ 222	$ 507	$ 403

(1) Unpaid principal balance is generally prior to any charge-offs.

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

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

	Impaired Mortgage Loans		
	Average Investment	Interest Income Recognized	
		Cash Basis	Accrual Basis
	(In millions)		
For the Three Months Ended September 30, 2011:			
Commercial	$ 330	$	$
Agricultural	229	1	
Residential	17		
Total	$ 576	$ 1	$
For the Three Months Ended September 30, 2010:			
Commercial	$ 148	$	$
Agricultural	286		1
Residential	18		
Total	$ 452	$	$ 1
For the Nine Months Ended September 30, 2011:			
Commercial	$ 308	$ 1	$
Agricultural	258	3	1
Residential	26		
Total	$ 592	$ 4	$ 1
For the Nine Months Ended September 30, 2010:			
Commercial	$ 147	$ 4	$ 1
Agricultural	288	3	1
Residential	15		
Total	$ 450	$ 7	$ 2

Mortgage Loans Modified in a Troubled Debt Restructuring. The Company has a high quality, well performing, mortgage loan portfolio. For a small portion of the portfolio, classified as troubled debt restructurings, the Company grants concessions related to the borrowers financial difficulties. Generally, the types of concessions include: reduction of the contractual interest rate, extension of the maturity date at an interest rate lower than current market interest rates and/or a reduction of accrued interest. The Company considers the amount, timing and extent of the concession granted in determining any impairment or changes in the specific valuation allowance recorded in connection with the troubled debt restructuring. Through the continuous portfolio monitoring process, the Company may have recorded a specific valuation allowance prior to the quarter when the mortgage loan is modified in a troubled debt restructuring. Accordingly, the carrying value (after specific valuation allowance) before and after modification through a troubled debt restructuring may not change significantly, or may increase if the expected recovery is higher than the pre-modification recovery assessment. At September 30, 2011,

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

the number of mortgage loans and carrying value after specific valuation allowance of mortgage loans modified during the period in a troubled debt restructuring were as follows:

	Mortgage Loans Modified in a Troubled Debt Restructuring September 30,2011		
	Number of Mortgage Loans	Carrying Value after Specific Valuation Allowance	
		Pre-Modification	Post-Modification
		(In millions)	
Commercial	5	$ 147	$ 109
Agricultural	9	36	37
Residential	3	1	1
Total	17	$ 184	$ 147

During the previous twelve months, the Company had no mortgage loans modified in a troubled debt restructuring with a subsequent payment default at September 30, 2011. Payment default is determined in the same manner as delinquency status when interest and principal payments are past due as follows: commercial mortgage loans 60 days or more; agricultural mortgage loans 90 days or more; and residential mortgage loans 60 days or more.

Cash Equivalents

Cash equivalents, which include investments with an original or remaining maturity of three months or less at the time of purchase, were $5.4 billion and $9.6 billion at September 30, 2011 and December 31, 2010, respectively.

Purchased Credit Impaired Investments

Investments acquired with evidence of credit quality deterioration since origination and for which it is probable at the acquisition date that the Company will be unable to collect all contractually required payments are classified as purchased credit impaired investments. For each investment, the excess of the cash flows expected to be collected as of the acquisition date over its acquisition date fair value is referred to as the accretable yield and is recognized as net investment income on an effective yield basis. If, subsequently, based on current information and events, it is probable that there is a significant increase in cash flows previously expected to be collected or if actual cash flows are significantly greater than cash flows previously expected to be collected, the accretable yield is adjusted prospectively. The excess of the contractually required payments (including interest) as of the acquisition date over the cash flows expected to be collected as of the acquisition date is referred to as the nonaccretable difference, and this amount is not expected to be realized as net investment income. Decreases in cash flows expected to be collected can result in OTTI or the recognition of mortgage loan valuation allowances.

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

	Fixed Maturity Securities		Mortgage Loans	
	September 30, 2011	December 31, 2010	September 30, 2011	December 31, 2010
	(In millions)			
Outstanding principal and interest balance (1)	$ 3,685	$ 1,548	$ 542	$ 504
Carrying value (2)	$ 2,536	$ 1,050	$ 225	$ 195

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

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

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

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

	Fixed Maturity Securities Nine Months Ended September 30,		Mortgage Loans Nine Months Ended September 30,	
	2011	2010	2011	2010
	(In millions)			
Contractually required payments (including interest)	$ 3,528	$ 1,544	$	$
Cash flows expected to be collected (1)	$ 3,275	$ 1,479	$	$
Fair value of investments acquired	$ 1,816	$ 889	$	$

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

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

	Fixed Maturity Securities				Mortgage Loans			
	Three Months Ended September 30,		Nine Months Ended September 30,		Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010	2011	2010	2011	2010
	(In millions)							
Accretable yield, beginning of period	$ 1,891	$ 369	$ 541	$	$ 258	$	$ 170	$
Investments purchased	238	202	1,459	590				
Accretion recognized in net investment income	(23)	(27)	(72)	(34)	(6)		(38)	
Disposals			(69)					
Reclassification (to) from nonaccretable difference	68	(41)	315	(53)	17		137	
Accretable yield, end of period	$ 2,174	$ 503	$ 2,174	$ 503	$ 269	$	$ 269	$

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Variable Interest Entities

The Company holds investments in certain entities that are VIEs. In certain instances, the Company holds both the power to direct the most significant activities of the entity, as well as an economic interest in the entity and, as such, is deemed to be the primary beneficiary or consolidator of the entity. The following table presents the total assets and total liabilities relating to VIEs for which the Company has concluded that it is the primary beneficiary and which are consolidated at September 30, 2011 and December 31, 2010. Creditors or beneficial interest holders of VIEs where the Company is the primary beneficiary have no recourse to the general credit of the Company, as the Company s obligation to the VIEs is limited to the amount of its committed investment.

	September 30, 2011		December 31, 2010	
	Total Assets	Total Liabilities	Total Assets	Total Liabilities
	(In millions)			
Consolidated securitization entities (1)	$ 3,397	$ 3,204	$ 7,114	$ 6,892
MRSC collateral financing arrangement (2)	3,317		3,333	
Other limited partnership interests	343	7	319	85
Trading and other securities	181		186	
Other invested assets	102	1	108	1
Real estate joint ventures	13	19	20	17
Total	$ 7,353	$ 3,231	$ 11,080	$ 6,995

(1) The Company consolidates former qualified special purpose entities (QSPEs) that are structured as CMBS and former QSPEs that are structured as collateralized debt obligations. The assets of these entities can only be used to settle their respective liabilities, and under no circumstances is the Company or any of its subsidiaries or affiliates liable for any principal or interest shortfalls should any arise. The Company s exposure was limited to that of its remaining investment in the former QSPEs of $170 million and $201 million at estimated fair value at September 30, 2011 and December 31, 2010, respectively. The long-term debt referred to below bears interest at primarily fixed rates ranging from 2.25% to 5.57%, payable primarily on a monthly basis and is expected to be repaid over the next six years. Interest expense related to these obligations, included in other expenses, was $97 million and $281 million for the three months and nine months ended September 30, 2011, respectively, and $103 million and $312 million for the three months and nine months ended September 30, 2010, respectively. The Company sold certain of these CMBS investments in the third quarter of 2011, resulting in the

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deconsolidation of such entities and their related mortgage loans held-for-investment and long-term debt. The assets and liabilities of these CSEs, at estimated fair value, were as follows at:

	September 30, 2011	December 31, 2010
	(In millions)	
Assets:		
Mortgage loans held-for-investment (commercial mortgage loans)	$ 3,227	$ 6,840
Trading and other securities	140	201
Accrued investment income	17	34
Cash and cash equivalents	13	39
Total assets	$ 3,397	$ 7,114
Liabilities:		
Long-term debt	$ 3,157	$ 6,820
Other liabilities	47	72
Total liabilities	$ 3,204	$ 6,892

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

	September 30, 2011	December 31, 2010
	(In millions)	
Fixed maturity securities available-for-sale:		
ABS	$ 1,391	$ 1,333
U.S. corporate securities	787	893
RMBS	522	547
CMBS	399	383
Foreign corporate securities	126	139
State and political subdivision securities	40	30
Foreign government securities		5
Mortgage loans	50	
Cash and cash equivalents	2	3
Total	$ 3,317	$ 3,333

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

	September 30, 2011		December 31, 2010	
	Carrying Amount	Maximum Exposure to Loss (1)	Carrying Amount	Maximum Exposure to Loss (1)
	(In millions)			
Fixed maturity securities available-for-sale:				
RMBS (2)	$ 41,893	$ 41,893	$ 44,733	$ 44,733
CMBS (2)	19,585	19,585	20,675	20,675
ABS (2)	14,418	14,418	14,287	14,287
U.S. corporate securities	2,978	2,978	2,435	2,435
Foreign corporate securities	2,252	2,252	2,950	2,950
Other limited partnership interests	4,419	6,166	4,383	6,479
Trading and other securities	737	737	789	789
Other invested assets	624	1,206	576	773
Mortgage loans	513	513	350	350
Real estate joint ventures	65	83	40	108
Total	$ 87,484	$ 89,831	$ 91,218	$ 93,579

(1) The maximum exposure to loss relating to the fixed maturity and trading and other securities is equal to the carrying amounts or carrying amounts of retained interests. The maximum exposure to loss relating to the other limited partnership interests and real estate joint ventures is equal to the carrying amounts plus any unfunded commitments of the Company. Such a maximum loss would be expected to occur only upon bankruptcy of the issuer or investee. The maximum exposure to loss relating to mortgage loans is equal to the carrying amounts plus any unfunded commitments of the Company. For certain of its investments in other invested assets, the Company s return is in the form of income tax credits which are guaranteed by a creditworthy third party. For such investments, the maximum exposure to loss is equal to the carrying amounts plus any unfunded commitments, reduced by income tax credits guaranteed by third parties of $281 million and $231 million at September 30, 2011 and December 31, 2010, respectively.

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

As described in Note 9, 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 nine months ended September 30, 2011.

4. Derivative Financial Instruments

Accounting for Derivative Financial Instruments

Derivatives are financial instruments whose values are derived from interest rates, foreign currency exchange rates, credit spreads and/or other financial indices. Derivatives may be exchange-traded or contracted in the over-the-counter (OTC) market. The Company uses a variety of derivatives, including swaps, forwards, futures and option contracts, to manage various risks relating to its ongoing business. To a lesser extent, the Company uses credit derivatives, such as credit default swaps, to synthetically replicate investment risks and returns which are not readily available in the cash market. The Company also purchases certain securities, issues certain insurance policies and investment contracts and engages in certain reinsurance contracts that have embedded derivatives.

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

The Company does not offset the fair value amounts recognized for derivatives executed with the same counterparty under the same master netting agreement.

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

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

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

Under a fair value hedge, changes in the estimated fair value of the hedging derivative, including amounts measured as ineffectiveness, and changes in the estimated fair value of the hedged item related to the designated risk being hedged, are reported within net derivative gains (losses). The estimated fair values of the hedging derivatives are exclusive of any accruals that are separately reported in the consolidated statement of operations within interest income or interest expense to match the location of the hedged item. However, accruals that are not scheduled to settle until maturity are included in the estimated fair value of derivatives in the consolidated balance sheets.

Under a cash flow hedge, changes in the estimated fair value of the hedging derivative measured as effective are reported within other comprehensive income (loss), a separate component of stockholders equity, and the

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deferred gains or losses on the derivative are reclassified into the consolidated statement of operations when the Company s earnings are affected by the variability in cash flows of the hedged item. Changes in the estimated fair value of the hedging instrument measured as ineffectiveness are reported within net derivative gains (losses). The estimated fair values of the hedging derivatives are exclusive of any accruals that are separately reported in the consolidated statement of operations within interest income or interest expense to match the location of the hedged item. However, accruals that are not scheduled to settle until maturity are included in the estimated fair value of derivatives in the consolidated balance sheets.

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

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

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

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

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

The Company is also a party to financial instruments that contain terms which are deemed to be embedded derivatives. The Company assesses each identified embedded derivative to determine whether it is required to be bifurcated. If the instrument would not be accounted for in its entirety at estimated fair value and it is determined that the terms of the embedded derivative are not clearly and closely related to the economic characteristics of the host contract, and that a separate instrument with the same terms would qualify as a derivative instrument, the embedded derivative is bifurcated from the host contract and accounted for as a freestanding derivative. Such embedded derivatives are carried in the consolidated balance sheets at estimated fair value with the host contract and changes in their estimated fair value are generally reported in net derivative gains (losses) except for those in policyholder benefits and claims related to ceded reinsurance of guaranteed minimum income benefits (GMIBs). If the Company is unable to properly identify and measure an embedded derivative for separation from its host contract, the entire contract is carried on the balance sheet at estimated fair value, with changes in estimated fair value recognized in the current period in net investment gains (losses) or net investment income. Additionally, the

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Company may elect to carry an entire contract on the balance sheet at estimated fair value, with changes in estimated fair value recognized in the current period in net investment gains (losses) or net investment income if that contract contains an embedded derivative that requires bifurcation.

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

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

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

		September 30, 2011			December 31, 2010		
			Estimated Fair Value (1)			Estimated Fair Value (1)	
Primary Underlying Risk Exposure	**Instrument Type**	**Notional Amount**	**Assets**	**Liabilities**	**Notional Amount**	**Assets**	**Liabilities**
				(In millions)			
Interest rate	Interest rate swaps	$ 72,828	$ 7,717	$ 2,092	$ 54,803	$ 2,654	$ 1,516
	Interest rate floors	23,866	1,231	165	23,866	630	66
	Interest rate caps	38,727	70		35,412	176	1
	Interest rate futures	15,429	16	28	9,385	43	17
	Interest rate options	18,088	1,100	20	8,761	144	23
	Interest rate forwards	16,812	300	94	10,374	106	135
	Synthetic GICs	4,420			4,397		
Foreign currency	Foreign currency swaps	16,823	1,311	1,042	17,626	1,616	1,282
	Foreign currency forwards	10,029	361	54	10,443	119	91
	Currency futures	633	1	1	493	2	
	Currency options	2,502	13		5,426	50	
	Non-derivative hedging instruments (2)				169		185
Credit	Credit default swaps	13,450	383	173	10,957	173	104
	Credit forwards	20	3		90	2	3
Equity market	Equity futures	6,845	163	19	8,794	21	9
	Equity options	17,413	3,207	204	33,688	1,843	1,197

Variance swaps	19,394	377	67	18,022	198	118
Total rate of return swaps	1,612	31		1,547		
Total	$ 278,891	$ 16,284	$ 3,959	$ 254,253	$ 7,777	$ 4,747

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

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

Interest rate swaps are used by the Company primarily to reduce market risks from changes in interest rates and to alter interest rate exposure arising from mismatches between assets and liabilities (duration mismatches). In an interest rate swap, the Company agrees with another party to exchange, at specified intervals, the difference between fixed rate and floating rate interest amounts as calculated by reference to an agreed notional principal amount. These transactions are entered into pursuant to master agreements that provide for a single net payment to

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be made by the counterparty at each due date. The Company utilizes interest rate swaps in fair value, cash flow and non-qualifying hedging relationships.

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

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

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

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

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

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

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

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giving the derivative counterparty the right to purchase the referenced security from the Company at a predetermined price. The call option is covered because the Company owns the referenced security over the term of the option. Covered call options are included in interest rate options in the preceding table. The Company utilizes covered call options in non-qualifying hedging relationships.

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

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

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

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

In a foreign currency swap transaction, the Company agrees with another party to exchange, at specified intervals, the difference between one currency and another at a fixed exchange rate, generally set at inception, calculated by reference to an agreed upon principal amount. The principal amount of each currency is exchanged at the inception and termination of the currency swap by each party. The Company utilizes foreign currency swaps in fair value, cash flow, net investment in foreign operations and non-qualifying hedging relationships.

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

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

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

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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 predetermined reference swap spread in exchange for receiving a coupon based on a floating rate. The Company has the option to cash settle with the counterparty in lieu of maintaining the swap after the effective date. The Company utilizes swap spreadlocks in non-qualifying hedging relationships.

Certain credit default swaps are used by the Company to hedge against credit-related changes in the value of its investments and to diversify its credit risk exposure in certain portfolios. In a credit default swap transaction, the Company agrees with another party, at specified intervals, to pay a premium to hedge credit risk. If a credit event, as defined by the contract, occurs, generally the contract will require the swap to be settled gross by the delivery of par quantities of the referenced investment equal to the specified swap notional in exchange for the payment of cash amounts by the counterparty equal to the par value of the investment surrendered. The Company utilizes credit default swaps in non-qualifying hedging relationships.

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

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

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

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

Equity variance swaps are used by the Company primarily to hedge minimum guarantees embedded in certain variable annuity products offered by the Company. In an equity variance swap, the Company agrees with another

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party to exchange amounts in the future, based on changes in equity volatility over a defined period. Equity variance swaps are included in variance swaps in the preceding table. The Company utilizes equity variance swaps in non-qualifying hedging relationships.

Total rate of return swaps (TRRs) are swaps whereby the Company agrees with another party to exchange, at specified intervals, the difference between the economic risk and reward of an asset or a market index and the London Inter-Bank Offer Rate (LIBOR), calculated by reference to an agreed notional principal amount. No cash is exchanged at the outset of the contract. Cash is paid and received over the life of the contract based on the terms of the swap. These transactions are entered into pursuant to master agreements that provide for a single net payment to be made by the counterparty at each due date. The Company uses TRRs to hedge its equity market guarantees in certain of its insurance products. TRRs can be used as hedges or to synthetically create investments. The Company utilizes TRRs in non-qualifying hedging relationships.

Hedging

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

	September 30, 2011			December 31, 2010		
		Estimated Fair Value			Estimated Fair Value	
Derivatives Designated as Hedging Instruments	**Notional Amount**	**Assets**	**Liabilities**	**Notional Amount**	**Assets**	**Liabilities**
			(In millions)			
Fair value hedges:						
Foreign currency swaps	$ 3,241	$ 535	$ 97	$ 4,524	$ 907	$ 145
Interest rate swaps	5,155	1,830	104	5,108	823	169
Subtotal	8,396	2,365	201	9,632	1,730	314
Cash flow hedges:						
Foreign currency swaps	6,428	420	282	5,556	213	347
Interest rate swaps	3,380	918		3,562	102	116
Interest rate forwards	1,010	204		1,140		107
Credit forwards	20	3		90	2	3
Subtotal	10,838	1,545	282	10,348	317	573
Foreign operations hedges:						
Foreign currency forwards	1,915	147	1	1,935	9	26
Non-derivative hedging instruments				169		185
Subtotal	1,915	147	1	2,104	9	211

Total qualifying hedges	$ 21,149	$ 4,057	$ 484	$ 22,084	$ 2,056	$ 1,098

MetLife, Inc.

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

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

Derivatives Not Designated or Not Qualifying as Hedging Instruments	September 30, 2011 Notional Amount	September 30, 2011 Estimated Fair Value Assets	September 30, 2011 Estimated Fair Value Liabilities	December 31, 2010 Notional Amount	December 31, 2010 Estimated Fair Value Assets	December 31, 2010 Estimated Fair Value Liabilities
	(In millions)					
Interest rate swaps	$ 64,293	$ 4,969	$ 1,988	$ 46,133	$ 1,729	$ 1,231
Interest rate floors	23,866	1,231	165	23,866	630	66
Interest rate caps	38,727	70		35,412	176	1
Interest rate futures	15,429	16	28	9,385	43	17
Interest rate options	18,088	1,100	20	8,761	144	23
Interest rate forwards	15,802	96	94	9,234	106	28
Synthetic GICs	4,420			4,397		
Foreign currency swaps	7,154	356	663	7,546	496	790
Foreign currency forwards	8,114	214	53	8,508	110	65
Currency futures	633	1	1	493	2	
Currency options	2,502	13		5,426	50	
Credit default swaps	13,450	383	173	10,957	173	104
Equity futures	6,845	163	19	8,794	21	9
Equity options	17,413	3,207	204	33,688	1,843	1,197
Variance swaps	19,394	377	67	18,022	198	118
Total rate of return swaps	1,612	31		1,547		
Total non-designated or non-qualifying derivatives	$ 257,742	$ 12,227	$ 3,475	$ 232,169	$ 5,721	$ 3,649

Net Derivative Gains (Losses)

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

	Three Months Ended September 30, 2011	Three Months Ended September 30, 2010	Nine Months Ended September 30, 2011	Nine Months Ended September 30, 2010
	(In millions)			
Derivatives and hedging gains (losses) (1)	$ 6,504	$ (327)	$ 5,992	$ 2,872
Embedded derivatives	(2,308)	83	(1,759)	(1,594)

Total net derivative gains (losses)	$ 4,196	$ (244)	$ 4,233	$ 1,278

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

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
	(In millions)			
Qualifying hedges:				
Net investment income	$ 28	$ 17	$ 70	$ 58
Interest credited to policyholder account balances	51	64	169	177
Other expenses	(1)	(1)	(2)	(5)
Non-qualifying hedges:				
Net investment income	(2)	(1)	(6)	(3)
Other revenues	22	25	55	81
Net derivative gains (losses)	352	(30)	357	143
Policyholder benefits and claims	19		19	
Total	$ 469	$ 74	$ 662	$ 451

Fair Value Hedges

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

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

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

Derivatives in Fair Value Hedging Relationships	Hedged Items in Fair Value Hedging Relationships	Net Derivative Gains (Losses) Recognized for Derivatives	Net Derivative Gains (Losses) Recognized for Hedged Items	Ineffectiveness Recognized in Net Derivative Gains (Losses)
			(In millions)	
For the Three Months Ended September 30, 2011:				
Interest rate swaps:	Fixed maturity securities	$ (26)	$ 22	$ (4)
	Policyholder account balances (1)	957	(944)	13
Foreign currency swaps:	Foreign-denominated fixed maturity securities	1	(1)	
	Foreign-denominated policyholder account balances (2)	(221)	189	(32)
Total		$ 711	$ (734)	$ (23)
For the Three Months Ended September 30, 2010:				
Interest rate swaps:	Fixed maturity securities	$ (13)	$ 13	$
	Policyholder account balances (1)	212	(221)	(9)
Foreign currency swaps:	Foreign-denominated fixed maturity securities	(5)	5	
	Foreign-denominated policyholder account balances (2)	415	(395)	20
Total		$ 609	$ (598)	$ 11
For the Nine Months Ended September 30, 2011:				
Interest rate swaps:	Fixed maturity securities	$ (31)	$ 27	$ (4)
	Policyholder account balances (1)	1,000	(978)	22
Foreign currency swaps:	Foreign-denominated fixed maturity securities			
	Foreign-denominated policyholder account balances (2)	14	(53)	(39)
Total		$ 983	$ (1,004)	$ (21)
For the Nine Months Ended September 30, 2010:				

Interest rate swaps:	Fixed maturity securities	$	(38)	$	38	$	
	Policyholder account balances (1)		678		(675)		3
Foreign currency swaps:	Foreign-denominated fixed maturity securities		11		(12)		(1)
	Foreign-denominated policyholder account balances (2)		47		(51)		(4)
Total		$	698	$	(700)	$	(2)

(1) Fixed rate liabilities.

(2) Fixed rate or floating rate liabilities.

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

Cash Flow Hedges

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

In certain instances, the Company discontinued cash flow hedge accounting because the forecasted transactions did not occur on the anticipated date or within two months of that date. The net amounts reclassified into net derivative gains (losses) for the three months and nine months ended September 30, 2011 related to such discontinued cash flow hedges were ($1) million and ($15) million, respectively. The net amounts reclassified into net derivative gains (losses) for the three months and nine months ended September 30, 2010 related to such discontinued cash flow hedges were insignificant. At September 30, 2011 and December 31, 2010,

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

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 ten years and seven years, respectively.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
	(In millions)			
Accumulated other comprehensive income (loss), balance at beginning of period	$ (165)	$ 593	$ (59)	$ (76)
Gains (losses) deferred in other comprehensive income (loss) on the effective portion of cash flow hedges	1,630	(40)	1,527	577
Amounts reclassified to net derivative gains (losses)	17	(1)	9	50
Amounts reclassified to net investment income	1	1	2	3
Amounts reclassified to other expenses	3		7	(1)
Accumulated other comprehensive income (loss), balance at end of period	$ 1,486	$ 553	$ 1,486	$ 553

At September 30, 2011, $8 million of deferred net gains (losses) on derivatives in accumulated other comprehensive income (loss) was expected to be reclassified to earnings within the next 12 months.

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

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

Derivatives in Cash Flow Hedging Relationships	Amount of Gains (Losses) Deferred in Accumulated Other Comprehensive Income (Loss) on Derivatives (Effective Portion)	Amount and Location of Gains (Losses) Reclassified from Accumulated Other Comprehensive Income (Loss) into Income (Loss) (Effective Portion)			Amount and Location of Gains (Losses) Recognized in Income (Loss) on Derivatives (Ineffective Portion and Amount Excluded from Effectiveness Testing)	
		Net Derivative Gains (Losses)	Net Investment Income	Other Expenses	Net Derivative Gains (Losses)	Net Investment Income
	(In millions)					
For the Three Months Ended September 30, 2011:						
Interest rate swaps	$ 927	$ (42)	$	$ (3)	$ (1)	$
Foreign currency swaps	399	25	(2)		5	
Interest rate forwards	289	(1)			27	
Credit forwards	15	1	1			
Total	$ 1,630	$ (17)	$ (1)	$ (3)	$ 31	$
For the Three Months Ended September 30, 2010:						
Interest rate swaps	$ 181	$	$	$	$ 1	$
Foreign currency swaps	(247)	1	(2)		(3)	
Interest rate forwards	15		1			
Credit forwards	11					
Total	$ (40)	$ 1	$ (1)	$	$ (2)	$

For the Nine Months Ended September 30, 2011:											
Interest rate swaps	$	944	$	(41)	$	1	$	(7)	$	1	$
Foreign currency swaps		259		10		(5)		1		3	
Interest rate forwards		307		21		1		(1)		16	
Credit forwards		17		1		1					
Total	$	1,527	$	(9)	$	(2)	$	(7)	$	20	$
For the Nine Months Ended September 30, 2010:											
Interest rate swaps	$	457	$		$		$		$	3	$
Foreign currency swaps		92		(61)		(5)		1			
Interest rate forwards				11		2					
Credit forwards		28									
Total	$	577	$	(50)	$	(3)	$	1	$	3	$

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

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

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 operations against adverse movements in exchange rates. The Company measures ineffectiveness on non-derivative financial instruments based upon the change in spot rates.

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

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

Derivatives and Non-Derivative Hedging Instruments in Net Investment Hedging Relationships (1), (2)	Amount of Gains (Losses) Deferred in Accumulated Other Comprehensive Income (Loss) (Effective Portion)	Amount and Location of Gains (Losses) Reclassified From Accumulated Other Comprehensive Income (Loss) into Income (Loss) (Effective Portion) Net Investment Gains (Losses)
	(In millions)	
For the Three Months Ended September 30, 2011:		
Foreign currency forwards	$ 185	$
Non-derivative hedging instruments		
Total	$ 185	$
For the Three Months Ended September 30, 2010:		
Foreign currency forwards	$ (162)	$
Non-derivative hedging instruments	(10)	
Total	$ (172)	$

For the Nine Months Ended September 30, 2011:			
Foreign currency forwards	$	72	$
Non-derivative hedging instruments		6	
Total	$	78	$
For the Nine Months Ended September 30, 2010:			
Foreign currency forwards	$	(135)	$
Non-derivative hedging instruments		(10)	
Total	$	(145)	$

(1) During the nine months ended September 30, 2011, the Company sold its interest in its Japanese joint venture, which was a hedged item in a net investment hedging relationship. See Note 2. As a result, the Company released losses of $71 million from accumulated other comprehensive income (loss) upon the sale. This release did not impact net income for the nine months ended September 30, 2011 as such losses were considered in the overall impairment evaluation of the investment prior to sale. During the three months and nine months ended September 30, 2010, there were no sales or substantial liquidations of net investments in foreign operations that

MetLife, Inc.

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

would have required the reclassification of gains or losses from accumulated other comprehensive income (loss) into earnings.

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

At September 30, 2011 and December 31, 2010, the cumulative foreign currency translation gain (loss) recorded in accumulated other comprehensive income (loss) related to hedges of net investments in foreign operations was ($74) million and ($223) million, respectively.

Non-Qualifying Derivatives and Derivatives for Purposes Other Than Hedging

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

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

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

	Net Derivative Gains (Losses)	Net Investment Income (1)	Policyholder Benefits and Claims (2)	Other Revenues (3)	Other Expenses (4)
			(In millions)		
For the Three Months Ended September 30, 2011:					
Interest rate swaps	$ 1,805	$	$	$ 321	$
Interest rate floors	521				
Interest rate caps	(127)				
Interest rate futures	43			(5)	
Equity futures	338	(12)	314		
Foreign currency swaps	272				
Foreign currency forwards	406				
Currency futures	28				
Currency options	(18)				
Equity options	1,432	5			
Interest rate options	962			27	
Interest rate forwards	(5)			(49)	
Variance swaps	325				
Credit default swaps	163	15			
Total rate of return swaps	27		5		
Total	$ 6,172	$ 8	$ 319	$ 294	$
For the Three Months Ended September 30, 2010:					
Interest rate swaps	$ 518	$ 2	$	$ 138	$
Interest rate floors	227				
Interest rate caps	(50)				
Interest rate futures	74	(2)		(1)	
Equity futures	23	(15)	(195)		
Foreign currency swaps	(272)				
Foreign currency forwards	(56)	2			
Currency options	(12)				
Equity options	(553)	(23)			
Interest rate options	9			(3)	
Interest rate forwards	1			(8)	
Variance swaps	(166)	(3)			

Credit default swaps		10		(2)					
Total rate of return swaps		29							
Total	$	(218)	$	(41)	$	(195)	$	126	$

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

	Net Derivative Gains (Losses)	Net Investment Income (1)	Policyholder Benefits and Claims (2)	Other Revenues (3)	Other Expenses (4)
			(In millions)		
For the Nine Months Ended September 30, 2011:					
Interest rate swaps	$ 2,179	$ (2)	$	$ 345	$
Interest rate floors	503				
Interest rate caps	(209)				
Interest rate futures	(6)	1		(9)	
Equity futures	393	(9)	206		
Foreign currency swaps	80				
Foreign currency forwards	266	(9)			
Currency futures	37				
Currency options	(63)				
Equity options	1,065	(6)			
Interest rate options	948			24	
Interest rate forwards	(5)			(88)	
Variance swaps	234	(3)			
Credit default swaps	149	14			
Total rate of return swaps	26		5		
Total	$ 5,597	$ (14)	$ 211	$ 272	$
For the Nine Months Ended September 30, 2010:					
Interest rate swaps	$ 1,561	$ 5	$ 39	$ 394	$
Interest rate floors	501				
Interest rate caps	(261)				
Interest rate futures	141	(8)		(4)	
Equity futures	(146)	(5)	(124)		
Foreign currency swaps	74				
Foreign currency forwards	269	40			
Currency options	5	(1)			(4)
Equity options	431	14			
Interest rate options	59			(4)	
Interest rate forwards	9			(94)	
Variance swaps	164	5			
Credit default swaps	25	1			
Total rate of return swaps	10				

Total	$	2,842	$	51	$	(85)	$	292	$	(4)

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

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

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

MetLife, Inc.

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

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

Credit Derivatives

In connection with synthetically created investment transactions and credit default swaps held in relation to the trading portfolio, the Company writes credit default swaps for which it receives a premium to insure credit risk. Such credit derivatives are included within the non-qualifying derivatives and derivatives for purposes other than hedging table. If a credit event occurs, as defined by the contract, generally the contract will require the Company to pay the counterparty the specified swap notional amount in exchange for the delivery of par quantities of the referenced credit obligation. The Company s maximum amount at risk, assuming the value of all referenced credit obligations is zero, was $7,780 million and $5,089 million at September 30, 2011 and December 31, 2010, respectively. The Company can terminate these contracts at any time through cash settlement with the counterparty at an amount equal to the then current fair value of the credit default swaps. At September 30, 2011, the Company would have paid $119 million to terminate all of these contracts, and at December 31, 2010, the Company would have received $62 million to terminate all of these contracts.

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

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:

	September 30, 2011			December 31, 2010		
Rating Agency Designation of Referenced Credit Obligations (1)	Estimated Fair Value of Credit Default Swaps	Maximum Amount of Future Payments under Credit Default Swaps (2)	Weighted Average Years to Maturity (3)	Estimated Fair Value of Credit Default Swaps	Maximum Amount of Future Payments under Credit Default Swaps (2)	Weighted Average Years to Maturity (3)
	(In millions)			(In millions)		
Aaa/Aa/A						
Single name credit default swaps (corporate)	$ 3	$ 820	3.7	$ 5	$ 470	3.8
Credit default swaps referencing indices	(32)	2,813	3.2	45	2,928	3.7
Subtotal	(29)	3,633	3.4	50	3,398	3.7
Baa						
Single name credit default swaps (corporate)	(34)	1,320	4.3	5	735	4.3
Credit default swaps referencing indices	(54)	2,772	5.1	7	931	5.0
Subtotal	(88)	4,092	4.8	12	1,666	4.7
Ba						
Single name credit default swaps (corporate)	(1)	30	3.9		25	4.4
Credit default swaps referencing indices						
Subtotal	(1)	30	3.9		25	4.4
B						
Single name credit default swaps (corporate)						
Credit default swaps referencing indices	(1)	25	5.0			
Subtotal	(1)	25	5.0			
Total	$ (119)	$ 7,780	4.1	$ 62	$ 5,089	4.1

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

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

(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 $7,780 million and $5,089 million from the table above were $130 million and $120 million at September 30, 2011 and December 31, 2010, respectively.

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Credit Risk on Freestanding Derivatives

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

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

The Company enters into various collateral arrangements which require both the pledging and accepting of collateral in connection with its derivative instruments. At September 30, 2011 and December 31, 2010, the Company was obligated to return cash collateral under its control of $9,130 million and $2,625 million, respectively. This unrestricted cash collateral is included in cash and cash equivalents or in short-term investments and the obligation to return it is included in payables for collateral under securities loaned and other transactions in the consolidated balance sheets. At September 30, 2011 and December 31, 2010, the Company had also accepted collateral consisting of various securities with a fair market value of $2,141 million and $984 million, respectively, which were held in separate custodial accounts. The Company is permitted by contract to sell or repledge this collateral, but at September 30, 2011, none of the collateral had been sold or repledged.

The Company s collateral arrangements for its OTC derivatives generally require the counterparty in a net liability position, after considering the effect of netting agreements, to pledge collateral when the fair value of that counterparty s derivatives reaches a pre-determined threshold. Certain of these arrangements also include credit-contingent provisions that provide for a reduction of these thresholds (on a sliding scale that converges toward zero) in the event of downgrades in the credit ratings of the Company and/or the counterparty. In addition, certain of the Company s netting agreements for derivative instruments contain provisions that require the Company to maintain a specific investment grade credit rating from at least one of the major credit rating agencies. If the Company s credit ratings were to fall below that specific investment grade credit rating, it would be in violation of these provisions, and the counterparties to the derivative instruments could request immediate payment or demand immediate and ongoing full overnight collateralization on derivative instruments that are in a net liability position after considering the effect of netting agreements.

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

The following table presents the estimated fair value of the Company s OTC derivatives that are in a net liability position after considering the effect of netting agreements, together with the estimated fair value and balance sheet location of the collateral pledged. The table also presents the incremental collateral that the Company would be required to provide if there was a one notch downgrade in the Company s credit rating at the reporting date or if the Company s credit rating sustained a downgrade to a level that triggered full overnight collateralization or termination of the derivative position at the reporting date. Derivatives that are not subject to collateral agreements are not included in the scope of this table.

		Estimated Fair Value of Collateral Provided:		Fair Value of Incremental Collateral Provided Upon:	
	Estimated Fair Value (1) of Derivatives in Net Liability Position	Fixed Maturity Securities (2)	Cash (3)	One Notch Downgrade in the Company s Credit Rating	Downgrade in the Company s Credit Rating to a Level that Triggers Full Overnight Collateralization or Termination of the Derivative Position
			(In millions)		
September 30, 2011:					
Derivatives subject to credit-contingent provisions	$ 377	$ 288	$	$ 54	$ 140
Derivatives not subject to credit- contingent provisions	13	11			
Total	$ 390	$ 299	$	$ 54	$ 140
December 31, 2010:					
Derivatives subject to credit-contingent provisions	$ 1,167	$ 1,024	$	$ 99	$ 231
Derivatives not subject to credit- contingent provisions	22		43		
Total	$ 1,189	$ 1,024	$ 43	$ 99	$ 231

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

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

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

Without considering the effect of netting agreements, the estimated fair value of the Company s OTC derivatives with credit-contingent provisions that were in a gross liability position at September 30, 2011 was $763 million. At September 30, 2011, the Company provided securities collateral of $288 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 September 30, 2011 would be $475 million. This amount does not consider gross derivative assets of $386 million for which the Company has the contractual right of offset.

The Company also has exchange-traded futures and options, which require the pledging of collateral. At both September 30, 2011 and December 31, 2010, the Company pledged securities collateral for exchange-traded futures and options of $40 million, which is included in fixed maturity securities. The counterparties are permitted by contract to sell or repledge this collateral. At September 30, 2011 and December 31, 2010, the Company provided cash collateral for exchange-traded futures and options of $690 million and $662 million, respectively, which is included in premiums, reinsurance and other receivables.

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Embedded Derivatives

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

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

	September 30, 2011	December 31, 2010
	(In millions)	
Net embedded derivatives within asset host contracts:		
Ceded guaranteed minimum benefits	$ 353	$ 185
Options embedded in debt or equity securities	(62)	(57)
Other	3	
Net embedded derivatives within asset host contracts	$ 294	$ 128
Net embedded derivatives within liability host contracts:		
Direct guaranteed minimum benefits	$ 2,683	$ 370
Assumed guaranteed minimum benefits (1)	2,119	2,186
Other	79	78
Net embedded derivatives within liability host contracts	$ 4,881	$ 2,634

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
	(In millions)			

Net derivative gains (losses) (1)	$ (2,308)	$ 83	$ (1,759)	$ (1,594)
Policyholder benefits and claims	$ 113	$	$ 105	$ 46

(1) The valuation of guaranteed minimum benefits includes an adjustment for nonperformance risk. The amounts included in net derivative gains (losses), in connection with this adjustment, were $1,952 million and $1,986 million for the three months and nine months ended September 30, 2011, respectively, and ($291) million and $399 million for the three months and nine months ended September 30, 2010, respectively.

5. Fair Value

Considerable judgment is often required in interpreting market data to develop estimates of fair value, and the use of different assumptions or valuation methodologies may have a material effect on the estimated fair value amounts.

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Assets and Liabilities Measured at Fair Value

Recurring Fair Value Measurements

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

	September 30, 2011 Fair Value Measurements at Reporting Date Using			
	Quoted Prices in Active Markets for Identical Assets and Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Estimated Fair Value
	(In millions)			
Assets:				
Fixed maturity securities:				
U.S. corporate securities	$	$ 99,204	$ 7,371	$ 106,575
Foreign corporate securities		58,793	4,729	63,522
Foreign government securities	68	49,002	3,889	52,959
RMBS	25	41,256	612	41,893
U.S. Treasury and agency securities	21,724	20,079	31	41,834
CMBS		18,753	832	19,585
ABS		11,649	2,769	14,418
State and political subdivision securities		13,088	53	13,141
Other fixed maturity securities				
Total fixed maturity securities	21,817	311,824	20,286	353,927
Equity securities:				
Common stock	875	1,097	239	2,211
Non-redeemable preferred stock		398	509	907
Total equity securities	875	1,495	748	3,118
Trading and other securities:				
Actively Traded Securities		413	2	415

FVO general account securities				242		27		269
FVO contractholder-directed unit-linked investments		7,332		9,279		1,263		17,874
FVO securities held by CSEs				140				140
Total trading and other securities		7,332		10,074		1,292		18,698
Short-term investments (1)		4,507		10,159		626		15,292
Mortgage loans:								
Mortgage loans held by CSEs				3,227				3,227
Mortgage loans held-for-sale (2)				2,560		30		2,590
Total mortgage loans				5,787		30		5,817
Other invested assets:								
MSRs						686		686
Other investments		361		119				480
Derivative assets: (3)								
Interest rate contracts		31		10,082		321		10,434
Foreign currency contracts		1		1,618		67		1,686
Credit contracts				370		16		386
Equity market contracts		164		2,697		917		3,778
Total derivative assets		196		14,767		1,321		16,284
Total other invested assets		557		14,886		2,007		17,450
Net embedded derivatives within asset host contracts (4)				2		354		356
Separate account assets (5)		27,622		162,169		1,708		191,499
Total assets	$	62,710	$	516,396	$	27,051	$	606,157
Liabilities:								
Derivative liabilities: (3)								
Interest rate contracts	$	109	$	2,267	$	23	$	2,399
Foreign currency contracts		1		1,096				1,097
Credit contracts				127		46		173
Equity market contracts		19		204		67		290
Total derivative liabilities		129		3,694		136		3,959
Net embedded derivatives within liability host contracts (4)				19		4,862		4,881
Long-term debt of CSEs				3,045		112		3,157
Trading liabilities (6)		64		3				67
Total liabilities	$	193	$	6,761	$	5,110	$	12,064

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

Mortgage loans held by CSEs				6,840				6,840
Mortgage loans held-for-sale (2)				2,486		24		2,510
Total mortgage loans				9,326		24		9,350
Other invested assets:								
MSRs						950		950
Other investments		373		121				494
Derivative assets: (3)								
Interest rate contracts		131		3,583		39		3,753
Foreign currency contracts		2		1,711		74		1,787
Credit contracts				125		50		175
Equity market contracts		23		1,757		282		2,062
Total derivative assets		156		7,176		445		7,777
Total other invested assets		529		7,297		1,395		9,221
Net embedded derivatives within asset host contracts (4)						185		185
Separate account assets (5)		25,566		155,589		1,983		183,138
Total assets	$	51,247	$	477,044	$	29,156	$	557,447
Liabilities:								
Derivative liabilities: (3)								
Interest rate contracts	$	35	$	1,598	$	125	$	1,758
Foreign currency contracts				1,372		1		1,373
Credit contracts				101		6		107
Equity market contracts		10		1,174		140		1,324
Total derivative liabilities		45		4,245		272		4,562
Net embedded derivatives within liability host contracts (4)				11		2,623		2,634
Long-term debt of CSEs				6,636		184		6,820
Trading liabilities (6)		46						46
Total liabilities	$	91	$	10,892	$	3,079	$	14,062

(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.), and therefore are excluded from the tables presented above.

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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 liabilities are presented within other liabilities in the consolidated balance sheets. The amounts are presented gross in the tables above to reflect the presentation in the consolidated balance sheets, but are presented net for purposes of the rollforward in the Fair Value Measurements Using Significant Unobservable Inputs (Level 3) tables which follow. At September 30, 2011 and December 31, 2010, certain non-derivative hedging instruments of $0 and $185 million, respectively, which are 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 primarily within premiums, reinsurance and other receivables in the consolidated balance sheets. Net embedded derivatives within liability host contracts are presented primarily within policyholder account balances in the consolidated balance sheets. At September 30, 2011, fixed maturity securities and equity securities also included embedded derivatives of $3 million and ($65) million, respectively. At December 31, 2010, fixed maturity securities and equity securities included embedded derivatives of $5 million and ($62) million, respectively.

(5) 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.

(6) Trading liabilities are presented within other liabilities in the consolidated balance sheets.

See Note 3 for discussion of CSEs included in the tables above.

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

Fixed Maturity Securities, Equity Securities, Trading and Other Securities and Short-term Investments

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

When quoted prices in active markets are not available, the determination of estimated fair value is based on market standard valuation methodologies. 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

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

cannot be derived principally from or corroborated by observable market data. These unobservable inputs can be based in large part on management s judgment or estimation and cannot be supported by reference to market activity. Even though 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 FVO securities held by CSEs is determined on a basis consistent with the methodologies described herein for fixed maturity securities and equity securities. The Company consolidates certain securitization entities that hold securities that have been accounted for under the FVO and classified within trading and other securities.

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

Mortgage Loans

Mortgage loans presented in the tables above consist of commercial mortgage loans held by CSEs and residential mortgage loans held-for-sale for which the Company has elected the FVO and which are carried at estimated fair value. The Company consolidates certain securitization entities that hold commercial mortgage loans. See Valuation Techniques and Inputs by Level Within the Three-Level Fair Value Hierarchy by Major Classes of Assets and Liabilities below for a discussion of the methods and assumptions used to estimate the fair value of these financial instruments.

Mortgage Servicing Rights (MSRs)

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. See Valuation Techniques and Inputs by Level Within the Three-Level Fair Value Hierarchy by Major Classes of Assets and Liabilities below for a discussion of the methods and assumptions used to estimate the fair value of these financial instruments.

Other Investments

Other investments is primarily comprised of investment funds. The estimated fair value of these investment funds is determined on a basis consistent with the methodologies described herein for trading and other securities.

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 OTC derivatives. The determination of estimated fair value, when quoted market values are not available, is based on market standard valuation methodologies and inputs that are assumed to be consistent with what other market participants would use when pricing the instruments. Derivative valuations can be affected by changes in interest rates, foreign currency exchange rates, financial indices, credit spreads, default risk (including the counterparties to the contract), volatility, liquidity and changes in estimates and assumptions used in the pricing models.

The significant inputs to the pricing models for most OTC derivatives are inputs that are observable in the market or can be derived principally from or corroborated by observable market data. Significant inputs that are observable generally include: interest rates, foreign currency exchange rates, interest rate curves, credit curves and volatility. However, certain OTC derivatives may rely on inputs that are significant to the estimated fair value that are not observable in the market or cannot be derived principally from or corroborated by observable market data. Significant inputs that are unobservable generally include: 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

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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.

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

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

Net Embedded Derivatives Within Asset and Liability Host Contracts

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

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

The fair value of these guarantees is 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.

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

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declining equity markets. Market conditions including, but not limited to, changes in interest rates, equity indices, market volatility and foreign currency exchange rates; changes in nonperformance risk; and variations in actuarial assumptions regarding policyholder behavior, mortality and risk margins related to non-capital market inputs may result in significant fluctuations in the estimated fair value of the guarantees that could materially affect net income.

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

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

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

Separate Account Assets

Separate account assets are carried at estimated fair value and reported as a summarized total on the consolidated balance sheets. The estimated fair value of separate account assets is based on the estimated fair value of the underlying assets 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. See Valuation Techniques and Inputs by Level Within the Three-Level Fair Value Hierarchy by Major Classes of Assets and Liabilities below for a discussion of the methods and assumptions used to estimate the fair value of these financial instruments.

Long-term Debt of CSEs

The Company has elected the FVO for the long-term debt of CSEs, which are carried at estimated fair value. See Valuation Techniques and Inputs by Level Within the Three-Level Fair Value Hierarchy by Major Classes of Assets and Liabilities below for a discussion of the methods and assumptions used to estimate the fair value of these financial instruments.

Trading Liabilities

Trading liabilities are recorded at estimated fair value with subsequent changes in estimated fair value recognized in net investment income. The estimated fair value of trading liabilities is determined on a basis

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consistent with the methodologies described in Fixed Maturity Securities, Equity Securities, Trading and Other Securities and Short-term Investments.

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 management s own assumptions about what factors market participants would use in pricing these investments.

Level 1 Measurements:

Fixed Maturity Securities, Equity Securities, Trading and Other Securities and Short-term Investments

These securities are comprised of U.S. Treasury and agency securities, foreign government securities, RMBS principally to-be-announced securities, exchange traded common stock, exchange traded registered mutual fund interests included in trading and other securities and short-term money market securities, including U.S. Treasury bills. Valuation of these securities is based on unadjusted quoted prices in active markets that are readily and regularly available. Contractholder-directed unit-linked investments reported within trading and other securities include certain registered mutual fund interests priced using daily net asset value (NAV) provided by the fund managers.

Derivative Assets and Derivative Liabilities

These assets and liabilities are comprised of exchange-traded derivatives, as well as interest rate forwards to sell certain to-be-announced securities. Valuation of these assets and liabilities is based on unadjusted quoted prices in active markets that are readily and regularly available.

Separate Account Assets

These assets are comprised of (i) securities that are similar in nature to the fixed maturity securities, equity securities and short-term investments referred to above; and (ii) certain exchange-traded derivatives, including financial futures and owned options. Valuation of these assets is based on unadjusted quoted prices in active markets that are readily and regularly available.

Level 2 Measurements:

Fixed Maturity Securities, Equity Securities, Trading and Other Securities and Short-term Investments

This level includes fixed maturity securities and equity securities priced principally by independent pricing services using observable inputs. Trading and other securities and short-term investments within this level are of a

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

similar nature and class to the Level 2 securities described below. Contractholder-directed unit-linked investments reported within trading and other securities include certain mutual fund interests without readily determinable fair values given prices are not published publicly. Valuation of these mutual funds is based upon quoted prices or reported NAV provided by the fund managers, which were based on observable inputs.

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

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

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

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

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

Mortgage Loans Held by CSEs

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

Mortgage Loans Held-For-Sale

Residential mortgage loans held-for-sale are principally valued using the market approach. Valuation is based primarily on readily available observable pricing for similar loans or securities backed by similar loans. The unobservable adjustments to such prices are insignificant.

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

Derivative Assets and Derivative Liabilities

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

Interest rate contracts.

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

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

Foreign currency contracts.

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

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

Credit contracts.

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

Equity market contracts.

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

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

Embedded Derivatives Contained in Certain Funding Agreements

These derivatives are principally valued using an income approach. Valuations are based on present value techniques, which utilize significant inputs that may include the swap yield curve and the spot equity and bond index level.

Separate Account Assets

These assets are comprised of investments that are similar in nature to the fixed maturity securities, equity securities, short-term investments and derivative assets referred to above. Also included are certain mutual funds and hedge funds without readily determinable fair values given prices are not published publicly. Valuation of the mutual funds and hedge funds is based upon quoted prices or reported NAV provided by the fund managers.

Long-term Debt of CSEs

The estimated fair value of the long-term debt of the Company s CSEs is based on quoted prices when traded as assets in active markets or, if not available, based on market standard valuation methodologies, consistent with the Company s methods and assumptions used to estimate the fair value of comparable fixed maturity securities.

MetLife, Inc.

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

Level 3 Measurements:

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

Fixed Maturity Securities, Equity Securities, Trading and Other Securities and Short-term Investments

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

U.S. corporate and foreign corporate securities. These securities, including financial services industry hybrid securities classified within fixed maturity securities, are principally valued using the market and income approaches. Valuations are based primarily on matrix pricing or other similar techniques that utilize unobservable inputs or cannot be derived principally from, or corroborated by, observable market data, including illiquidity premiums and spread adjustments to reflect industry trends or specific credit-related issues. Valuations may be based on independent non-binding broker quotations. Generally, below investment grade privately placed or distressed securities included in this level are valued using discounted cash flow methodologies which rely upon significant, unobservable inputs and inputs that cannot be derived principally from, or corroborated by, observable market data.

Structured securities comprised of RMBS, CMBS and ABS. These securities are principally valued using the market approach. Valuation is based primarily on matrix pricing or other similar techniques that utilize inputs that are unobservable or cannot be derived principally from, or corroborated by, observable market data, or are based on independent non-binding broker quotations. Below investment grade securities and ABS supported by sub-prime mortgage loans included in this level are valued based on inputs including quoted prices for identical or similar securities that are less liquid and based on lower levels of trading activity than securities classified in Level 2, and certain of these securities are valued based on independent non-binding broker quotations.

Foreign government and state and political subdivision securities. These securities are principally valued using the market approach. Valuation is based primarily on matrix pricing or other similar techniques, however these securities are less liquid and certain of the inputs are based on very limited trading activity.

Common and non-redeemable preferred stock. These securities, including privately held securities and financial services industry hybrid securities classified within equity securities, are principally valued using the market and income approaches. Valuations are based primarily on matrix pricing or other similar techniques using inputs such as comparable credit rating and issuance structure. Equity securities valuations determined with discounted cash flow methodologies use inputs such as earnings multiples based on comparable public companies, and industry-specific non-earnings based multiples. Certain of these securities are valued based on independent non-binding broker quotations.

MetLife, Inc.

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

Mortgage Loans

Mortgage loans 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.

MSRs

MSRs, which are valued using an income approach, are carried at estimated fair value and have multiple significant unobservable inputs including assumptions regarding estimates of discount rates, loan prepayments and servicing costs. Sales of MSRs tend to occur in private transactions where the precise terms and conditions of the sales are typically not readily available and observable market valuations are limited. As such, the Company relies primarily on a 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.

Derivative Assets and Derivative Liabilities

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

Interest rate contracts.

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

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

Foreign currency contracts.

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

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

Credit contracts.

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

Equity market contracts.

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

MetLife, Inc.

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

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

Direct and Assumed Guaranteed Minimum Benefits

These embedded derivatives are principally valued using an income approach. Valuations are based on option pricing techniques, which utilize significant inputs that may include swap yield curve, currency exchange rates and implied volatilities. These embedded derivatives result in Level 3 classification because one or more of the significant inputs are not observable in the market or cannot be derived principally from, or corroborated by, observable market data. Significant unobservable inputs generally include: the extrapolation beyond observable limits of the swap yield curve and implied volatilities, actuarial assumptions for policyholder behavior and mortality and the potential variability in policyholder behavior and mortality, nonperformance risk and cost of capital for purposes of calculating the risk margin.

Reinsurance Ceded on Certain Guaranteed Minimum Benefits

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

Embedded Derivatives Within Funds Withheld Related to Certain Ceded Reinsurance

These embedded derivatives are principally valued using an income approach. Valuations are based on present value techniques, which utilize significant inputs that may include the swap yield curve and the fair value of assets within the reference portfolio. These embedded derivatives result in Level 3 classification because one or more of the significant inputs are not observable in the market or cannot be derived principally from, or corroborated by, observable market data. Significant unobservable inputs generally include: the fair value of certain assets within the reference portfolio which are not observable in the market and cannot be derived principally from, or corroborated by, observable market data.

Separate Account Assets

These assets are comprised of investments that are similar in nature to the fixed maturity securities, equity securities and derivative assets referred to above. Separate account assets within this level also include mortgage loans and other limited partnership interests. 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.

Long-term Debt of CSEs

The estimated fair value of the long-term debt of the Company s CSEs are priced principally through independent broker quotations or market standard valuation methodologies using inputs that are not market observable or cannot be derived from or corroborated by observable market data.

Transfers between Levels 1 and 2:

During the three months and nine months ended September 30, 2011 and 2010, transfers between Levels 1 and 2 were not significant.

MetLife, Inc.

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

Transfers into or out of Level 3:

Overall, transfers into and/or out of Level 3 are attributable to a change in the observability of inputs. Assets and liabilities are transferred into Level 3 when a significant input cannot be corroborated with market observable data. This occurs when market activity decreases significantly and underlying inputs cannot be observed, current prices are not available, and/or when there are significant variances in quoted prices, thereby affecting transparency. Assets and liabilities are transferred out of Level 3 when circumstances change such that a significant input can be corroborated with market observable data. This may be due to a significant increase in market activity, a specific event, or one or more significant input(s) becoming observable. Transfers into and/or out of any level are assumed to occur at the beginning of the period. Significant transfers into and/or out of Level 3 assets and liabilities for the three months and nine months ended September 30, 2011 and 2010 are summarized below.

Transfers into Level 3 resulted primarily from current market conditions characterized by a lack of trading activity, decreased liquidity and credit ratings downgrades (e.g., from investment grade to below investment grade) which have resulted in decreased transparency of valuations and an increased use of broker quotations and unobservable inputs to determine estimated fair value.

During the three months and nine months ended September 30, 2011, transfers into Level 3 for fixed maturity securities of $862 million and $604 million, respectively, and transfers into Level 3 for separate account assets of $11 million and $18 million, respectively, were principally comprised of certain RMBS, foreign government securities and ABS. During the three months and nine months ended September 30, 2010, transfers into Level 3 for fixed maturity securities of $367 million and $1,475 million, respectively, and transfers into Level 3 for separate account assets of $9 million and $31 million, respectively, were principally comprised of certain RMBS and U.S. and foreign corporate securities.

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

During the three months and nine months ended September 30, 2011, transfers out of Level 3 for fixed maturity securities of $1,432 million and $4,718 million, respectively, and transfers out of Level 3 for separate account assets of $176 million and $258 million, respectively, were principally comprised of certain ABS, RMBS and U.S. and foreign corporate securities. During the nine months ended September 30, 2011, transfers out of Level 3 for derivatives of $101 million were principally comprised of interest rate swaps, foreign currency forwards, and equity options. There were no transfers out of Level 3 for derivatives for the three months ended September 30, 2011. During the three months and nine months ended September 30, 2010, transfers out of Level 3 for fixed maturity securities of $1,240 million and $1,413 million, respectively, and transfers out of Level 3 for separate account assets of $75 million and $224 million, respectively, were principally comprised of certain U.S. and foreign corporate securities, ABS and RMBS.

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

The following tables summarize the change of all assets and (liabilities) measured at estimated fair value on a recurring basis using significant unobservable inputs (Level 3), including realized and unrealized gains (losses) of all assets and (liabilities) and realized and unrealized gains (losses) of all assets and (liabilities) still held at the end of the respective time periods:

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3) Fixed Maturity Securities:								
	U.S. Corporate Securities	Foreign Corporate Securities	Foreign Government Securities	RMBS	U.S. Treasury and Agency Securities	CMBS	ABS	State and Political Subdivision Securities	Other Fixed Maturity Securities
	(In millions)								
Three Months Ended September 30, 2011:									
Balance, beginning of period	$ 6,871	$ 5,844	$ 3,161	$ 434	$ 26	$ 781	$ 2,451	$ 89	$ 2
Total realized/unrealized gains (losses) included in:									
Earnings: (1),(2)									
Net investment income	4	9	9			5	8		
Net investment gains (losses)	26	2	(206)			(1)	(5)		
Net derivative gains (losses)									
Other revenues									
Policyholder benefits and claims									
Other expenses									
Other comprehensive income (loss)	227	(120)	302	17	2	(1)	(58)	(1)	
Purchases (3)	455	199	427	170		115	469	11	
Sales (3)	(185)	(447)	(30)	(10)	(3)	(57)	(133)	(1)	(2)
Issuances (3)									
Settlements (3)									
Transfers into Level 3 (4)		172	498	1	6	1	184		
	(27)	(930)	(272)			(11)	(147)	(45)	

Transfers out of Level 3 (4)									
Balance, end of period	$ 7,371	$ 4,729	$ 3,889	$ 612	$ 31	$ 832	$ 2,769	$ 53	$
Changes in unrealized gains (losses) relating to assets and liabilities still held at September 30, 2011 included in earnings:									
Net investment income	$ 4	$ 8	$ 9	$	$	$ 6	$ 8	$	$
Net investment gains (losses)	$ (3)	$ (5)	$ (205)	$	$	$ (2)	$ (7)	$	$
Net derivative gains (losses)	$	$	$	$	$	$	$	$	$
Other revenues	$	$	$	$	$	$	$	$	$
Policyholder benefits and claims	$	$	$	$	$	$	$	$	$
Other expenses	$	$	$	$	$	$	$	$	$

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MetLife, Inc.

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

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)							
	Equity Securities:		Trading and Other Securities:					
	Common Stock	Non-redeemable Preferred Stock	Actively Traded Securities	FVO General Account Securities	FVO Contractholder-directed Unit-linked Investments	Short-term Investments	Mortgage Loans Held-for-sale	MSRs (5), (6)
	(In millions)							
Three Months Ended September 30, 2011:								
Balance, beginning of period	$ 305	$ 654	$ 2	$ 54	$ 623	$ 732	$ 32	$ 964
Total realized/unrealized gains (losses) included in:								
Earnings: (1), (2)								
Net investment income				(12)	(5)	(1)		
Net investment gains (losses)	3	7				(1)		
Net derivative gains (losses)								
Other revenues							(1)	(292)
Policyholder benefits and claims								
Other expenses								
Other comprehensive income (loss)	(25)	(69)				(1)		
Purchases (3)	14				1,026	266	2	
Sales (3)	(14)	(84)			(297)	(368)		
Issuances (3)								46
Settlements (3)							(2)	(32)
Transfers into Level 3 (4)		1					4	
Transfers out of Level 3 (4)	(44)			(15)	(84)	(1)	(5)	
Balance, end of period	$ 239	$ 509	$ 2	$ 27	$ 1,263	$ 626	$ 30	$ 686

Changes in unrealized gains (losses) relating to assets and liabilities still held at September 30,

2011 included in earnings:								
Net investment income	$	$	$	$ (11)	$ (4)	$ (1)	$	$
Net investment gains (losses)	$	$	$	$	$	$ (1)	$	$
Net derivative gains (losses)	$	$	$	$	$	$	$	$
Other revenues	$	$	$	$	$	$	$ (1)	$ (280)
Policyholder benefits and claims	$	$	$	$	$	$	$	$
Other expenses	$	$	$	$	$	$	$	$

MetLife, Inc.

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

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)							
	Net Derivatives: (7)							
	Interest Rate Contracts	Foreign Currency Contracts	Credit Contracts	Equity Market Contracts	Net Embedded Derivatives (8)	Separate Account Assets (9)	Long-term Debt of CSEs	Trading Liabilities
	(In millions)							
Three Months Ended September 30, 2011:								
Balance, beginning of period	$ (67)	$ 49	$ 42	$ 55	$ (2,074)	$ 1,836	$ (134)	$
Total realized/unrealized gains (losses) included in:								
Earnings: (1), (2)								
Net investment income								
Net investment gains (losses)						3	(1)	
Net derivative gains (losses)	21	2	(76)	677	(2,314)			
Other revenues	68							
Policyholder benefits and claims					115			
Other expenses								
Other comprehensive income (loss)	317		15	1	(114)			
Purchases (3)	(1)	16		119		187		
Sales (3)						(152)		
Issuances (3)				(4)				
Settlements (3)	(41)		(11)	2	(121)	(1)	23	
Transfers into Level 3 (4)	1					11		
Transfers out of Level 3 (4)						(176)		
Balance, end of period	$ 298	$ 67	$ (30)	$ 850	$ (4,508)	$ 1,708	$ (112)	$
Changes in unrealized gains (losses) relating to assets and liabilities still held at September 30, 2011 included in earnings:								
Net investment income	$	$	$	$	$	$	$	$
	$	$	$	$	$	$	$ (1)	$

Net investment gains (losses)																
Net derivative gains (losses)	$	17	$	2	$	(76)	$	677	$	(2,319)	$		$		$	
Other revenues	$	79	$		$		$		$		$		$		$	
Policyholder benefits and claims	$		$		$		$		$	115	$		$		$	
Other expenses	$		$		$		$		$		$		$		$	

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MetLife, Inc.

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

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3) Fixed Maturity Securities:								
	U.S. Corporate Securities	Foreign Corporate Securities	Foreign Government Securities	RMBS	U.S. Treasury and Agency Securities	CMBS	ABS	State and Political Subdivision Securities	Other Fixed Maturity Securities
	(In millions)								
Three Months Ended September 30, 2010:									
Balance, beginning of period	$ 7,173	$ 4,552	$ 257	$ 1,852	$ 37	$ 270	$ 3,489	$ 101	$ 5
Total realized/unrealized gains (losses) included in:									
Earnings: (1), (2)									
Net investment income	6	7	2	(5)		1	8		
Net investment gains (losses)	(20)	(25)	1	(6)		(2)	(17)		
Net derivative gains (losses)									
Other revenues									
Policyholder benefits and claims									
Other expenses									
Other comprehensive income (loss)	196	301	25	68	1	13	104	(3)	
Purchases, sales, issuances and settlements (3)	67	132	6	379		(7)	160	9	
Transfers into Level 3 (4)	119	52		161	21	9	5		
Transfers out of Level 3 (4)	(686)	(240)		(155)		(3)	(101)	(55)	
Balance, end of period	$ 6,855	$ 4,779	$ 291	$ 2,294	$ 59	$ 281	$ 3,648	$ 52	$ 5

Changes in unrealized gains (losses) relating to assets and liabilities still held at September 30, 2010 included in earnings:									
Net investment income	$ 4	$ 5	$ 2	$ (5)	$	$ 1	$ 8	$	$
Net investment gains (losses)	$ (30)	$ (29)	$	$	$	$ (3)	$ (9)	$	$
Net derivative gains (losses)	$	$	$	$	$	$	$	$	$
Other revenues	$	$	$	$	$	$	$	$	$
Policyholder benefits and claims	$	$	$	$	$	$	$	$	$
Other expenses	$	$	$	$	$	$	$	$	$

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MetLife, Inc.

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

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)							
	Equity Securities:		Trading and Other Securities:					
	Common Stock	Non-redeemable Preferred Stock	Actively Traded Securities	FVO General Account Securities	FVO Contractholder-directed Unit-linked Investments	Short-term Investments	Mortgage Loans Held-for-sale	MSRs (5), (6)
	(In millions)							
Three Months Ended September 30, 2010:								
Balance, beginning of period	$ 161	$ 845	$ 7	$ 29	$	$ 52	$ 26	$ 660
Total realized/unrealized gains (losses) included in:								
Earnings: (1), (2)								
Net investment income				9		2		
Net investment gains (losses)	(1)	1						
Net derivative gains (losses)								
Other revenues							(1)	(91)
Policyholder benefits and claims								
Other expenses								
Other comprehensive income (loss)	14	56						
Purchases, sales, issuances and settlements (3)	(6)	7	13			156		138
Transfers into Level 3 (4)	2			35			4	
Transfers out of Level 3 (4)							(2)	
Balance, end of period	$ 170	$ 909	$ 20	$ 73	$	$ 210	$ 27	$ 707
Changes in unrealized gains (losses) relating to assets and liabilities still held at September 30, 2010 included in earnings:								
Net investment income	$	$	$	$ 9	$	$ 2	$	$
Net investment gains (losses)	$ (1)	$	$	$	$	$	$	$
Net derivative gains (losses)	$	$	$	$	$	$	$	$

Other revenues	$	$	$	$	$	$	$	(1)	$	(74)
Policyholder benefits and claims	$	$	$	$	$	$	$		$	
Other expenses	$	$	$	$	$	$	$		$	

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MetLife, Inc.

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

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)							
	Net Derivatives: (7)							
	Interest Rate Contracts	Foreign Currency Contracts	Credit Contracts	Equity Market Contracts	Net Embedded Derivatives (8)	Separate Account Assets (9)	Long-term Debt of CSEs (10)	Trading Liabilities
	(In millions)							
Three Months Ended September 30, 2010:								
Balance, beginning of period	$ 61	$ 28	$ 31	$ 633	$ (3,296)	$ 1,604	$ (221)	$
Total realized/unrealized gains (losses) included in:								
Earnings: (1), (2)								
Net investment income				(2)				
Net investment gains (losses)						47	37	
Net derivative gains (losses)	2	46	12	(169)	134			
Other revenues	14							
Policyholder benefits and claims								
Other expenses		(1)						
Other comprehensive income (loss)	16		10	4	(98)			
Purchases, sales, issuances and settlements (3)	12	(5)	(7)	8	(74)	62		(2)
Transfers into Level 3 (4)						9		
Transfers out of Level 3 (4)		(8)				(75)		
Balance, end of period	$ 105	$ 60	$ 46	$ 474	$ (3,334)	$ 1,647	$ (184)	$ (2)
Changes in unrealized gains (losses) relating to assets and liabilities still held at September 30, 2010 included in earnings:								
Net investment income	$	$	$	$ (2)	$	$	$	$
	$	$	$	$	$	$	$ 37	$

Net investment gains (losses)								
Net derivative gains (losses)	$ 1	$ 37	$ 12	$ (169)	$ 126	$	$	$
Other revenues	$ 63	$	$	$	$	$	$	$
Policyholder benefits and claims	$	$	$	$	$	$	$	$
Other expenses	$	$	$	$ 92	$	$	$	$

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

Fair Value Measurements Using Significant Unobservable Inputs (Level 3)
Fixed Maturity Securities:

	U.S. Corporate Securities	Foreign Corporate Securities	Foreign Government Securities	RMBS	U.S. Treasury and Agency Securities	CMBS	ABS	State and Political Subdivision Securities	Other Fixed Maturity Securities
					(In millions)				
Nine Months Ended September 30, 2011:									
Balance, beginning of period	$ 7,149	$ 5,726	$ 3,134	$ 1,422	$ 79	$ 1,011	$ 4,145	$ 46	$ 4
Total realized/unrealized gains (losses) included in:									
Earnings: (1), (2)									
Net investment income	8	22	38	(1)		21	27		
Net investment gains (losses)	14	(20)	(220)	(1)		67	(34)		
Net derivative gains (losses)									
Other revenues									
Policyholder benefits and claims									
Other expenses									
Other comprehensive income (loss)	372	44	332	33	2	50	46	(8)	
Purchases (3)	1,016	1,571	1,164	206		287	799	11	
Sales (3)	(674)	(1,770)	(411)	(127)	(1)	(584)	(591)	(4)	
Issuances (3)									
Settlements (3)									
Transfers into Level 3 (4)	43	165	91	81	6	85	123	10	
Transfers out of Level 3 (4)	(557)	(1,009)	(239)	(1,001)	(55)	(105)	(1,746)	(2)	(4)

Balance, end of period	$	7,371	$	4,729	$	3,889	$	612	$	31	$	832	$	2,769	$	53	$	
Changes in unrealized gains (losses) relating to assets and liabilities still held at September 30, 2011 included in earnings:																		
Net investment income	$	7	$	22	$	36	$	(1)	$		$	19	$	27	$		$	
Net investment gains (losses)	$	(30)	$	(20)	$	(209)	$	(1)	$		$	(2)	$	(22)	$		$	
Net derivative gains (losses)	$		$		$		$		$		$		$		$		$	
Other revenues	$		$		$		$		$		$		$		$		$	
Policyholder benefits and claims	$		$		$		$		$		$		$		$		$	
Other expenses	$		$		$		$		$		$		$		$		$	

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

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)							
	Equity Securities:		Trading and Other Securities:					
	Common Stock	Non-redeemable Preferred Stock	Actively Traded Securities	FVO General Account Securities	FVO Contractholder-directed Unit-linked Investments	Short-term Investments	Mortgage Loans Held-for-sale	MSRs (5), (6)
	(In millions)							
Nine Months Ended September 30, 2011:								
Balance, beginning of period	$ 268	$ 905	$ 10	$ 77	$ 735	$ 858	$ 24	$ 950
Total realized/unrealized gains (losses) included in:								
Earnings: (1), (2)								
Net investment income				(3)	61	3		
Net investment gains (losses)	7	(63)				(2)		
Net derivative gains (losses)								
Other revenues							(2)	(310)
Policyholder benefits and claims								
Other expenses								
Other comprehensive income (loss)	(12)	31				7		
Purchases (3)	53	4		1	1,032	562	3	
Sales (3)	(21)	(379)	(8)	(33)	(447)	(798)		
Issuances (3)							1	138
Settlements (3)							(3)	(92)
Transfers into Level 3 (4)	1	11			123		9	
Transfers out of Level 3 (4)	(57)			(15)	(241)	(4)	(2)	
Balance, end of period	$ 239	$ 509	$ 2	$ 27	$ 1,263	$ 626	$ 30	$ 686
Changes in unrealized gains (losses) relating to assets and liabilities still held at September 30, 2011 included in earnings:								

Net investment income	$	$	$	$ (5)	$ 55	$ (2)	$	$
Net investment gains (losses)	$ (4)	$ (19)	$	$	$	$ (1)	$	$
Net derivative gains (losses)	$	$	$	$	$	$	$	$
Other revenues	$	$	$	$	$	$	$ (2)	$ (298)
Policyholder benefits and claims	$	$	$	$	$	$	$	$
Other expenses	$	$	$	$	$	$	$	$

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MetLife, Inc.

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

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)							
	Net Derivatives: (7)							
	Interest Rate Contracts	Foreign Currency Contracts	Credit Contracts	Equity Market Contracts	Net Embedded Derivatives (8)	Separate Account Assets (9)	Long-term Debt of CSEs	Trading Liabilities
	(In millions)							
Nine Months Ended September 30, 2011:								
Balance, beginning of period	$ (86)	$ 73	$ 44	$ 142	$ (2,438)	$ 1,983	$ (184)	$
Total realized/unrealized gains (losses) included in:								
Earnings: (1), (2)								
Net investment income				(3)				
Net investment gains (losses)						48	(8)	
Net derivative gains (losses)	25	(1)	(70)	568	(1,722)			
Other revenues	75							
Policyholder benefits and claims					107			
Other expenses								
Other comprehensive income (loss)	325		13		(116)			
Purchases (3)	(1)	21		225		422		
Sales (3)						(502)		
Issuances (3)			(3)	(4)				
Settlements (3)	(40)		(13)	(3)	(339)	(3)	80	
Transfers into Level 3 (4)			(1)			18		
Transfers out of Level 3 (4)		(26)		(75)		(258)		
Balance, end of period	$ 298	$ 67	$ (30)	$ 850	$ (4,508)	$ 1,708	$ (112)	$
Changes in unrealized gains (losses) relating to assets and liabilities still held at September 30, 2011 included in earnings:								

Net investment income	$	$	$	$	$	$	$	$
Net investment gains (losses)	$	$	$	$	$	$	$ (8)	$
Net derivative gains (losses)	$ 14	$ (1)	$ (70)	$ 569	$ (1,738)	$	$	$
Other revenues	$ 80	$	$	$	$	$	$	$
Policyholder benefits and claims	$	$	$	$	$ 107	$	$	$
Other expenses	$	$	$	$	$	$	$	$

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MetLife, Inc.

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

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3) Fixed Maturity Securities:								
	U.S. Corporate Securities	Foreign Corporate Securities	Foreign Government Securities	RMBS	U.S. Treasury and Agency Securities	CMBS	ABS	State and Political Subdivision Securities	Other Fixed Maturity Securities
	(In millions)								
Nine Months Ended September 30, 2010:									
Balance, beginning of period	$ 6,694	$ 5,244	$ 378	$ 1,840	$ 37	$ 139	$ 2,703	$ 69	$ 6
Total realized/unrealized gains (losses) included in:									
Earnings: (1), (2)									
Net investment income	21	10	2	21		1	27		
Net investment gains (losses)	(15)	(42)	(5)	(6)		(3)	(67)		
Net derivative gains (losses)									
Other revenues									
Policyholder benefits and claims									
Other expenses									
Other comprehensive income (loss)	461	374	53	121	3	72	301	4	1
Purchases, sales, issuances and settlements (3)	(648)	(619)	19						