METLIFE INC
Form 10-Q
August 07, 2013
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

(Mark One)

þ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2013

or

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

FOR THE TRANSITION PERIOD FROM TO
Commission file number: 001-15787

MetLife, Inc.

(Exact name of registrant as specified in its charter)

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

(212) 578-2211

(Registrant s telephone number, including area code)

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

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

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

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

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

At July 31, 2013, 1,097,145,355 shares of the registrant s common stock, $0.01 par value per share, were outstanding.

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

Note Regarding Forward-Looking Statements

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

Any or all forward-looking statements may turn out to be wrong. They can be affected by inaccurate assumptions or by known or unknown risks and uncertainties. Many such factors will be important in determining the actual future results of MetLife, Inc., its subsidiaries and affiliates. These statements are based on current expectations and the current economic environment. They involve a number of risks and uncertainties that are difficult to predict. These statements are not guarantees of future performance. Actual results could differ materially from those expressed or implied in the forward-looking statements. Risks, uncertainties, and other factors that might cause such differences include the risks, uncertainties and other factors identified in MetLife, Inc. s filings with the U.S. Securities and Exchange Commission (the SEC). These factors include: (1) difficult conditions in the global capital markets; (2) increased volatility and disruption of the capital and credit markets, which may affect our ability to meet liquidity needs and access capital, including through our credit facilities, 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, including assets supporting risks ceded to certain of our captive reinsurers or hedging arrangements associated with those risks; (3) exposure to financial and capital market risks, including as a result of the disruption in Europe and possible withdrawal of one or more countries from the Euro zone; (4) impact of comprehensive financial services regulation reform on us, as a potential non-bank systemically important financial institution, or otherwise; (5) numerous rulemaking initiatives required or permitted by the Dodd-Frank Wall Street Reform and Consumer Protection Act which may impact how we conduct our business, including those compelling the liquidation of certain financial institutions; (6) regulatory, legislative or tax changes relating to our insurance, international, or other operations that may affect the cost of, or demand for, our products or services, or increase the cost or administrative burdens of providing benefits to employees; (7) adverse results or other consequences from litigation, arbitration or regulatory investigations; (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) changes in assumptions related to investment valuations, deferred policy acquisition costs, deferred sales inducements, value of business acquired or goodwill; (11) impairments of goodwill and realized losses or market value impairments to illiquid assets; (12) defaults on our mortgage loans; (13) the defaults or deteriorating credit of other financial institutions that could adversely affect us; (14) economic, political, legal, currency and other risks relating to our international operations, including with respect to fluctuations of exchange rates; (15) downgrades in our claims paying ability, financial strength or credit ratings; (16) a deterioration in the experience of the closed block established in connection with the reorganization of Metropolitan Life Insurance Company; (17) availability and effectiveness of reinsurance or indemnification arrangements, as well as any default or failure of counterparties to perform; (18) differences between actual claims experience and underwriting and reserving assumptions; (19) ineffectiveness of risk management policies and procedures; (20) catastrophe losses; (21) increasing cost and limited market capacity for statutory life insurance reserve financings; (22) heightened competition, including with respect to pricing, entry of new competitors, consolidation of distributors, the development of new products by new and existing competitors, and for

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personnel; (23) 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; (24) our ability to address unforeseen liabilities, asset impairments, or rating actions arising from acquisitions or dispositions, including our acquisition of American Life Insurance Company and Delaware American Life Insurance Company (collectively, ALICO) and to successfully integrate and manage the growth of acquired businesses with minimal disruption; (25) 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; (26) the dilutive impact on our stockholders resulting from the settlement of our outstanding common equity units; (27) regulatory and other restrictions affecting MetLife, Inc. s ability to pay dividends and repurchase common stock; (28) MetLife, Inc. s primary reliance, as a holding company, on dividends from its subsidiaries to meet debt payment obligations and the applicable regulatory restrictions on the ability of the subsidiaries to pay such dividends; (29) the possibility that MetLife, Inc. s Board of Directors may control the outcome of stockholder votes through the voting provisions of the MetLife Policyholder Trust; (30) changes in accounting standards, practices and/or policies; (31) increased expenses relating to pension and postretirement benefit plans, as well as health care and other employee benefits; (32) inability to protect our intellectual property rights or claims of infringement of the intellectual property rights of others; (33) inability to attract and retain sales representatives; (34) provisions of laws and our incorporation documents may delay, deter or prevent takeovers and corporate combinations involving MetLife; (35) 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 the value of our investment portfolio, our disaster recovery systems, cyber- or other information security systems and management continuity planning; (36) the effectiveness of our programs and practices in avoiding giving our associates incentives to take excessive risks; and (37) other risks and uncertainties described from time to time in MetLife, Inc. s filings with the SEC.

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

Note Regarding Reliance on Statements in Our Contracts

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

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Part I Financial Information

Item 1. Financial Statements

MetLife, Inc.

Interim Condensed Consolidated Balance Sheets

June 30, 2013 (Unaudited) and December 31, 2012

(In millions, except share and per share data)

	June 30, 2013	December 31, 2012
Assets		
Investments:		
Fixed maturity securities available-for-sale, at estimated fair value (amortized cost: $335,626 and $340,870, respectively; includes $4,064 and $3,378, respectively, relating to variable interest entities)	$ 356,514	$ 374,266
Equity securities available-for-sale, at estimated fair value (cost: $2,922 and $2,838, respectively)	3,231	2,891
Fair value option and trading securities, at estimated fair value (includes $744 and $659, respectively, of actively traded securities; and $92 and $112, respectively, relating to variable interest entities)	16,110	16,348
Mortgage loans:		
Held-for-investment, principally at amortized cost (net of valuation allowances of $302 and $347, respectively; includes $2,316 and $2,715, respectively, at estimated fair value, relating to variable interest entities)	55,636	56,592
Held-for-sale, principally at estimated fair value (includes $0 and $49, respectively, under the fair value option)		414
Mortgage loans, net	55,636	57,006
Policy loans (includes $3 and $0, respectively, relating to variable interest entities)	11,722	11,884
Real estate and real estate joint ventures (includes $9 and $10, respectively, relating to variable interest entities)	9,886	9,918
Other limited partnership interests (includes $159 and $274, respectively, relating to variable interest entities)	7,197	6,688
Short-term investments, principally at estimated fair value (includes $13 and $0, respectively, relating to variable interest entities)	12,990	16,906
Other invested assets, principally at estimated fair value (includes $78 and $81, respectively, relating to variable interest entities)	17,920	21,145
Total investments	491,206	517,052
Cash and cash equivalents, principally at estimated fair value (includes $54 and $99, respectively, relating to variable interest entities)	9,184	15,738
Accrued investment income (includes $26 and $13, respectively, relating to variable interest entities)	4,357	4,374
Premiums, reinsurance and other receivables (includes $16 and $5, respectively, relating to variable interest entities)	23,283	21,634
Deferred policy acquisition costs and value of business acquired (includes $265 and $0, respectively, relating to variable interest entities)	24,782	24,761
Goodwill	9,447	9,953
Other assets (includes $142 and $5, respectively, relating to variable interest entities)	7,830	7,876
Separate account assets (includes $1,096 and $0, respectively, relating to variable interest entities)	245,573	235,393
Total assets	$ 815,662	$ 836,781
Liabilities and Equity		
Liabilities		
Future policy benefits (includes $458 and $0, respectively, relating to variable interest entities)	$ 184,697	$ 192,351
Policyholder account balances (includes $66 and $0, respectively, relating to variable interest entities)	215,195	225,821
Other policy-related balances (includes $129 and $0, respectively, relating to variable interest entities)	15,279	15,463
Policyholder dividends payable	750	728
Policyholder dividend obligation	2,273	3,828
Payables for collateral under securities loaned and other transactions	33,247	33,687
Bank deposits		6,416
Short-term debt	100	100

Long-term debt (includes $2,126 and $2,527, respectively, at estimated fair value, relating to variable interest entities)		18,577		19,062
Collateral financing arrangements		4,196		4,196
Junior subordinated debt securities		3,193		3,192
Current income tax payable		111		401
Deferred income tax liability		6,602		8,693
Other liabilities (includes $90 and $40, respectively, relating to variable interest entities)		25,331		22,492
Separate account liabilities (includes $1,096 and $0, respectively, relating to variable interest entities)		245,573		235,393
Total liabilities		755,124		771,823
Contingencies, Commitments and Guarantees (Note 14)				
Redeemable noncontrolling interests in partially-owned consolidated subsidiaries		130		121
Equity				
MetLife, Inc. s stockholders equity:				
Preferred stock, par value $0.01 per share; 200,000,000 shares authorized: 84,000,000 shares issued and outstanding; $2,100 aggregate liquidation preference		1		1
Common stock, par value $0.01 per share; 3,000,000,000 shares authorized; 1,099,795,436 and 1,094,880,623 shares issued at June 30, 2013 and December 31, 2012, respectively; 1,096,601,549 and 1,091,686,736 shares outstanding at June 30, 2013 and December 31, 2012, respectively		11		11
Additional paid-in capital		28,137		28,011
Retained earnings		25,824		25,205
Treasury stock, at cost; 3,193,887 shares at June 30, 2013 and December 31, 2012		(172)		(172)
Accumulated other comprehensive income (loss)		6,202		11,397
Total MetLife, Inc. s stockholders equity		60,003		64,453
Noncontrolling interests		405		384
Total equity		60,408		64,837
Total liabilities and equity	$	815,662	$	836,781

See accompanying notes to the interim condensed consolidated financial statements.

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MetLife, Inc.

Interim Condensed Consolidated Statements of Operations and Comprehensive Income

For the Three Months and Six Months Ended June 30, 2013 and 2012 (Unaudited)

(In millions, except per share data)

	Three Months Ended June 30, 2013	Three Months Ended June 30, 2012	Six Months Ended June 30, 2013	Six Months Ended June 30, 2012
Revenues				
Premiums	$ 9,158	$ 9,161	$ 18,309	$ 18,290
Universal life and investment-type product policy fees	2,371	2,097	4,662	4,175
Net investment income	5,282	4,719	11,359	10,919
Other revenues	490	393	970	990
Net investment gains (losses):				
Other-than-temporary impairments on fixed maturity securities	(35)	(118)	(64)	(253)
Other-than-temporary impairments on fixed maturity securities transferred to other comprehensive income (loss)	(4)	27	(35)	29
Other net investment gains (losses)	149	27	523	50
Total net investment gains (losses)	110	(64)	424	(174)
Net derivative gains (losses)	(1,690)	2,092	(2,320)	114
Total revenues	15,721	18,398	33,404	34,314
Expenses				
Policyholder benefits and claims	8,960	8,911	18,355	18,015
Interest credited to policyholder account balances	1,846	1,022	4,436	3,579
Policyholder dividends	329	352	642	695
Other expenses	4,025	4,775	8,163	9,096
Total expenses	15,160	15,060	31,596	31,385
Income (loss) from continuing operations before provision for income tax	561	3,338	1,808	2,929
Provision for income tax expense (benefit)	53	1,038	305	763
Income (loss) from continuing operations, net of income tax	508	2,300	1,503	2,166
Income (loss) from discontinued operations, net of income tax	2	3	(1)	17
Net income (loss)	510	2,303	1,502	2,183
Less: Net income (loss) attributable to noncontrolling interests	8	8	14	32
Net income (loss) attributable to MetLife, Inc.	502	2,295	1,488	2,151
Less: Preferred stock dividends	31	31	61	61
Net income (loss) available to MetLife, Inc. s common shareholders	$ 471	$ 2,264	$ 1,427	$ 2,090
Comprehensive income (loss)	$ (3,881)	$ 3,765	$ (3,703)	$ 4,819
Less: Comprehensive income (loss) attributable to noncontrolling interests, net of income tax	(5)	1	4	16
Comprehensive income (loss) attributable to MetLife, Inc.	$ (3,876)	$ 3,764	$ (3,707)	$ 4,803

Income (loss) from continuing operations, net of income tax, available to MetLife, Inc. s common shareholders per common share:								
Basic	$	0.43	$	2.13	$	1.30	$	1.95
Diluted	$	0.43	$	2.12	$	1.29	$	1.93
Net income (loss) available to MetLife, Inc. s common shareholders per common share:								
Basic	$	0.43	$	2.13	$	1.30	$	1.97
Diluted	$	0.43	$	2.12	$	1.29	$	1.95
Cash dividends declared per common share	$	0.550	$		$	0.735	$	

See accompanying notes to the interim condensed consolidated financial statements.

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MetLife, Inc.

Interim Condensed Consolidated Statements of Equity

For the Six Months Ended June 30, 2013 (Unaudited)

(In millions)

						Accumulated Other Comprehensive Income (Loss)						
	Preferred Stock	Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock at Cost	Net Unrealized Investment Gains (Losses)	Other-Than-Temporary Impairments	Foreign Currency Translation Adjustments	Defined Benefit Plans Adjustment	Total MetLife, Inc.'s Stockholders' Equity	Noncontrolling Interests (1)	Total Equity
Balance at December 31, 2012	$ 1	$ 11	$ 28,011	$ 25,205	$ (172)	$ 14,642	$ (223)	$ (533)	$ (2,489)	$ 64,453	$ 384	$ 64,837
Stock-based compensation			165							165		165
Dividends on preferred stock				(61)						(61)		(61)
Dividends on common stock				(808)						(808)		(808)
Change in equity of noncontrolling interests			(39)							(39)	17	(22)
Net income (loss)				1,488						1,488	14	1,502
Other comprehensive income (loss), net of income tax						(4,025)	49	(1,292)	73	(5,195)	(10)	(5,205)
Balance at June 30, 2013	$ 1	$ 11	$ 28,137	$ 25,824	$ (172)	$ 10,617	$ (174)	$ (1,825)	$ (2,416)	$ 60,003	$ 405	$ 60,408

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

See accompanying notes to the interim condensed consolidated financial statements.

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MetLife, Inc.

Interim Condensed Consolidated Statements of Equity (Continued)

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

(In millions)

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

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

See accompanying notes to the interim condensed consolidated financial statements.

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MetLife, Inc.

Interim Condensed Consolidated Statements of Cash Flows

For the Six Months Ended June 30, 2013 and 2012 (Unaudited)

(In millions)

	Six Months Ended June 30, 2013	2012
Net cash provided by (used in) operating activities	$ 7,314	$ 12,102
Cash flows from investing activities		
Sales, maturities and repayments of:		
Fixed maturity securities	64,674	51,495
Equity securities	449	789
Mortgage loans	5,033	4,625
Real estate and real estate joint ventures	271	544
Other limited partnership interests	510	453
Purchases of:		
Fixed maturity securities	(65,745)	(61,507)
Equity securities	(644)	(393)
Mortgage loans	(4,826)	(4,877)
Real estate and real estate joint ventures	(721)	(279)
Other limited partnership interests	(926)	(586)
Cash received in connection with freestanding derivatives	777	1,011
Cash paid in connection with freestanding derivatives	(4,300)	(1,549)
Net change in securitized reverse residential mortgage loans		(1,116)
Sales of businesses (1)	373	
Sale of bank deposits	(6,395)	
Net change in policy loans	(111)	(46)
Net change in short-term investments	3,880	(1,037)
Net change in other invested assets	(174)	(225)
Other, net	22	(79)
Net cash provided by (used in) investing activities	(7,853)	(12,777)
Cash flows from financing activities		
Policyholder account balances:		
Deposits	41,507	49,224
Withdrawals	(45,852)	(44,889)
Net change in payables for collateral under securities loaned and other transactions	(440)	6,586
Net change in bank deposits	8	(3,717)
Net change in short-term debt		(585)
Long-term debt repaid	(356)	(1,022)
Collateral financing arrangements repaid		(349)
Cash received (paid) in connection with collateral financing arrangements		(44)
Net change in liability for securitized reverse residential mortgage loans		1,116
Dividends on preferred stock	(61)	(61)
Dividends on common stock	(505)	
Other, net	(91)	32
Net cash provided by (used in) financing activities	(5,790)	6,291
Effect of change in foreign currency exchange rates on cash and cash equivalents balances	(225)	(42)

Change in cash and cash equivalents		(6,554)		5,574
Cash and cash equivalents, beginning of period		15,738		10,461
Cash and cash equivalents, end of period	$	9,184	$	16,035
Supplemental disclosures of cash flow information:				
Net cash paid (received) for:				
Interest	$	618	$	494
Income tax	$	444	$	302
Non-cash transactions:				
Real estate and real estate joint ventures acquired in satisfaction of debt	$	55	$	221
Collateral financing arrangements repaid	$		$	102
Redemption of advances agreements in long-term debt (1)	$		$	3,806
Issuance of funding agreements in policyholder account balances (1)	$		$	3,806
Dividends on common stock declared and unpaid	$	303	$	

(1) See Note 3 of the Notes to the Consolidated Financial Statements included in the 2012 Annual Report.

See accompanying notes to the interim condensed consolidated financial statements.

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MetLife, Inc.

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)

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

Business

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

MetLife is organized into six segments: Retail; Group, Voluntary & Worksite Benefits; Corporate Benefit Funding; and Latin America (collectively, the Americas); Asia; and Europe, the Middle East and Africa (EMEA).

Basis of Presentation

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to adopt accounting policies and make estimates and assumptions that affect amounts reported in the interim condensed consolidated financial statements. In applying these policies and estimates, management makes subjective and complex judgments that frequently require assumptions about matters that are inherently uncertain. Many of these policies, estimates and related judgments are common in the insurance and financial services industries; others are specific to the Company s business and operations. Actual results could differ from estimates.

The accompanying interim condensed consolidated financial statements include the accounts of MetLife, Inc. and its subsidiaries, as well as partnerships and joint ventures in which the Company has control, and variable interest entities (VIEs) for which the Company is the primary beneficiary. Intercompany accounts and transactions have been eliminated.

Certain international subsidiaries have a fiscal year-end of November 30. Accordingly, the Company s interim condensed consolidated financial statements reflect the assets and liabilities of such subsidiaries as of May 31, 2013 and November 30, 2012 and the operating results of such subsidiaries for the three months and six months ended May 31, 2013 and 2012.

The Company uses the equity method of accounting for investments in equity securities when it has significant influence or at least a 20% interest and for investments in real estate joint ventures and other limited partnership interests (investees) when it has more than a minor ownership interest or more than minor influence over the investee s operations, but does not have a controlling financial interest. The Company generally recognizes its share of the investee s earnings on a three-month lag in instances where the investee s financial information is not sufficiently timely or when the investee s reporting period differs from the Company s reporting period. The Company uses the cost method of accounting for investments in which it has virtually no influence over the investee s operations.

Certain amounts in the prior year periods interim condensed consolidated financial statements and related footnotes thereto have been reclassified to conform with the 2013 presentation as discussed throughout the Notes to the Interim Condensed Consolidated Financial Statements.

The accompanying interim condensed consolidated financial statements are unaudited and reflect all adjustments (including normal recurring adjustments) necessary to present fairly the financial position, results of operations and cash flows for the interim periods presented in conformity with GAAP. Interim results are not necessarily indicative of full year performance. The December 31, 2012 consolidated balance sheet data was

MetLife, Inc.

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

derived from audited consolidated financial statements included in MetLife, Inc. s Annual Report on Form 10-K for the year ended December 31, 2012 (the 2012 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 2012 Annual Report.

Adoption of New Accounting Pronouncements

Effective January 1, 2013, the Company adopted new guidance regarding comprehensive income that requires an entity to provide information about the amounts reclassified out of accumulated other comprehensive income (loss) (AOCI) by component. In addition, an entity is required to present, either on the face of the statement where net income is presented or in the notes, significant amounts reclassified out of AOCI by the respective line items of net income but only if the amount reclassified is required under GAAP to be reclassified to net income in its entirety in the same reporting period. For other amounts that are not required under GAAP to be reclassified in their entirety to net income, an entity is required to cross-reference to other disclosures required under GAAP that provide additional detail about those amounts. The adoption was prospectively applied and resulted in additional disclosures in Note 10.

Effective January 1, 2013, the Company adopted new guidance regarding balance sheet offsetting disclosures which requires an entity to disclose information about offsetting and related arrangements for derivatives, including bifurcated embedded derivatives, repurchase and reverse repurchase agreements, and securities borrowing and lending transactions, to enable users of its financial statements to understand the effects of those arrangements on its financial position. Entities are required to disclose both gross information and net information about both instruments and transactions eligible for offset in the statement of financial position and instruments and transactions subject to an agreement similar to a master netting arrangement. The adoption was retrospectively applied and resulted in additional disclosures related to derivatives in Note 7.

Future Adoption of New Accounting Pronouncements

In July 2013, the Financial Accounting Standards Board (FASB) issued new guidance regarding derivatives (Accounting Standards Update (ASU) 2013-10, *Derivatives and Hedging (Topic 815): Inclusion of the Fed Funds Effective Swap Rate (or Overnight Index Swap Rate (OIS)) as a Benchmark Interest Rate for Hedge Accounting Purposes)*, effective prospectively for qualifying new or redesignated hedging relationships entered into on or after July 17, 2013. The amendments permit the Fed Funds Effective Swap Rate (or OIS) to be used as a U.S. benchmark interest rate for hedge accounting purposes under Topic 815, in addition to the United States Treasury and London Inter-Bank Offered Rate (LIBOR). Also, the amendments remove the restriction on using different benchmark rates for similar hedges. The Company has adopted this new guidance in July 2013. The new guidance will not have a material impact on the consolidated financial statements upon adoption, but may impact the selection of benchmark interest rates for hedging relationships in the future.

In March 2013, the FASB issued new guidance regarding foreign currency (ASU 2013-05, *Foreign Currency Matters (Topic 830): Parent s Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity)*, effective prospectively for fiscal years and interim reporting periods within those years beginning after December 15, 2013. The amendments require an entity that ceases to have a controlling financial interest in a subsidiary or group of assets within a foreign entity to apply the guidance in Subtopic 830-30, *Foreign Currency Matters Translation of Financial Statements,* to release any related cumulative translation adjustment into net income. Accordingly, the cumulative translation adjustment should be released into net income only if the sale or transfer results in the complete or substantially complete liquidation of the foreign entity in which the subsidiary or group of assets had resided. For an equity method investment that is a foreign entity, the partial sale guidance

MetLife, Inc.

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

in section 830-30-40, *Derecognition*, still applies. As such, a pro rata portion of the cumulative translation adjustment should be released into net income upon a partial sale of such an equity method investment. The Company is currently evaluating the impact of this guidance on its consolidated financial statements.

In February 2013, the FASB issued new guidance regarding liabilities (ASU 2013-04, *Liabilities (Topic 405): Obligations Resulting from Joint and Several Liability Arrangements for Which the Total Amount of the Obligation Is Fixed at the Reporting Date)*, effective retrospectively for fiscal years beginning after December 15, 2013 and interim periods within those years. The amendments require an entity to measure obligations resulting from joint and several liability arrangements for which the total amount of the obligation within the scope of the guidance is fixed at the reporting date, as the sum of the amount the reporting entity agreed to pay on the basis of its arrangement among its co-obligors and any additional amount the reporting entity expects to pay on behalf of its co-obligors. In addition, the amendments require an entity to disclose the nature and amount of the obligation, as well as other information about the obligations. The Company is currently evaluating the impact of this guidance on its consolidated financial statements.

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

2. Segment Information

MetLife is organized into six segments, reflecting three broad geographic regions: Retail; Group, Voluntary & Worksite Benefits; Corporate Benefit Funding; and Latin America (collectively, the Americas); Asia; and EMEA. In addition, the Company reports certain of its results of operations in Corporate & Other, which includes MetLife Bank, National Association (MetLife Bank) (see Note 3) and other business activities.

As anticipated, in the third quarter of 2012, the Company continued to realign certain products and businesses among its existing segments. Management realigned certain individual disability income and property & casualty products, which were previously reported in the Group, Voluntary & Worksite Benefits segment and began reporting such product results in the Retail segment. In accordance with this realignment, prior period operating earnings for the Retail segment increased by $28 million, net of $6 million of income tax, and $89 million, net of $25 million of income tax, with a corresponding decrease in the Group, Voluntary & Worksite Benefits segment, for the three months and six months ended June 30, 2012, respectively. Management also realigned the businesses in South Asia and India, which were previously reported in the EMEA segment and began reporting such results in the Asia segment. In accordance with this realignment, prior period operating earnings for the Asia segment increased by $4 million, net of $2 million of income tax, and $8 million, net of $4 million of income tax, with a corresponding decrease in the EMEA segment, for the three months and six months ended June 30, 2012, respectively.

MetLife, Inc.

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

Americas

The Americas consists of the following segments:

Retail

The Retail segment offers a broad range of protection products and services and a variety of annuities to individuals and employees of corporations and other institutions, and is organized into two businesses: Life & Other and Annuities. Life & Other insurance products and services include variable life, universal life, term life and whole life products. Additionally, through broker-dealer affiliates, the Company offers a full range of mutual funds and other securities products. Life & Other products and services also include individual disability income products and personal lines property & casualty insurance, including private passenger automobile, homeowners and personal excess liability insurance. Annuities includes a variety of variable and fixed annuities which provide for both asset accumulation and asset distribution needs.

Group, Voluntary & Worksite Benefits

The Group, Voluntary & Worksite Benefits segment offers a broad range of protection products and services to individuals and corporations, as well as other institutions and their respective employees, and is organized into two businesses: Group and Voluntary & Worksite. Group insurance products and services include variable life, universal life and term life products. Group insurance products and services also include dental, group short- and long-term disability and accidental death & dismemberment coverages. The Voluntary & Worksite business includes personal lines property & casualty insurance, including private passenger automobile, homeowners and personal excess liability insurance offered to employees on a voluntary basis. The Voluntary & Worksite business also includes long-term care, prepaid legal plans and critical illness products.

Corporate Benefit Funding

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

Latin America

The Latin America segment offers a broad range of products to both individuals and corporations, as well as other institutions and their respective employees, which include life insurance, accident and health insurance, group medical, dental, credit insurance, endowment and retirement & savings products written in Latin America. Starting in the first quarter of 2013, the Latin America segment includes U.S. sponsored direct business, comprised of group products sold through sponsoring organizations and affinity groups. Products included are life, dental, group short- and long-term disability, accidental death & dismemberment coverages, property & casualty and critical illness.

Asia

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

MetLife, Inc.

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

EMEA

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

Corporate & Other

Corporate & Other contains the excess capital not allocated to the segments, external integration costs, internal resource costs for associates committed to acquisitions, enterprise-wide strategic initiative restructuring charges, and various start-up and certain run-off businesses. Start-up businesses include expatriate benefits insurance, as well as direct and digital marketing products. Corporate & Other also includes assumed reinsurance of certain variable annuity products from the Company s former operating joint venture in Japan. Under this in-force reinsurance agreement, the Company reinsures living and death benefit guarantees issued in connection with variable annuity products. Additionally, Corporate & Other includes interest expense related to the majority of the Company s outstanding debt and expenses associated with certain legal proceedings and income tax audit issues. Corporate & Other also includes the elimination of intersegment amounts, which generally relate to intersegment loans, which bear interest rates commensurate with related borrowings.

Financial Measures and Segment Accounting Policies

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

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

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

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

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

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

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

MetLife, Inc.

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

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

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

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

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

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

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

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

Operating earnings also excludes the recognition of certain contingent assets and liabilities that could not be recognized at acquisition or adjusted for during the measurement period under GAAP business combination accounting guidance.

In the third quarter of 2012, MetLife began reporting additional MetLife Bank operations as Divested Businesses. See Note 3 of the Notes to the Consolidated Financial Statements included in the 2012 Annual Report. Consequently, prior period results for Corporate & Other have increased by $6 million, net of $5 million of income tax, and $7 million, net of $5 million of income tax, for the three months and six months ended June 30, 2012, respectively.

Set forth in the tables below is certain financial information with respect to the Company s segments, as well as Corporate & Other, for the three months and six months ended June 30, 2013 and 2012. The segment accounting policies are the same as those used to prepare the Company s consolidated financial statements, except for operating earnings adjustments as defined above. In addition, segment accounting policies include the method of capital allocation described below.

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

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MetLife, Inc.

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

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

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

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MetLife, Inc.

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

	Operating Earnings									
	Americas									
ns Ended June 30, 2013	**Retail**	**Group, Voluntary & Worksite Benefits**	**Corporate Benefit Funding**	**Latin America**	**Total**	**Asia**	**EMEA**	**Corporate & Other**	**Total**	**Adjustment**
					(In millions)					
	$ 1,581	$ 3,797	$ 503	$ 710	$ 6,591	$ 1,980	$ 558	$ 28	$ 9,157	$ 1
and investment-type product policy fees	1,238	170	65	235	1,708	442	96	35	2,281	90
nt income	1,987	472	1,443	281	4,183	723	120	78	5,104	178
es	257	105	67	5	434	28	34	4	500	(10)
nt gains (losses)										110
e gains (losses)										(1,690)
es	5,063	4,544	2,078	1,231	12,916	3,173	808	145	17,042	(1,321)
benefits and claims and policyholder dividends	2,272	3,514	1,110	601	7,497	1,433	256	18	9,204	85
ted to policyholder account balances	589	39	305	103	1,036	437	37	11	1,521	325
n of DAC	(344)	(35)	(6)	(108)	(493)	(522)	(192)	(5)	(1,212)	
of DAC and VOBA	396	33	6	83	518	392	195		1,105	(147)
of negative VOBA						(113)	(11)		(124)	(14)
nse on debt	1	1	2	1	5		(1)	283	287	34
es	1,265	578	121	390	2,354	1,054	460	146	4,014	82
es	4,179	4,130	1,538	1,070	10,917	2,681	744	453	14,795	365
income tax expense (benefit)	303	139	190	36	668	162	(4)	(203)	623	(570)
arnings	$581	$ 275	$ 350	$ 125	$ 1,331	$ 330	$ 68	$ (105)	1,624	
to:										
es									(1,321)	
es									(365)	
income tax (expense) benefit									570	
) from continuing operations, net of income tax									$ 508	

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MetLife, Inc.

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

	Operating Earnings										
	Americas										
hree Months Ended June 30, 2012	**Retail**	**Group, Voluntary & Worksite Benefits**	**Corporate Benefit Funding**	**Latin America**	**Total**	**Asia**	**EMEA**	**Corporate & Other**	**Total**	**Adjustments**	**Total Consolidatec**
						(In millions)					
evenues											
remiums	$ 1,576	$ 3,683	$ 523	$ 652	$ 6,434	$ 2,064	$ 627	$ 14	$ 9,139	$ 22	$ 9,161
niversal life and investment-type roduct policy fees	1,119	165	57	196	1,537	352	71	39	1,999	98	2,097
et investment income	1,894	439	1,431	283	4,047	760	127	238	5,172	(453)	4,719
ther revenues	217	112	65	3	397	(3)	27	5	426	(33)	393
et investment gains (losses)										(64)	(64)
et derivative gains (losses)										2,092	2,092
otal revenues	4,806	4,399	2,076	1,134	12,415	3,173	852	296	16,736	1,662	18,398
xpenses											
olicyholder benefits and claims and olicyholder dividends	2,212	3,391	1,131	568	7,302	1,435	343	52	9,132	131	9,263
nterest credited to policyholder ccount balances	590	43	338	90	1,061	426	26	12	1,525	(503)	1,022
apitalization of DAC	(446)	(33)	(8)	(71)	(558)	(555)	(200)		(1,313)	(2)	(1,315)
mortization of DAC and VOBA	477	28	4	54	563	419	180		1,162	317	1,479
mortization of negative VOBA				(1)	(1)	(128)	(35)		(164)	(17)	(181)
nterest expense on debt			2		2	4	1	290	297	45	342
ther expenses	1,355	570	120	323	2,368	1,153	422	108	4,051	399	4,450
otal expenses	4,188	3,999	1,587	963	10,737	2,754	737	462	14,690	370	15,060
rovision for income tax expense benefit)	210	133	171	36	550	140	37	(144)	583	455	1,038
perating earnings	$ 408	$ 267	$ 318	$ 135	$ 1,128	$ 279	$ 78	$ (22)	1,463		
djustments to:											
otal revenues									1,662		
otal expenses									(370)		
rovision for income tax (expense) benefit									(455)		
ncome (loss) from continuing operations, net of income tax									$ 2,300		$ 2,300

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MetLife, Inc.

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

	Operating Earnings										
	Americas										
x Months Ended June 30, 2013	**Retail**	**Group, Voluntary & Worksite Benefits**	**Corporate Benefit Funding**	**Latin America**	**Total**	**Asia**	**EMEA**	**Corporate & Other**	**Total**	**Adjustments**	**Total Consolidate**
						(In millions)					
evenues											
emiums	$ 3,128	$ 7,671	$ 967	$ 1,385	$ 13,151	$ 3,978	$ 1,125	$ 54	$ 18,308	$ 1	$ 18,309
niversal life and investment-type oduct policy fees	2,405	350	133	460	3,348	886	187	71	4,492	170	4,662
et investment income	3,948	925	2,878	558	8,309	1,455	248	224	10,236	1,123	11,359
ther revenues	500	213	140	9	862	41	61	17	981	(11)	970
et investment gains (losses)										424	424
et derivative gains (losses)										(2,320)	(2,320)
otal revenues	9,981	9,159	4,118	2,412	25,670	6,360	1,621	366	34,017	(613)	33,404
xpenses											
licyholder benefits and claims d policyholder dividends	4,425	7,154	2,208	1,155	14,942	2,848	493	27	18,310	687	18,997
terest credited to policyholder count balances	1,168	78	648	207	2,101	879	72	23	3,075	1,361	4,436
apitalization of DAC	(718)	(68)	(23)	(213)	(1,022)	(1,068)	(369)	(9)	(2,468)		(2,468
mortization of DAC and VOBA	727	67	17	157	968	793	360		2,121	(339)	1,782
mortization of negative VOBA				(1)	(1)	(226)	(28)		(255)	(29)	(284
terest expense on debt	1	1	4		6			569	575	67	642
ther expenses	2,543	1,166	264	762	4,735	2,148	908	310	8,101	390	8,491
otal expenses	8,146	8,398	3,118	2,067	21,729	5,374	1,436	920	29,459	2,137	31,596
ovision for income tax expense enefit)	628	256	351	77	1,312	323	30	(396)	1,269	(964)	305
perating earnings	$ 1,207	$ 505	$ 649	$ 268	$ 2,629	$ 663	$ 155	$ (158)	3,289		
djustments to:											
otal revenues									(613)		
otal expenses									(2,137)		
ovision for income tax (expense) benefit									964		
come (loss) from continuing operations, net of income tax									$ 1,503		$ 1,503

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MetLife, Inc.

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

	Operating Earnings									
	Americas									
nded June 30, 2012	**Retail**	**Group, Voluntary & Worksite Benefits**	**Corporate Benefit Funding**	**Latin America**	**Total**	**Asia**	**EMEA**	**Corporate & Other**	**Total**	**Adjustments**
						(In millions)				
	$ 3,200	$ 7,268	$ 1,030	$ 1,338	$ 12,836	$ 4,103	$ 1,279	$ 28	$ 18,246	$ 44
and investment-type product policy fees	2,233	331	108	392	3,064	714	151	79	4,008	167
t income	3,805	875	2,832	582	8,094	1,441	284	430	10,249	670
.	426	220	129	8	783	13	63	19	878	112
t gains (losses)										(174)
gains (losses)										114
	9,664	8,694	4,099	2,320	24,777	6,271	1,777	556	33,381	933
enefits and claims and policyholder dividends	4,440	6,704	2,223	1,160	14,527	2,795	686	63	18,071	639
d to policyholder account balances	1,186	85	677	190	2,138	855	59	12	3,064	515
of DAC	(922)	(64)	(15)	(155)	(1,156)	(1,142)	(377)		(2,675)	(4)
f DAC and VOBA	881	58	14	109	1,062	792	326		2,180	13
f negative VOBA				(3)	(3)	(259)	(39)		(301)	(35)
e on debt			4	1	5	5	1	601	612	88
s	2,752	1,145	248	649	4,794	2,344	893	263	8,294	924
	8,337	7,928	3,151	1,951	21,367	5,390	1,549	939	29,245	2,140
ncome tax expense (benefit)	450	256	332	86	1,124	301	78	(324)	1,179	(416)
nings	$ 877	$ 510	$ 616	$ 283	$ 2,286	$ 580	$ 150	$ (59)	2,957	
:										
									933	
									(2,140)	
ncome tax (expense) benefit									416	
from continuing operations, net of income tax									$ 2,166	

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MetLife, Inc.

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

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

	June 30, 2013	December 31, 2012
	(In millions)	
Retail	$ 336,021	$ 332,387
Group, Voluntary & Worksite Benefits	43,441	44,138
Corporate Benefit Funding	219,978	217,352
Latin America	23,300	23,272
Asia	118,197	131,138
EMEA	23,293	23,474
Corporate & Other	51,432	65,020
Total	$ 815,662	$ 836,781

3. Acquisitions and Disposition

2013 Pending Acquisition

Provida

On February 1, 2013, MetLife, Inc. announced that it has entered into a definitive agreement with Banco Bilbao Vizcaya Argentaria, S.A. (BBVA) and BBVA Inversiones Chile S.A. (together with BBVA, the BBVA Sellers) to acquire Administradora de Fondos de Pensiones Provida S.A. (Provida), the largest private pension fund administrator in Chile by assets under management and number of contributors. Under the terms of the agreement, MetLife will conduct a public cash tender offer for all of the outstanding shares of Provida, and the BBVA Sellers have agreed to transfer their 64.3% stake to MetLife. Assuming all publicly-held shares are tendered, the purchase price, which MetLife, Inc. and certain of its subsidiaries will fund from their existing cash balances, would be approximately $2.1 billion. The transaction is anticipated to close in the fourth quarter of 2013, subject to the satisfaction of certain customary conditions.

2013 Disposition

MetLife Bank

On January 11, 2013, MetLife Bank and MetLife, Inc. completed the sale of MetLife Bank s $6.4 billion of deposits to GE Capital Retail Bank for $6.4 billion in net consideration paid. On February 14, 2013, MetLife, Inc. announced that it had received the required approvals from both the Federal Deposit Insurance Corporation and the Board of Governors of the Federal Reserve System (the Federal Reserve Board) to de-register as a bank holding company. Subsequently, MetLife Bank terminated its deposit insurance and MetLife, Inc. de-registered as a bank holding company.

MetLife Bank has sold or has otherwise committed to exit substantially all of its operations. In conjunction with exiting its businesses (the MetLife Bank Divestiture), the Company recorded net losses of $15 million and $74 million, net of income tax, for the three months and six months ended June 30, 2013, respectively, related to the gain on disposal of the depository business and other costs related to MetLife Bank s businesses. For the three months and six months ended June 30, 2012, the Company recorded net losses of $117 million and $110 million, respectively, net of income tax, related to the loss on disposal of mortgage servicing rights

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MetLife, Inc.

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

(MSRs), gains (losses) on securities and mortgage loans sold, and other costs related to MetLife Bank s businesses. See Note 3 of the Notes to the Consolidated Financial Statements included in the 2012 Annual Report. The Company expects to incur additional charges of $65 million to $90 million, net of income tax, exclusive of incremental legal settlements, related to the MetLife Bank Divestiture. See Note 14.

Each of the businesses that were exited could not be separated from the rest of the MetLife Bank operations since the Company did not separately manage the businesses as a reportable segment, operating segment, or reporting unit. As a result, the businesses have not been reported as discontinued operations in the consolidated financial statements.

2010 Acquisition

American Life Insurance Company

Branch Restructuring

During the first quarter of 2013, and in accordance with the closing agreement, American Life Insurance Company (American Life) entered into on March 4, 2010 (the Closing Agreement) with the Commissioner of the Internal Revenue Service (see Note 3 of the Notes to the Consolidated Financial Statements included in the 2012 Annual Report), the Company transferred the business of American Life in Portugal and Spain to wholly-owned subsidiaries. The deferred tax asset valuation allowance associated with this branch restructuring was reduced from $25 million at December 31, 2012 to $0 at June 30, 2013. For further information, see Note 19 of the Notes to the Consolidated Financial Statements included in the 2012 Annual Report.

A liability of $277 million was recognized in purchase accounting at November 1, 2010 for the anticipated and estimated costs associated with restructuring American Life s foreign branches into subsidiaries in connection with the Closing Agreement. This liability has been reduced based on payments and revised estimates through June 30, 2013 resulting in a liability of $48 million at June 30, 2013.

Japan Income Tax Refund

In December 2012, the Tokyo District Court ruled in favor of the Japan branch of American Life in a tax case related to the deduction of unrealized foreign exchange losses on certain securities held by American Life prior to its acquisition by MetLife. See Note 3 of the Notes to the Consolidated Financial Statements included in the 2012 Annual Report. During the first quarter of 2013, American Life received a refund of ¥16 billion ($176 million) related to income tax, interest and penalties. Under the indemnification provisions of the stock purchase agreement dated March 7, 2010, as amended, by and among MetLife, Inc., American International Group, Inc. (AIG) and AM Holdings LLC (formerly known as ALICO Holdings LLC), MetLife, Inc. has remitted the refund to AIG, net of certain amounts it can retain as a counter claim. The receipt of the refund, net of obligations to AIG with related foreign currency exchange impact and corresponding U.S. tax effects, resulted in a net charge of $16 million in the interim condensed consolidated statements of operations and comprehensive income for the six months ended June 30, 2013, which was comprised of a $154 million charge included in other expenses, a $19 million gain included in other net investment gains (losses) and a $119 million benefit included in provision for income tax expense (benefit).

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MetLife, Inc.

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

4. Insurance

Guarantees

As discussed in Notes 1 and 4 of the Notes to the Consolidated Financial Statements included in the 2012 Annual Report, the Company issues variable annuity products with guaranteed minimum benefits. The non-life-contingent portion of guaranteed minimum withdrawal benefits (GMWBs) and the portion of certain GMIBs that does not require annuitization are accounted for as embedded derivatives in PABs and are further discussed in Note 7.

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

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

Variable Annuity Guarantees

In the Event of Death

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

At Annuitization

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

Two Tier Annuities

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

Universal and Variable Life Contracts

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

MetLife, Inc.

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

Information regarding the types of guarantees relating to annuity contracts and universal and variable life contracts was as follows at:

	June 30, 2013		December 31, 2012	
	In the Event of Death	At Annuitization	In the Event of Death	At Annuitization
	(In millions)			
***Annuity Contracts* (1)**				
Variable Annuity Guarantees				
Total contract account value (2)	$ 188,810	$ 92,875	$ 184,095	$ 89,137
Separate account value	$ 151,039	$ 88,730	$ 143,893	$ 84,354
Net amount at risk	$ 6,744	$ 3,585	$ 9,501	$ 4,593
Average attained age of contractholders	63 years	64 years	62 years	62 years
Two Tier Annuities				
General account value	N/A	$ 854	N/A	$ 848
Net amount at risk	N/A	$ 221	N/A	$ 232
Average attained age of contractholders	N/A	52 years	N/A	51 years

	June 30, 2013		December 31, 2012	
	Secondary Guarantees	Paid-Up Guarantees	Secondary Guarantees	Paid-Up Guarantees
	(In millions)			
***Universal and Variable Life Contracts* (1)**				
Account value (general and separate account)	$ 15,201	$ 3,757	$ 14,256	$ 3,828
Net amount at risk	$ 186,976	$ 22,440	$ 189,197	$ 23,276
Average attained age of policyholders	55 years	60 years	54 years	60 years

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

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

5. Closed Block

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

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

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MetLife, Inc.

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

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.

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

	June 30, 2013	December 31, 2012
	(In millions)	
Closed Block Liabilities		
Future policy benefits	$ 42,228	$ 42,586
Other policy-related balances	284	298
Policyholder dividends payable	489	466
Policyholder dividend obligation	2,273	3,828
Current income tax payable	21	
Other liabilities	635	602
Total closed block liabilities	45,930	47,780
Assets Designated to the Closed Block		
Investments:		
Fixed maturity securities available-for-sale, at estimated fair value	28,725	30,546
Equity securities available-for-sale, at estimated fair value	94	41
Mortgage loans	6,243	6,192
Policy loans	4,670	4,670
Real estate and real estate joint ventures	463	459
Other invested assets	963	953
Total investments	41,158	42,861
Cash and cash equivalents	302	381
Accrued investment income	492	481
Premiums, reinsurance and other receivables	87	107
Current income tax recoverable		2
Deferred income tax assets	324	319
Total assets designated to the closed block	42,363	44,151
Excess of closed block liabilities over assets designated to the closed block	3,567	3,629
Amounts included in AOCI:		
Unrealized investment gains (losses), net of income tax	1,825	2,891
Unrealized gains (losses) on derivatives, net of income tax	15	9
Allocated to policyholder dividend obligation, net of income tax	(1,477)	(2,488)
Total amounts included in AOCI	363	412
Maximum future earnings to be recognized from closed block assets and liabilities	$ 3,930	$ 4,041

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

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

	Six Months Ended June 30, 2013	Year Ended December 31, 2012
	(In millions)	
Balance, beginning of period	$ 3,828	$ 2,919
Change in unrealized investment and derivative gains (losses)	(1,555)	909
Balance, end of period	$ 2,273	$ 3,828

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
	(In millions)			
Revenues				
Premiums	$ 489	$ 528	$ 953	$ 1,026
Net investment income	529	539	1,062	1,089
Net investment gains (losses)	24	13	27	24
Net derivative gains (losses)	7	11	15	2
Total revenues	1,049	1,091	2,057	2,141
Expenses				
Policyholder benefits and claims	669	700	1,312	1,362
Policyholder dividends	247	275	489	543
Other expenses	43	46	85	91
Total expenses	959	1,021	1,886	1,996
Revenues, net of expenses before provision for income tax expense (benefit)	90	70	171	145
Provision for income tax expense (benefit)	33	25	60	52
Revenues, net of expenses and provision for income tax expense (benefit) from continuing operations	57	45	111	93
Revenues, net of expenses and provision for income tax expense (benefit) from discontinued operations				4
Revenues, net of expenses and provision for income tax expense (benefit)	$ 57	$ 45	$ 111	$ 97

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

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MetLife, Inc.

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

6. Investments

Fixed Maturity and Equity Securities Available-for-Sale

Fixed Maturity and Equity Securities Available-for-Sale by Sector

The following table presents the fixed maturity and equity securities available-for-sale (AFS) by sector. The unrealized loss amounts presented below include the noncredit loss component of other-than-temporary impairments (OTTI) losses. Redeemable preferred stock is reported within U.S. corporate and foreign corporate fixed maturity securities and non-redeemable preferred stock is reported within equity securities. Included within fixed maturity securities are structured securities including residential mortgage-backed securities (RMBS), commercial mortgage-backed securities (CMBS) and asset-backed securities (ABS).

	June 30, 2013					December 31, 2012				
		Gross Unrealized					Gross Unrealized			
	Cost or Amortized Cost	Gains	Temporary Losses	OTTI Losses	Estimated Fair Value	Cost or Amortized Cost	Gains	Temporary Losses	OTTI Losses	Estimated Fair Value
	(In millions)									
Fixed maturity securities:										
U.S. corporate	$ 101,627	$ 8,398	$ 1,017	$	$ 109,008	$ 102,669	$ 11,887	$ 430	$	$ 114,126
Foreign corporate (1)	60,928	3,893	636	(1)	64,186	61,806	5,654	277	(1)	67,184
Foreign government	48,199	4,373	275		52,297	51,967	5,440	71		57,336
U.S. Treasury and agency	44,254	3,683	511		47,426	41,874	6,104	11		47,967
RMBS	35,295	1,848	436	266	36,441	35,666	2,477	315	349	37,479
CMBS	16,680	757	174		17,263	18,177	1,009	57		19,129
ABS	15,502	332	167	12	15,655	15,762	404	156	13	15,997
State and political subdivision	13,141	1,276	179		14,238	12,949	2,169	70		15,048
Total fixed maturity securities	$ 335,626	$ 24,560	$ 3,395	$ 277	$ 356,514	$ 340,870	$ 35,144	$ 1,387	$ 361	$ 374,266
Equity securities:										
Common stock	$ 1,895	$ 344	$ 8	$	$ 2,231	$ 2,034	$ 147	$ 19	$	$ 2,162
Non-redeemable preferred stock	1,027	59	86		1,000	804	65	140		729
Total equity securities	$ 2,922	$ 403	$ 94	$	$ 3,231	$ 2,838	$ 212	$ 159	$	$ 2,891

(1) OTTI losses, as presented above, represent the noncredit portion of OTTI losses that is included in AOCI. 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 position of $1 million at both June 30, 2013 and December 31, 2012, due to increases in estimated fair value subsequent to initial recognition of noncredit losses on such securities. See also Net Unrealized Investment Gains (Losses).

MetLife, Inc.

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

The Company held non-income producing fixed maturity securities with an estimated fair value of $69 million and $85 million with unrealized gains (losses) of $22 million and $11 million at June 30, 2013 and December 31, 2012, respectively.

Maturities of Fixed Maturity Securities

The amortized cost and estimated fair value of fixed maturity securities, by contractual maturity date, were as follows at:

	June 30, 2013		December 31, 2012	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
	(In millions)			
Due in one year or less	$ 20,433	$ 20,684	$ 24,177	$ 24,394
Due after one year through five years	69,684	73,065	66,973	70,759
Due after five years through ten years	77,693	84,144	82,376	91,975
Due after ten years	100,339	109,262	97,739	114,533
Subtotal	268,149	287,155	271,265	301,661
Structured securities (RMBS, CMBS and ABS)	67,477	69,359	69,605	72,605
Total fixed maturity securities	$ 335,626	$ 356,514	$ 340,870	$ 374,266

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

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MetLife, Inc.

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

Continuous Gross Unrealized Losses for Fixed Maturity and Equity Securities AFS by Sector

The following table presents the estimated fair value and gross unrealized losses of fixed maturity and equity securities AFS 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 include the noncredit component of OTTI loss.

	June 30, 2013				December 31, 2012			
	Less than 12 Months		Equal to or Greater than 12 Months		Less than 12 Months		Equal to or Greater than 12 Months	
	Estimated Fair Value	Gross Unrealized Losses	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	$ 15,848	$ 749	$ 2,291	$ 268	$ 3,799	$ 88	$ 3,695	$ 342
Foreign corporate	11,417	486	1,602	149	2,783	96	2,873	180
Foreign government	5,802	237	290	38	1,431	22	543	49
U.S. Treasury and agency	16,198	511			1,951	11		
RMBS	9,711	288	2,531	414	735	31	4,098	633
CMBS	3,198	149	278	25	842	11	577	46
ABS	3,797	88	919	91	1,920	30	1,410	139
State and political subdivision	2,043	124	226	55	260	4	251	66
Total fixed maturity securities	$ 68,014	$ 2,632	$ 8,137	$ 1,040	$ 13,721	$ 293	$ 13,447	$ 1,455
Equity securities:								
Common stock	$ 70	$ 7	$ 16	$ 1	$ 201	$ 18	$ 14	$ 1
Non-redeemable preferred stock	379	18	250	68			295	140
Total equity securities	$ 449	$ 25	$ 266	$ 69	$ 201	$ 18	$ 309	$ 141
Total number of securities in an unrealized loss position	4,443		886		1,941		1,335	

Evaluation of AFS Securities for OTTI and Evaluating Temporarily Impaired AFS Securities

As described more fully in Notes 1 and 8 of the Notes to the Consolidated Financial Statements included in the 2012 Annual Report, the Company performs a regular evaluation of all investment classes for impairment, 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.

MetLife, Inc.

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

Current Period Evaluation

Based on the Company s current evaluation of its AFS 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 at June 30, 2013. Future OTTI 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 deteriorate or if there are adverse changes in the above factors, OTTI may be incurred in upcoming periods.

Gross unrealized losses on fixed maturity securities in an unrealized loss position increased $2.0 billion during the six months ended June 30, 2013 from $1.7 billion to $3.7 billion. The increase in gross unrealized losses for the six months ended June 30, 2013, was primarily attributable to an increase in interest rates and widening credit spreads.

At June 30, 2013, $266 million of the total $3.7 billion of gross unrealized losses were from 90 fixed maturity securities with an unrealized loss position of 20% or more of amortized cost for six months or greater.

Investment Grade Fixed Maturity Securities

Of the $266 million of gross unrealized losses on fixed maturity securities with an unrealized loss of 20% or more of amortized cost for six months or greater, $104 million, or 39%, are related to gross unrealized losses on 42 investment grade fixed maturity securities. Unrealized losses on investment grade fixed maturity securities are principally related to widening credit spreads and, with respect to fixed rate fixed maturity securities, rising interest rates since purchase.

Below Investment Grade Fixed Maturity Securities

Of the $266 million of gross unrealized losses on fixed maturity securities with an unrealized loss of 20% or more of amortized cost for six months or greater, $162 million, or 61%, are related to gross unrealized losses on 48 below investment grade fixed maturity securities. Unrealized losses on below investment grade fixed maturity securities are principally related to non-agency RMBS (primarily alternative residential mortgage loans), ABS (primarily foreign ABS) and foreign government securities (primarily European sovereign bonds) and are the result of significantly wider credit spreads resulting from higher risk premiums since purchase, largely due to economic and market uncertainties including concerns over unemployment levels, sovereign debt levels and valuations of residential real estate supporting non-agency RMBS. Management evaluates foreign government securities based on factors such as expected cash flows and the financial condition and near-term and long-term prospects of the issuer; and evaluates non-agency RMBS and ABS based on actual and projected cash flows after considering the quality of underlying collateral, expected prepayment speeds, current and forecasted loss severity, consideration of the payment terms of the underlying assets backing a particular security, and the payment priority within the tranche structure of the security.

Equity Securities

Equity securities in an unrealized loss position decreased $65 million during the six months ended June 30, 2013 from $159 million to $94 million. Of the $94 million, $50 million were from 10 equity securities with gross unrealized losses of 20% or more of cost for 12 months or greater, all of which were financial services industry investment grade non-redeemable preferred stock, of which 64% were rated A, AA, or AAA.

MetLife, Inc.

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

Fair Value Option and Trading Securities

See Note 8 for tables that present the categories of securities that comprise fair value option (FVO) and trading securities. See Net Investment Income and Net Investment Gains (Losses) for the net investment income recognized on FVO and trading securities and the related changes in estimated fair value subsequent to purchase included in net investment income and net investment gains (losses) for securities still held as of the end of the respective periods, as applicable.

Mortgage Loans

Mortgage Loans Held-for-Investment and Held-for-Sale by Portfolio Segment

Mortgage loans are summarized as follows at:

	June 30, 2013		December 31, 2012	
	Carrying Value (In millions)	% of Total	Carrying Value (In millions)	% of Total
Mortgage loans held-for-investment:				
Commercial	$ 39,110	70.3 %	$ 40,472	71.0 %
Agricultural	12,669	22.8	12,843	22.5
Residential	1,741	3.1	958	1.7
Subtotal (1)	53,520	96.2	54,273	95.2
Valuation allowances	(302)	(0.5)	(347)	(0.6)
Subtotal mortgage loans held-for-investment, net	53,218	95.7	53,926	94.6
Residential FVO	150	0.2		
Commercial mortgage loans held by CSEs	2,268	4.1	2,666	4.7
Total mortgage loans held-for-investment, net	55,636	100.0	56,592	99.3
Mortgage loans held for sale			414	0.7
Total mortgage loans, net	$ 55,636	100.0 %	$ 57,006	100.0 %

(1) Purchases of mortgage loans were $836 million and $886 million for the three months and six months ended June 30, 2013, respectively. There were no mortgage loan purchases for the three months and six months ended June 30, 2012.

See Variable Interest Entities for discussion of consolidated securitization entities (CSEs).

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MetLife, Inc.

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

Mortgage Loans and Valuation Allowance by Portfolio Segment

The carrying value prior to valuation allowance (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, were as follows:

	June 30, 2013				December 31, 2012			
	Commercial	Agricultural	Residential	Total	Commercial	Agricultural	Residential	Total
				(In millions)				
Mortgage loans:								
Evaluated individually for credit losses	$ 530	$ 159	$ 14	$ 703	$ 539	$ 181	$ 13	$ 733
Evaluated collectively for credit losses	38,580	12,510	1,727	52,817	39,933	12,662	945	53,540
Total mortgage loans	39,110	12,669	1,741	53,520	40,472	12,843	958	54,273
Valuation allowances:								
Specific credit losses	56	14	2	72	94	21	2	117
Non-specifically identified credit losses	186	35	9	230	199	31		230
Total valuation allowances	242	49	11	302	293	52	2	347
Mortgage loans, net of valuation allowance	$ 38,868	$ 12,620	$ 1,730	$ 53,218	$ 40,179	$ 12,791	$ 956	$ 53,926

Valuation Allowance Rollforward by Portfolio Segment

The changes in the valuation allowance, by portfolio segment, were as follows:

	Three Months Ended June 30,							
	2013				2012			
	Commercial	Agricultural	Residential	Total	Commercial	Agricultural	Residential	Total
				(In millions)				
Balance, beginning of period	$ 275	$ 54	$ 3	$ 332	$ 368	$ 75	$ 3	$ 446
Provision (release)	(33)	1	8	(24)	(68)		5	(63)
Charge-offs, net of recoveries		(6)		(6)		(16)		(16)
Transfers to held-for-sale (1)							(6)	(6)
Balance, end of period	$ 242	$ 49	$ 11	$ 302	$ 300	$ 59	$ 2	$ 361

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MetLife, Inc.

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

	Six Months Ended June 30,							
	2013				2012			
	Commercial	Agricultural	Residential	Total	Commercial	Agricultural	Residential	Total
	(In millions)							
Balance, beginning of period	$ 293	$ 52	$ 2	$ 347	$ 398	$ 81	$ 2	$ 481
Provision (release)	(51)	7	9	(35)	(98)	(6)	6	(98)
Charge-offs, net of recoveries		(10)		(10)		(16)		(16)
Transfers to held-for-sale (1)							(6)	(6)
Balance, end of period	$ 242	$ 49	$ 11	$ 302	$ 300	$ 59	$ 2	$ 361

(1) The valuation allowance on and the related carrying value of certain residential mortgage loans held-for-investment were transferred to mortgage loans held-for-sale in connection with the MetLife Bank Divestiture. See Note 3 of the Notes to the Consolidated Financial Statements included in the 2012 Annual Report.

Credit Quality of Commercial Mortgage Loans

Information about the credit quality of commercial mortgage loans held-for-investment is presented below at:

	Recorded Investment						
	Debt Service Coverage Ratios						
	> 1.20x	1.00x -1.20x	< 1.00x	Total	% of Total	Estimated Fair Value	% of Total
	(In millions)					(In millions)	
June 30, 2013:							
Loan-to-value ratios:							
Less than 65%	$ 29,341	$ 620	$ 356	$ 30,317	77.5 %	$ 32,188	78.4 %
65% to 75%	5,689	541	219	6,449	16.5	6,642	16.2
76% to 80%	322	297	384	1,003	2.6	1,001	2.4
Greater than 80%	1,041	149	151	1,341	3.4	1,240	3.0
Total	$ 36,393	$ 1,607	$ 1,110	$ 39,110	100.0 %	$ 41,071	100.0 %
December 31, 2012:							
Loan-to-value ratios:							
Less than 65%	$ 29,839	$ 730	$ 722	$ 31,291	77.3 %	$ 33,730	78.3 %
65% to 75%	5,057	672	153	5,882	14.6	6,129	14.2
76% to 80%	938	131	316	1,385	3.4	1,436	3.3
Greater than 80%	1,085	552	277	1,914	4.7	1,787	4.2

Total	$	36,919	$	2,085	$	1,468	$	40,472	100.0 %	$	43,082	100.0 %

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MetLife, Inc.

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

Credit Quality of Agricultural Mortgage Loans

Information about the credit quality of agricultural mortgage loans held-for-investment is presented below at:

	June 30, 2013		December 31, 2012	
	Recorded Investment (In millions)	% of Total	Recorded Investment (In millions)	% of Total
Loan-to-value ratios:				
Less than 65%	$ 11,631	91.8 %	$ 11,908	92.7 %
65% to 75%	842	6.6	590	4.6
76% to 80%	73	0.6	92	0.7
Greater than 80%	123	1.0	253	2.0
Total	$ 12,669	100.0 %	$ 12,843	100.0 %

The estimated fair value of agricultural mortgage loans held-for-investment was $13.0 billion and $13.3 billion at June 30, 2013 and December 31, 2012, respectively.

Credit Quality of Residential Mortgage Loans

Information about the credit quality of residential mortgage loans held-for-investment is presented below at:

	June 30, 2013		December 31, 2012	
	Recorded Investment (In millions)	% of Total	Recorded Investment (In millions)	% of Total
Performance indicators:				
Performing	$ 1,703	97.8 %	$ 929	97.0 %
Nonperforming	38	2.2	29	3.0
Total	$ 1,741	100.0 %	$ 958	100.0 %

The estimated fair value of residential mortgage loans held-for-investment was $1.8 billion and $1.0 billion at June 30, 2013 and December 31, 2012, respectively.

Past Due and Interest Accrual Status of Mortgage Loans

The Company has a high quality, well performing, mortgage loan portfolio, with 99% of all mortgage loans classified as performing at both June 30, 2013 and December 31, 2012. The Company defines delinquency consistent with industry practice, when the mortgage loan is past due as follows: commercial and residential mortgage loans 60 days; and agricultural mortgage loans 90 days. 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 and Still Accruing Interest		Nonaccrual Status	
	June 30, 2013	December 31, 2012	June 30, 2013	December 31, 2012	June 30, 2013	December 31, 2012
	(In millions)					
Commercial	$	$ 2	$	$	$ 204	$ 84
Agricultural	103	116	52	53	67	67
Residential	38	29	1		17	18
Total	$ 141	$ 147	$ 53	$ 53	$ 288	$ 169

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MetLife, Inc.

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

Impaired Mortgage Loans

Information regarding impaired mortgage loans held-for-investment, including those modified in a troubled debt restructuring, by portfolio segment, were as follows at:

	Loans with a Valuation Allowance				Loans without a Valuation Allowance		All Impaired Loans	
	Unpaid Principal Balance	Recorded Investment	Valuation Allowances	Carrying Value	Unpaid Principal Balance	Recorded Investment	Unpaid Principal Balance	Carrying Value
				(In millions)				
June 30, 2013:								
Commercial	$ 241	$ 228	$ 56	$ 172	$ 314	$ 302	$ 555	$ 474
Agricultural	87	84	14	70	81	75	168	145
Residential	13	13	2	11	1	1	14	12
Total	$ 341	$ 325	$ 72	$ 253	$ 396	$ 378	$ 737	$ 631
December 31, 2012:								
Commercial	$ 445	$ 436	$ 94	$ 342	$ 103	$ 103	$ 548	$ 445
Agricultural	110	107	21	86	79	74	189	160
Residential	13	13	2	11			13	11
Total	$ 568	$ 556	$ 117	$ 439	$ 182	$ 177	$ 750	$ 616

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

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

	Impaired Mortgage Loans							
	Three Months Ended June 30,				Six Months Ended June 30,			
	2013		2012		2013		2012	
	Average Recorded Investment	Interest Income	Average Recorded Investment	Interest Income	Average Recorded Investment	Interest Income	Average Recorded Investment	Interest Income
				(In millions)				
Commercial	$ 531	$ 4	$ 258	$	$ 534	$ 7	$ 283	$ 3
Agricultural	158	2	214	2	165	3	219	3
Residential	14		12		14		13	
Total	$ 703	$ 6	$ 484	$ 2	$ 713	$ 10	$ 515	$ 6

Mortgage Loans Modified in a Troubled Debt Restructuring

There was one agricultural mortgage loan and there were six residential mortgage loans modified in a troubled debt restructuring with pre-modification and post-modification carrying values of $4 million and $1 million, respectively, during both the three months and six months ended June 30, 2013. There were no mortgage loans modified in a troubled debt restructuring during the three months and six months ended June 30, 2012.

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

During the three months and six months ended June 30, 2013 and 2012, the Company had no mortgage loans with subsequent payment defaults that were modified in a troubled debt restructuring during the previous 12 months. Payment default is determined in the same manner as delinquency status as described above.

Cash Equivalents

The carrying value of cash equivalents, which includes securities and other investments with an original or remaining maturity of three months or less at the time of purchase, was $5.5 billion and $6.1 billion at June 30, 2013 and December 31, 2012, respectively.

Net Unrealized Investment Gains (Losses)

The components of net unrealized investment gains (losses), included in AOCI, were as follows at:

	June 30, 2013	December 31, 2012
	(In millions)	
Fixed maturity securities	$ 21,116	$ 33,641
Fixed maturity securities with noncredit OTTI losses in AOCI	(277)	(361)
Total fixed maturity securities	20,839	33,280
Equity securities	317	97
Derivatives	1,135	1,274
Other	(20)	(30)
Subtotal	22,271	34,621
Amounts allocated from:		
Insurance liability loss recognition	(2,212)	(6,049)
DAC and VOBA related to noncredit OTTI losses recognized in AOCI	11	19
DAC and VOBA	(1,608)	(2,485)
Policyholder dividend obligation	(2,273)	(3,828)
Subtotal	(6,082)	(12,343)
Deferred income tax benefit (expense) related to noncredit OTTI losses recognized in AOCI	92	119
Deferred income tax benefit (expense)	(5,820)	(7,973)
Net unrealized investment gains (losses)	10,461	14,424
Net unrealized investment gains (losses) attributable to noncontrolling interests	(18)	(5)
Net unrealized investment gains (losses) attributable to MetLife, Inc.	$ 10,443	$ 14,419

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MetLife, Inc.

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

The changes in fixed maturity securities with noncredit OTTI losses included in AOCI were as follows:

	Six Months Ended June 30, 2013		Year Ended December 31, 2012	
	(In millions)			
Balance, beginning of period	$	(361)	$	(724)
Noncredit OTTI losses and subsequent changes recognized (1)		35		(29)
Securities sold with previous noncredit OTTI loss		96		177
Subsequent changes in estimated fair value		(47)		215
Balance, end of period	$	(277)	$	(361)

(1) Noncredit OTTI losses and subsequent changes recognized, net of DAC, were $30 million and ($21) million for the six months ended June 30, 2013 and year ended December 31, 2012, respectively.

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

	Six Months Ended June 30, 2013 (In millions)	
Balance, beginning of period	$	14,419
Fixed maturity securities on which noncredit OTTI losses have been recognized		84
Unrealized investment gains (losses) during the period		(12,434)
Unrealized investment gains (losses) relating to:		
Insurance liability gain (loss) recognition		3,837
DAC and VOBA related to noncredit OTTI losses recognized in AOCI		(8)
DAC and VOBA		877
Policyholder dividend obligation		1,555
Deferred income tax benefit (expense) related to noncredit OTTI losses recognized in AOCI		(27)
Deferred income tax benefit (expense)		2,153
Net unrealized investment gains (losses)		10,456
Net unrealized investment gains (losses) attributable to noncontrolling interests		(13)
Balance, end of period	$	10,443
Change in net unrealized investment gains (losses)	$	(3,963)

Change in net unrealized investment gains (losses) attributable to noncontrolling interests		(13)
Change in net unrealized investment gains (losses) attributable to MetLife, Inc.	$	(3,976)

Concentrations of Credit Risk

Investments in any counterparty that were greater than 10% of the Company s equity, other than the U.S. government and its agencies, were in fixed income securities of the Japanese government and its agencies with an estimated fair value of $20.1 billion and $22.4 billion at June 30, 2013 and December 31, 2012, respectively. The Company s investment in fixed maturity and equity securities to counterparties that primarily conduct business in Japan, including Japan government and agency fixed maturity securities, was $25.2 billion and $28.7 billion at June 30, 2013 and December 31, 2012, respectively.

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MetLife, Inc.

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

Securities Lending

The Company participates in a securities lending program. Elements of the securities lending program are presented below at:

	June 30, 2013	December 31, 2012
	(In millions)	
Securities on loan: (1)		
Amortized cost	$ 28,058	$ 23,380
Estimated fair value	$ 29,574	$ 27,077
Cash collateral on deposit from counterparties (2)	$ 30,081	$ 27,727
Security collateral on deposit from counterparties (3)	$	$ 104
Reinvestment portfolio estimated fair value	$ 30,389	$ 28,112

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

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

(3) Security collateral on deposit from counterparties may not be sold or repledged, unless the counterparty is in default, and is not reflected in the consolidated financial statements.

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 and equity securities, and FVO and trading securities, and at carrying value for mortgage loans.

	June 30, 2013	December 31, 2012
	(In millions)	
Invested assets on deposit (regulatory deposits)	$ 2,457	$ 2,362
Invested assets held in trust (collateral financing arrangements and reinsurance agreements)	11,153	12,434
Invested assets pledged as collateral (1)	22,834	23,251
Total invested assets on deposit, held in trust and pledged as collateral	$ 36,444	$ 38,047

(1) The Company has pledged fixed maturity securities, mortgage loans and cash and cash equivalents in connection with various agreements and transactions, including funding agreements (see Notes 4 and 12 of the Notes to the Consolidated Financial Statements included in the 2012 Annual Report), collateral financing arrangements (see Note 13 of the Notes to the Consolidated Financial Statements included in the 2012 Annual Report) and derivative transactions (see Note 7).

Variable Interest Entities

The Company has invested in certain structured transactions (including CSEs), formed trusts to invest proceeds from certain collateral financing arrangements and has insurance operations, 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.

MetLife, Inc.

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

The determination of the VIE s primary beneficiary requires an evaluation of the contractual and implied rights and obligations associated with each party s relationship with or involvement in the entity, an estimate of the entity s expected losses and expected residual returns and the allocation of such estimates to each party involved in the entity. The Company generally uses a qualitative approach to determine whether it is the primary beneficiary. However, for VIEs that are investment companies or apply measurement principles consistent with those utilized by investment companies, the primary beneficiary is based on a risks and rewards model and is defined as the entity that will absorb a majority of a VIE s expected losses, receive a majority of a VIE s expected residual returns if no single entity absorbs a majority of expected losses, or both. The Company reassesses its involvement with VIEs on a quarterly basis. The use of different methodologies, assumptions and inputs in the determination of the primary beneficiary could have a material effect on the amounts presented within the consolidated financial statements.

Consolidated VIEs

The following table presents the total assets and total liabilities relating to VIEs for which the Company has concluded that it is the primary beneficiary and which are consolidated at June 30, 2013 and December 31, 2012. Creditors or beneficial interest holders of VIEs where the Company is the primary beneficiary have no recourse to the general credit of the Company, as the Company s obligation to the VIEs is limited to the amount of its committed investment.

	June 30, 2013		December 31, 2012	
	Total Assets	Total Liabilities	Total Assets	Total Liabilities
	(In millions)			
MRSC (collateral financing arrangement (primarily securities)) (1)	$ 3,505	$	$ 3,439	$
CSEs (assets (primarily loans) and liabilities (primarily debt)) (2)	2,309	2,135	2,730	2,545
Operating joint venture (3)	2,182	1,804		
Investments:				
Other limited partnership interests	180	11	356	8
FVO and trading securities	65		71	
Other invested assets	82		85	
Real estate joint ventures	10	15	11	14
Total	$ 8,333	$ 3,965	$ 6,692	$ 2,567

(1) See Note 13 of the Notes to the Consolidated Financial Statements included in the 2012 Annual Report for a description of the MetLife Reinsurance Company of South Carolina (MRSC) collateral financing arrangement. These assets primarily consist of fixed maturity securities.

(2) The Company consolidates former qualified special purpose entities (QSPEs) that are structured as CMBS and as collateralized debt obligations. The assets of these entities can only be used to settle their respective liabilities, and under no circumstances is the Company liable for any principal or interest shortfalls should any arise. The assets and liabilities of these CSEs are primarily commercial mortgage loans held-for-investment and long-term debt, respectively. The Company s exposure was limited to that of its remaining investment in the former QSPEs of $157 million and $168 million at estimated fair value at June 30, 2013 and December 31, 2012, respectively. The

long-term debt bears interest primarily at fixed rates ranging

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

from 2.25% to 5.57%, payable primarily on a monthly basis. Interest expense related to these obligations, included in other expenses, was $34 million and $67 million for the three months and six months ended June 30, 2013, respectively, and $42 million and $85 million for the three months and six months ended June 30, 2012, respectively.

(3) Assets of the operating joint venture are primarily fixed maturity securities and separate account assets. Liabilities of the operating joint venture are primarily future policy benefits, other policyholder funds and separate account liabilities. The assets and liabilities of the operating joint venture were consolidated in earlier periods, however as a result of the quarterly reassessment in the first quarter of 2013 it was determined to be a consolidated VIE.

Unconsolidated VIEs

The carrying amount and maximum exposure to loss relating to VIEs in which the Company holds a significant variable interest but is not the primary beneficiary and which have not been consolidated were as follows at:

	June 30, 2013		December 31, 2012	
	Carrying Amount	Maximum Exposure to Loss (1)	Carrying Amount	Maximum Exposure to Loss (1)
		(In millions)		
Fixed maturity securities AFS:				
Structured securities (RMBS, CMBS and ABS) (2)	$ 69,359	$ 69,359	$ 72,605	$ 72,605
U.S. and foreign corporate	4,759	4,759	5,287	5,287
Other limited partnership interests	4,798	6,369	4,436	5,908
Other invested assets	1,290	1,519	1,117	1,431
FVO and trading securities	629	629	563	563
Mortgage loans	185	185	351	351
Real estate joint ventures	115	121	150	157
Equity securities AFS:				
Non-redeemable preferred stock	32	32	32	32
Total	$ 81,167	$ 82,973	$ 84,541	$ 86,334

(1) The maximum exposure to loss relating to fixed maturity securities AFS, FVO and trading securities and equity securities AFS is equal to their carrying amounts or the carrying amounts of retained interests. The maximum exposure to loss relating to other limited partnership interests and real estate joint ventures is equal to the carrying amounts plus any unfunded commitments of the Company. 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 creditworthy third parties. 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 $302 million and $318 million at June 30, 2013 and December 31, 2012, respectively. Such a maximum loss would be expected to occur only upon bankruptcy of the issuer or investee.

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

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

As described in Note 14, the Company makes commitments to fund partnership investments in the normal course of business. Excluding these commitments, the Company did not provide financial or other support to investees designated as VIEs during the six months ended June 30, 2013 and 2012.

Net Investment Income

The components of net investment income were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
	(In millions)			
Investment income:				
Fixed maturity securities	$ 3,709	$ 3,737	$ 7,535	$ 7,545
Equity securities	36	38	60	70
FVO and trading securities Actively Traded Securities and FVO general account securities (1)	(11)	(1)	10	44
Mortgage loans	716	764	1,454	1,594
Policy loans	152	156	307	314
Real estate and real estate joint ventures	243	280	436	457
Other limited partnership interests	275	266	521	448
Cash, cash equivalents and short-term investments	45	39	94	75
International joint ventures	5	1	(9)	4
Other	49	80	112	121
Subtotal	5,219	5,360	10,520	10,672
Less: Investment expenses	287	258	587	517
Subtotal, net	4,932	5,102	9,933	10,155
FVO and trading securities FVO contractholder-directed unit-linked investments (1)	314	(517)	1,353	498
Securitized reverse residential mortgage loans		89		174
FVO CSEs interest income:				
Commercial mortgage loans	34	44	71	89
Securities	2	1	2	3
Subtotal	350	(383)	1,426	764
Net investment income	$ 5,282	$ 4,719	$ 11,359	$ 10,919

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

	Three Months Ended June 30, 2013	Three Months Ended June 30, 2012	Six Months Ended June 30, 2013	Six Months Ended June 30, 2012
	(In millions)			
Actively Traded Securities and FVO general account securities	$ (24)	$ (5)	$ (14)	$ 24
FVO contractholder-directed unit-linked investments	$ 123	$ (378)	$ 1,078	$ 499

See Variable Interest Entities for discussion of CSEs.

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

Net Investment Gains (Losses)

Components of Net Investment Gains (Losses)

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
	(In millions)			
Total gains (losses) on fixed maturity securities:				
Total OTTI losses recognized by sector and industry:				
U.S. and foreign corporate securities by industry:				
Utility	$ (27)	$ (13)	$ (32)	$ (51)
Finance			(10)	(32)
Consumer		(9)	(8)	(12)
Communications	(2)	(1)	(2)	(18)
Industrial				(1)
Other industries		(6)		(6)
Total U.S. and foreign corporate securities	(29)	(29)	(52)	(120)
RMBS	(10)	(37)	(47)	(46)
CMBS		(20)		(50)
ABS		(5)		(7)
State and political subdivision				(1)
OTTI losses on fixed maturity securities recognized in earnings	(39)	(91)	(99)	(224)
Fixed maturity securities net gains (losses) on sales and disposals	179	73	548	66
Total gains (losses) on fixed maturity securities (1)	140	(18)	449	(158)
Total gains (losses) on equity securities:				
Total OTTI losses recognized by sector:				
Non-redeemable preferred stock			(20)	
Common stock	(1)	(2)	(2)	(17)
OTTI losses on equity securities recognized in earnings	(1)	(2)	(22)	(17)
Equity securities net gains (losses) on sales and disposals	5	21	(1)	27
Total gains (losses) on equity securities	4	19	(23)	10
FVO and trading securities FVO general account securities changes in estimated fair value	4	(1)	8	3
Mortgage loans (1)	23	13	35	49
Real estate and real estate joint ventures	(9)	(16)	(23)	(20)
Other limited partnership interests	(41)	(9)	(41)	(11)

Other investment portfolio gains (losses)		27		(10)		34		(35)
Subtotal investment portfolio gains (losses) (1)		148		(22)		439		(162)
FVO CSEs changes in estimated fair value subsequent to consolidation:								
Commercial mortgage loans		(19)		(7)		(32)		(1)
Long-term debt related to commercial mortgage loans		26		10		48		10
Long-term debt related to securities		1		1				(10)
Non-investment portfolio gains (losses) (2)		(46)		(46)		(31)		(11)
Subtotal FVO CSEs and non-investment portfolio gains (losses)		(38)		(42)		(15)		(12)
Total net investment gains (losses)	$	110	$	(64)	$	424	$	(174)

(1) For the three months and six months ended June 30, 2012, net investment gains (losses) includes a net gain (loss) of ($35) million and $60 million, respectively, as a result of the MetLife Bank Divestiture, which is

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comprised of gains (losses) on investments sold of ($27) million and $75 million, respectively, and impairments on mortgage loans of ($8) million and ($15) million, respectively. See Note 3.

(2) For the three months ended June 30, 2013, there were no non-investment portfolio gains (losses) related to the MetLife Bank Divestiture. For the six months ended June 30, 2013, there were $30 million in non-investment portfolio gains (losses), related to the MetLife Bank Divestiture. See Note 3.

See Variable Interest Entities for discussion of CSEs.

Gains (losses) from foreign currency transactions included within net investment gains (losses) were $17 million and $75 million for the three months and six months ended June 30, 2013, respectively, and $25 million and $83 million for the three months and six months ended June 30, 2012, respectively.

Sales or Disposals and Impairments of Fixed Maturity and Equity Securities

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

	Three Months Ended June 30,					
	2013	2012	2013	2012	2013	2012
	Fixed Maturity Securities		Equity Securities		Total	
	(In millions)					
Proceeds	$ 22,072	$ 15,625	$ 269	$ 238	$ 22,341	$ 15,863
Gross investment gains	$ 323	$ 225	$ 10	$ 23	$ 333	$ 248
Gross investment losses	(144)	(152)	(5)	(2)	(149)	(154)
Total OTTI losses recognized in earnings:						
Credit-related	(39)	(68)			(39)	(68)
Other (1)		(23)	(1)	(2)	(1)	(25)
Total OTTI losses recognized in earnings	(39)	(91)	(1)	(2)	(40)	(93)
Net investment gains (losses)	$ 140	$ (18)	$ 4	$ 19	$ 144	$ 1

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

	Six Months Ended June 30,											
	2013		2012		2013		2012		2013		2012	
	Fixed Maturity Securities				Equity Securities				Total			
	(In millions)											
Proceeds	$	41,622	$	35,019	$	355	$	363	$	41,977	$	35,382
Gross investment gains	$	823	$	550	$	18	$	33	$	841	$	583
Gross investment losses		(275)		(484)		(19)		(6)		(294)		(490)
Total OTTI losses recognized in earnings:												
Credit-related		(81)		(141)						(81)		(141)
Other (1)		(18)		(83)		(22)		(17)		(40)		(100)
Total OTTI losses recognized in earnings		(99)		(224)		(22)		(17)		(121)		(241)
Net investment gains (losses)	$	449	$	(158)	$	(23)	$	10	$	426	$	(148)

(1) Other OTTI losses recognized in earnings include impairments on (i) equity securities, (ii) 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 (iii) 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.

Credit Loss Rollforward

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

	Three Months Ended June 30,				Six Months Ended June 30,			
	2013		2012		2013		2012	
	(In millions)							
Balance, beginning of period	$	398	$	381	$	392	$	471
Additions:								
Initial impairments credit loss OTTI recognized on securities not previously impaired		1		21		2		37
Additional impairments credit loss OTTI recognized on securities previously impaired		6		20		41		26
Reductions:								
		(24)		(15)		(54)		(119)

Sales (maturities, pay downs or prepayments) during the period of securities previously impaired as credit loss OTTI								
Securities impaired to net present value of expected future cash flows				(15)				(23)
Increases in cash flows accretion of previous credit loss OTTI				(1)				(1)
Balance, end of period	$	381	$	391	$	381	$	391

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MetLife, Inc.

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

7. Derivatives

Accounting for Derivatives

Freestanding Derivatives

Freestanding derivatives are carried in the Company s consolidated balance sheets either as assets within other invested assets or as liabilities within other liabilities at estimated fair value. The Company does not offset the fair value amounts recognized for derivatives executed with the same counterparty under the same master netting agreement. See Credit Risk on Freestanding Derivatives.

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

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 reported in net derivative gains (losses) except as follows:

Statement of Operations Presentation:	Derivative:
Policyholder benefits and claims	Economic hedges of variable annuity guarantees included in future policy benefits
Net investment income	Economic hedges of equity method investments in joint ventures
	All derivatives held in relation to trading portfolios
	Derivatives held within contractholder-directed unit-linked investments
Other revenues	Derivatives held in connection with the Company s mortgage banking activities prior to the MetLife Bank Divestiture

Hedge Accounting

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. Hedge designation and financial statement presentation of changes in estimated fair value of the hedging derivatives are as follows:

- Fair value hedge (a hedge of the estimated fair value of a recognized asset or liability) - in net derivative gains (losses), consistent with the change in fair value of the hedged item attributable to the designated risk being hedged.
- Cash flow hedge (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) - effectiveness in OCI (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); ineffectiveness in net

derivative gains (losses).

Net investment in a foreign operation hedge - effectiveness in OCI, consistent with the translation adjustment for the hedged net investment in the foreign operation; ineffectiveness in net derivative gains (losses).

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The change in 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. Accruals on derivatives in net investment hedges are recognized in OCI.

In its hedge 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 that 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 at least quarterly 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 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 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 OCI 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 OCI 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).

Embedded Derivatives

The Company purchases certain securities, issues certain insurance products and investment contracts and is a party to certain reinsurance agreements that have embedded derivatives. The Company assesses each identified embedded derivative to determine whether it is required to be bifurcated. The embedded derivative is bifurcated from the host contract and accounted for as a freestanding derivative if:

- the combined instrument is not accounted for in its entirety at fair value with changes in fair value recorded in earnings;

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

the terms of the embedded derivative are not clearly and closely related to the economic characteristics of the host contract; and

a separate instrument with the same terms as the embedded derivative would qualify as a derivative instrument.

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 GMIB. If the Company is unable to properly identify and measure an embedded derivative for separation from its host contract, the entire contract is carried on the balance sheet at estimated fair value, with changes in estimated fair value recognized in the current period in net investment gains (losses) or net investment income. Additionally, the Company may elect to carry an entire contract on the balance sheet at estimated fair value, with changes in estimated fair value recognized in the current period in net investment gains (losses) or net investment income if that contract contains an embedded derivative that requires bifurcation. At inception, the Company attributes to the embedded derivative a portion of the projected future guarantee fees to be collected from the policyholder equal to the present value of projected future guaranteed benefits. Any additional fees represent excess fees and are reported in universal life and investment-type product policy fees.

See Note 8 for information about the fair value hierarchy for derivatives.

Derivative Strategies

The Company is exposed to various risks relating to its ongoing business operations, including interest rate, foreign currency exchange rate, credit and equity market. The Company uses a variety of strategies to manage these risks, including the use of derivatives.

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. Certain of the Company s OTC derivatives are cleared and settled through central clearing counterparties (OTC-cleared), while others are bilateral contracts between two counterparties (OTC-bilateral). The types of derivatives the Company uses include swaps, forwards, futures and option contracts. To a lesser extent, the Company uses credit default swaps and structured interest rate swaps to synthetically replicate investment risks and returns which are not readily available in the cash market.

Interest Rate Derivatives

The Company uses a variety of interest rate derivatives to reduce its exposure to changes in interest rates, including interest rate swaps, caps, floors, swaptions, futures and forwards.

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 amount. The Company utilizes interest rate swaps in fair value, cash flow and 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. Structured interest rate swaps are not designated as hedging instruments

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

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

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 utilizes interest rate forwards in cash flow hedging relationships.

Foreign Currency Exchange Rate Derivatives

The Company uses foreign currency exchange rate derivatives including foreign currency swaps, foreign currency forwards and currency options, 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 derivatives to hedge the foreign currency exchange rate 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 notional amount. The notional amount of each currency is exchanged at the inception and termination of the currency swap by each party. The Company utilizes foreign currency swaps in fair value, cash flow and non-qualifying hedging relationships.

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

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

To a lesser extent, the Company uses exchange-traded currency futures to hedge currency mismatches between assets and liabilities. The Company utilizes exchange-traded currency futures in non-qualifying hedging relationships.

Credit Derivatives

The Company enters into purchased credit default swaps to hedge against credit-related changes in the value of its investments. In a credit default swap transaction, the Company agrees with another party to pay, at specified intervals, a premium to hedge credit risk. If a credit event occurs, as defined by the contract, the contract may be cash settled or it may be settled gross by the delivery of par quantities of the referenced investment equal to the specified swap notional in exchange for the payment of cash amounts by the counterparty equal to the par value of the investment surrendered. Credit events vary by type of issuer but typically include bankruptcy, failure to pay debt obligations, repudiation, moratorium, or involuntary restructuring. In each case, payout on a credit default swap is triggered only after the Credit Derivatives Determinations Committee of the International Swaps and Derivatives Association, Inc. (ISDA) deems that a credit event has occurred. The Company utilizes credit default swaps in non-qualifying hedging relationships.

The Company enters into written credit default swaps to synthetically create credit investments that are either more expensive to acquire or otherwise unavailable in the cash markets. These transactions are a combination of a derivative and one or more cash instruments, such as U.S. Treasury securities, agency securities or other fixed maturity securities. These credit default swaps are not designated as hedging instruments.

The Company also enters into certain purchased and written 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.

Equity Derivatives

The Company uses a variety of equity derivatives to reduce its exposure to equity market risk, including equity index options, variance swaps, exchange-traded equity futures and total rate of return swaps (TRRs).

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

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

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. The Company utilizes equity index options in non-qualifying hedging relationships.

Equity variance swaps are used by the Company primarily to hedge minimum guarantees embedded in certain variable annuity products offered by the Company. In an equity variance swap, the Company agrees with another party to exchange amounts in the future, based on changes in equity volatility over a defined period. The Company utilizes equity variance swaps in non-qualifying 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.

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 LIBOR, calculated by reference to an agreed notional 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. 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.

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

Primary Risks Managed by Derivatives

The following table presents the gross notional amount, estimated fair value and primary underlying risk exposure of the Company s derivatives, excluding embedded derivatives, held at:

		June 30, 2013			December 31, 2012		
		Notional	Estimated Fair Value		Notional	Estimated Fair Value	
	Primary Underlying Risk Exposure	Amount	Assets	Liabilities	Amount	Assets	Liabilities
				(In millions)			
Derivatives Designated as Hedging Instruments							
Fair value hedges:							
Interest rate swaps	Interest rate	$ 5,434	$ 1,469	$ 58	$ 5,397	$ 1,921	$ 90
Foreign currency swaps	Foreign currency exchange rate	3,004	211	167	3,187	332	85
Subtotal		8,438	1,680	225	8,584	2,253	175
Cash flow hedges:							
Interest rate swaps	Interest rate	3,382	273	48	3,642	705	
Interest rate forwards	Interest rate	1,035	79		675	139	
Foreign currency swaps	Foreign currency exchange rate	11,666	366	410	9,038	219	355
Credit forwards	Credit	60		3			
Subtotal		16,143	718	461	13,355	1,063	355
Foreign operations hedges:							
Foreign currency forwards	Foreign currency exchange rate	4,015	91	6	2,552	43	61
Currency options	Foreign currency exchange rate	5,154	272	2	4,375	43	3
Subtotal		9,169	363	8	6,927	86	64
Total qualifying hedges		33,750	2,761	694	28,866	3,402	594
Derivatives Not Designated or Not Qualifying as Hedging Instruments							
Interest rate swaps	Interest rate	104,030	3,606	1,684	83,250	5,201	2,043
Interest rate floors	Interest rate	63,064	646	515	56,246	1,174	837
Interest rate caps	Interest rate	34,960	193		49,465	74	
Interest rate futures	Interest rate	6,836	11	13	11,684	1	38
Interest rate options	Interest rate	34,585	352	181	16,328	640	60
Synthetic GICs	Interest rate	4,309			4,162		
Foreign currency swaps	Foreign currency exchange rate	8,671	296	485	8,208	199	736
Foreign currency forwards	Foreign currency exchange rate	11,340	148	171	9,202	26	288
Currency futures	Foreign currency exchange rate	1,238		2	1,408	4	
Currency options	Foreign currency exchange rate	1,010	65	9	129	1	
Credit default swaps -purchased	Credit	3,299	13	32	3,674	11	34
Credit default swaps -written	Credit	9,644	92	10	8,879	79	5
Equity futures	Equity market	5,982	11	54	7,008	14	132
Equity options	Equity market	30,381	2,044	610	22,920	2,825	356
Variance swaps	Equity market	21,888	114	441	19,830	122	310
Total rate of return swaps	Equity market	3,736	82	44	3,092	4	103

Total non-designated or non-qualifying derivatives	344,973	7,673	4,251	305,485	10,375	4,942
Total	$ 378,723	$ 10,434	$ 4,945	$ 334,351	$ 13,777	$ 5,536

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

Based on notional amounts, a substantial portion of the Company s derivatives was not designated or did not qualify as part of a hedging relationship as of June 30, 2013 and December 31, 2012. The Company s use of derivatives includes (i) derivatives that serve as macro hedges of the Company s exposure to various risks and that generally do not qualify for hedge accounting due to the criteria required under the portfolio hedging rules; (ii) derivatives that economically hedge insurance liabilities that contain mortality or morbidity risk and that generally do not qualify for hedge accounting because the lack of these risks in the derivatives cannot support an expectation of a highly effective hedging relationship; (iii) derivatives that economically hedge embedded derivatives that do not qualify for hedge accounting because the changes in estimated fair value of the embedded derivatives are already recorded in net income; and (iv) written credit default swaps that are used to synthetically create credit investments and that do not qualify for hedge accounting because they do not involve a hedging relationship. For these non-qualified derivatives, changes in market factors can lead to the recognition of fair value changes in the consolidated statement of operations without an offsetting gain or loss recognized in earnings for the item being hedged.

Net Derivative Gains (Losses)

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

	Three Months Ended June 30, 2013	Three Months Ended June 30, 2012	Six Months Ended June 30, 2013	Six Months Ended June 30, 2012
	(In millions)			
Derivatives and hedging gains (losses) (1)	$ (2,769)	$ 3,470	$ (5,083)	$ (332)
Embedded derivatives	1,079	(1,378)	2,763	446
Total net derivative gains (losses)	$ (1,690)	$ 2,092	$ (2,320)	$ 114

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

The following table presents earned income on derivatives:

	Three Months Ended June 30, 2013	Three Months Ended June 30, 2012	Six Months Ended June 30, 2013	Six Months Ended June 30, 2012
	(In millions)			
Qualifying hedges:				
Net investment income	$ 35	$ 31	$ 71	$ 55
Interest credited to policyholder account balances	36	38	71	83
Other expenses	(1)	(1)	(4)	(2)
Non-qualifying hedges:				

Net investment income		(2)		(2)		(3)		(3)
Other revenues				15				33
Net derivative gains (losses)		200		240		215		229
Policyholder benefits and claims		9		52		(56)		(10)
Total	$	277	$	373	$	294	$	385

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

Non-Qualifying Derivatives and Derivatives for Purposes Other Than Hedging

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

	Net Derivative Gains (Losses)	Net Investment Income (1)	Policyholder Benefits and Claims (2)	Other Revenues (3)
		(In millions)		
Three Months Ended June 30, 2013:				
Interest rate derivatives	$ (2,128)	$	$ (19)	$
Foreign currency exchange rate derivatives	(533)			
Credit derivatives - purchased	1	(1)		
Credit derivatives - written	(5)			
Equity derivatives	(329)	(4)	(82)	
Total	$ (2,994)	$ (5)	$ (101)	$
Three Months Ended June 30, 2012:				
Interest rate derivatives	$ 2,177	$	$	$ 119
Foreign currency exchange rate derivatives	320			
Credit derivatives - purchased	17	2		
Credit derivatives - written	(53)			
Equity derivatives	792	(15)	50	
Total	$ 3,253	$ (13)	$ 50	$ 119
Six Months Ended June 30, 2013:				
Interest rate derivatives	$ (2,361)	$	$ (17)	$
Foreign currency exchange rate derivatives	(984)			
Credit derivatives - purchased	(5)	(4)		
Credit derivatives - written	27			
Equity derivatives	(1,882)	(11)	(356)	
Total	$ (5,205)	$ (15)	$ (373)	$
Six Months Ended June 30, 2012:				
Interest rate derivatives	$ 718	$	$	$ 5
Foreign currency exchange rate derivatives	(22)			
Credit derivatives - purchased	(171)	(7)		
Credit derivatives - written	51			
Equity derivatives	(1,146)	(8)	(213)	
Total	$ (570)	$ (15)	$ (213)	$ 5

(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 prior to the MetLife Bank Divestiture.

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

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 assets and liabilities to floating rate assets and liabilities; (ii) foreign currency swaps to hedge the foreign currency fair value exposure of foreign currency denominated assets and liabilities; and (iii) foreign currency forwards to hedge the foreign currency fair value exposure of foreign currency denominated fixed rate investments.

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

Derivatives in Fair Value Hedging Relationships	Hedged Items in Fair Value Hedging Relationships	Net Derivative Gains (Losses) Recognized for Derivatives	Net Derivative Gains (Losses) Recognized for Hedged Items	Ineffectiveness Recognized in Net Derivative Gains (Losses)
			(In millions)	
Three Months Ended June 30, 2013:				
Interest rate swaps:	Fixed maturity securities	$ 30	$ (30)	$
	Policyholder liabilities (1)	(383)	381	(2)
Foreign currency swaps:	Foreign-denominated fixed maturity securities	13	(11)	2
	Foreign-denominated PABs (2)	(55)	63	8
Foreign currency forwards:	Foreign-denominated fixed maturity securities			
Total		$ (395)	$ 403	$ 8
Three Months Ended June 30, 2012:				
Interest rate swaps:	Fixed maturity securities	$ (10)	$ 9	$ (1)
	Policyholder liabilities (1)	414	(406)	8
Foreign currency swaps:	Foreign-denominated fixed maturity securities	(1)	1	
	Foreign-denominated PABs (2)	(133)	124	(9)
Foreign currency forwards:	Foreign-denominated fixed maturity securities	51	(50)	1
Total		$ 321	$ (322)	$ (1)
Six Months Ended June 30, 2013:				
Interest rate swaps:	Fixed maturity securities	$ 38	$ (38)	$
	Policyholder liabilities (1)	(536)	533	(3)
Foreign currency swaps:	Foreign-denominated fixed maturity securities	17	(16)	1
	Foreign-denominated PABs (2)	(194)	196	2
Foreign currency forwards:	Foreign-denominated fixed maturity securities			
Total		$ (675)	$ 675	$
Six Months Ended June 30, 2012:				
Interest rate swaps:	Fixed maturity securities	$ (4)	$ 3	$ (1)
	Policyholder liabilities (1)	114	(105)	9
Foreign currency swaps:	Foreign-denominated fixed maturity securities	1	(1)	
	Foreign-denominated PABs (2)	(76)	61	(15)

Foreign currency forwards:	Foreign-denominated fixed maturity securities		(7)		6		(1)
Total		$	28	$	(36)	$	(8)

MetLife, Inc.

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

(1) Fixed rate liabilities reported in PABs or future policy benefits.

(2) Fixed rate or floating rate liabilities.

For the Company s foreign currency forwards, the change in the fair value of the derivative related to the changes in the difference between the spot price and the forward price is excluded from the assessment of hedge effectiveness. For all other derivatives, all components of each derivative s gain or loss were included in the assessment of hedge effectiveness. For both the three months and six months ended June 30, 2013, no component of the change in fair value of derivatives was excluded from the assessment of hedge effectiveness. For both the three months and six months ended June 30, 2012, the component of the change in fair value of derivatives that was excluded from the assessment of hedge effectiveness was not significant.

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 assets and liabilities to fixed rate assets and liabilities; (ii) foreign currency swaps to hedge the foreign currency cash flow exposure of foreign currency denominated assets and liabilities; (iii) interest rate forwards and credit forwards to lock in the price to be paid for forward purchases of investments; (iv) interest rate swaps and interest rate forwards to hedge the forecasted purchases of fixed-rate investments; and (v) 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 were no longer probable of occurring. Because certain of the forecasted transactions also were not probable of occurring within two months of the anticipated date, the Company reclassified certain amounts from AOCI into net derivative gains (losses). These amounts were not significant for both the three months and six months ended June 30, 2013, and were $1 million and $4 million for the three months and six months ended June 30, 2012, respectively.

At both June 30, 2013 and December 31, 2012, the maximum length of time over which the Company was hedging its exposure to variability in future cash flows for forecasted transactions did not exceed eight years.

At June 30, 2013 and December 31, 2012, the balance in AOCI associated with cash flow hedges was $1.1 billion and $1.3 billion, respectively.

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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 comprehensive income and the interim condensed consolidated statements of equity:

Derivatives in Cash Flow Hedging Relationships	Amount of Gains (Losses) Deferred in AOCI on Derivatives (Effective Portion)	Amount and Location of Gains (Losses) Reclassified from AOCI into Income (Loss) (Effective Portion)			Amount and Location of Gains (Losses) Recognized in Income (Loss) on Derivatives (Ineffective Portion)
		Net Derivative Gains (Losses)	Net Investment Income	Other Expenses	Net Derivative Gains (Losses)
			(In millions)		
Three Months Ended June 30, 2013:					
Interest rate swaps	$ (273)	$ 10	$ 2	$	$ 6
Interest rate forwards	(5)	3			1
Foreign currency swaps	(30)	(68)	(1)		2
Credit forwards	(3)		1		
Total	$ (311)	$ (55)	$ 2	$	$ 9
Three Months Ended June 30, 2012:					
Interest rate swaps	$ 491	$ (2)	$	$ (1)	$ (4)
Interest rate forwards	100		1		(1)
Foreign currency swaps	214	(6)	(2)	1	2
Credit forwards			1		
Total	$ 805	$ (8)	$	$	$ (3)
Six Months Ended June 30, 2013:					
Interest rate swaps	$ (397)	$ 14	$ 4	$	$ 4
Interest rate forwards	(30)	6	1	(1)	1
Foreign currency swaps	57	(257)	(2)		6
Credit forwards	(3)		1		
Total	$ (373)	$ (237)	$ 4	$ (1)	$ 11
Six Months Ended June 30, 2012:					
Interest rate swaps	$ 198	$ (1)	$ 1	$ (3)	$
Interest rate forwards	12		1		
Foreign currency swaps	110	5	(3)	1	1
Credit forwards			1		
Total	$ 320	$ 4	$	$ (2)	$ 1

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

At June 30, 2013, $52 million of deferred net gains (losses) on derivatives in AOCI was expected to be reclassified to earnings within the next 12 months.

Hedges of Net Investments in Foreign Operations

The Company uses foreign currency exchange rate derivatives, which may include foreign currency forwards and currency options, to hedge portions of its net investments in foreign operations against adverse movements in exchange rates. The Company measures ineffectiveness on these derivatives based upon the change in forward rates.

When net investments in foreign operations are sold or substantially liquidated, the amounts in AOCI are reclassified to the consolidated statement of operations, while a pro rata portion will be reclassified upon partial sale of the net investments in foreign operations.

MetLife, Inc.

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

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

Derivatives in Net Investment Hedging Relationships (1), (2)	Amount of Gains (Losses) Deferred in AOCI (Effective Portion) (In millions)	
Three Months Ended June 30, 2013:		
Foreign currency forwards	$	85
Currency options		131
Total	$	216
Three Months Ended June 30, 2012:		
Foreign currency forwards	$	42
Currency options		(25)
Total	$	17
Six Months Ended June 30, 2013:		
Foreign currency forwards	$	165
Currency options		221
Total	$	386
Six Months Ended June 30, 2012:		
Foreign currency forwards	$	(10)
Currency options		(24)
Total	$	(34)

(1) During the three months and six months ended June 30, 2013 and 2012, there were no sales or substantial liquidations of net investments in foreign operations that would have required the reclassification of gains or losses from AOCI into earnings.

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

At June 30, 2013 and December 31, 2012, the cumulative foreign currency translation gain (loss) recorded in AOCI related to hedges of net investments in foreign operations was $288 million and ($98) million, respectively.

Credit Derivatives

In connection with synthetically created credit investment transactions and credit default swaps held in relation to the trading portfolio, the Company writes credit default swaps for which it receives a premium to insure credit risk. Such credit derivatives are included within the non-qualifying derivatives and derivatives for purposes other than hedging table. If a credit event occurs, as defined by the contract, the contract may be cash settled or it may be settled gross by the Company paying the counterparty the specified swap notional amount in exchange for the delivery of par quantities of the referenced credit obligation. The Company s maximum amount at risk, assuming the value of all referenced credit obligations is zero, was $9.6 billion and $8.9 billion at June 30, 2013 and December 31, 2012, respectively. The Company can terminate these contracts at any time through cash settlement with the counterparty at an amount equal to the then current fair value of the credit default swaps. At June 30, 2013 and December 31, 2012, the Company would have received $82 million and $74 million, respectively, to terminate all of these contracts.

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

	June 30, 2013								December 31, 2012					
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)	$	9	$	732	2.4	$	10	$	777	2.7
Credit default swaps referencing indices		26		2,914	1.7		42		2,713	2.1
Subtotal		35		3,646	1.8		52		3,490	2.2
Baa										
Single name credit default swaps (corporate)		12		1,668	3.7		8		1,314	3.4
Credit default swaps referencing indices		24		3,900	4.9		11		3,750	4.9
Subtotal		36		5,568	4.6		19		5,064	4.5
Ba										
Single name credit default swaps (corporate)				55	3.8				25	2.7
Credit default swaps referencing indices										
Subtotal				55	3.8				25	2.7
B										
Single name credit default swaps (corporate)										
Credit default swaps referencing indices		11		375	4.9		3		300	4.9
Subtotal		11		375	4.9		3		300	4.9
Total	$	82	$	9,644	3.5	$	74	$	8,879	3.6

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

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

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

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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 $9.6 billion and $8.9 billion from the table above were $85 million and $150 million at June 30, 2013 and December 31, 2012, respectively.

Written credit default swaps held in relation to the trading portfolio amounted to $10 million in notional and $0 in fair value at both June 30, 2013 and December 31, 2012.

Credit Risk on Freestanding Derivatives

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

The Company manages its credit risk related to derivatives by entering into transactions with creditworthy counterparties and establishing and monitoring exposure limits. The Company s OTC-bilateral derivative transactions are generally governed by ISDA Master Agreements which provide for legally enforceable set-off and close-out netting of exposures to specific counterparties in the event of early termination of a transaction, which includes, but is not limited, to events of default and bankruptcy. In the event of an early termination, the Company is permitted to set off receivables from the counterparty against payables to the same counterparty arising out of all included transactions. Substantially all of the Company s ISDA Master Agreements also include Credit Support Annex provisions which require both the pledging and accepting of collateral in connection with its OTC-bilateral derivatives. See Note 8 for a description of the impact of credit risk on the valuation of derivatives.

The Company s OTC-cleared derivatives are effected through central clearing counterparties and its exchange-traded derivatives are effected through regulated exchanges. Such positions are marked to market and margined on a daily basis, and the Company has minimal exposure to credit-related losses in the event of nonperformance by counterparties to such derivatives.

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The estimated fair value of the Company s net derivative assets and net derivative liabilities after the application of master netting agreements and collateral were as follows at:

Derivatives Subject to a Master Netting Arrangement or a Similar Arrangement	June 30, 2013 Assets	June 30, 2013 Liabilities	December 31, 2012 Assets	December 31, 2012 Liabilities
	(In millions)			
Gross estimated fair value of derivatives:				
OTC-bilateral (1)	$ 10,620	$ 4,908	$ 14,048	$ 5,480
OTC-cleared (1)	5	1		
Exchange-traded	22	69	19	170
Total gross estimated fair value of derivatives (1)	10,647	4,978	14,067	5,650
Amounts offset in the consolidated balance sheets				
Estimated fair value of derivatives presented in the consolidated balance sheets (1)	10,647	4,978	14,067	5,650
Gross amounts not offset in the consolidated balance sheets:				
Gross estimated fair value of derivatives: (2)				
OTC-bilateral	(4,147)	(4,147)	(4,562)	(4,562)
OTC-cleared				
Exchange-traded	(20)	(20)	(19)	(19)
Cash collateral: (3)				
OTC-bilateral	(3,099)	(2)	(5,960)	(1)
OTC-cleared	(5)	(1)		
Exchange-traded		(49)		(151)
Securities collateral: (4)				
OTC-bilateral	(3,012)	(611)	(3,526)	(875)
OTC-cleared				
Exchange-traded				
Net amount after application of master netting agreements and collateral	$ 364	$ 148	$	$ 42

(1) At June 30, 2013 and December 31, 2012, derivative assets include income or expense accruals reported in accrued investment income or in other liabilities of $213 million and $290 million, respectively, and derivative liabilities include income or expense accruals reported in accrued investment income or in other liabilities of $33 million and $114 million, respectively.

(2) Estimated fair value of derivatives is limited to the amount that is subject to set-off and includes income or expense accruals.

(3) Cash collateral received is included in cash and cash equivalents, short-term investments or in fixed maturity securities, and the obligation to return it is included in payables for collateral under securities loaned and other transactions in the consolidated balance sheets. The receivable for the return of cash collateral provided by the Company is inclusive of initial margin on exchange-traded and OTC-cleared derivatives and is included in premiums, reinsurance and other receivables in the consolidated balance sheets. The amount of cash collateral offset in the table above is limited to the net estimated fair value of derivatives after application of netting agreements. At June 30, 2013 and December 31, 2012, the Company received excess cash collateral of

$62 million and $0, respectively, and provided excess cash collateral of $329 million and $290 million, respectively, which is not included in the table above due to the foregoing limitation.

(4) Securities collateral received by the Company is held in separate custodial accounts and is not recorded on the consolidated balance sheets. Subject to certain constraints, the Company is permitted by contract to sell or repledge this collateral, but at June 30, 2013 none of the collateral had been sold or repledged. Securities collateral pledged by the Company is reported in fixed maturity securities in the consolidated balance sheets. Subject to certain constraints, the counterparties are permitted by contract to sell or repledge this collateral. The amount of securities collateral offset in the table above is limited to the net estimated fair value of derivatives after application of netting agreements and cash collateral. At June 30, 2013 and December 31, 2012, the Company received excess securities collateral of $207 million and $161 million, respectively, for its OTC-bilateral derivatives, which are not included in the table above due to the foregoing limitation. At June 30, 2013 and December 31, 2012, the Company provided excess securities collateral of $113 million and $0, respectively, for its OTC-bilateral derivatives, $47 million and $0, respectively, for its OTC-cleared derivatives, and $39 million and $40 million, respectively, for its exchange-traded derivatives, which are not included in the table above due to the foregoing limitation.

The Company s collateral arrangements for its OTC-bilateral 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

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

addition, certain of the Company s netting agreements for derivatives contain provisions that require both the Company and the counterparty to maintain a specific investment grade credit rating from each of Moody s and S&P. If a party s credit ratings were to fall below that specific investment grade credit rating, that party would be in violation of these provisions, and the other party to the derivatives could terminate the transactions and demand immediate settlement and payment based on such party s reasonable valuation of the derivatives.

The following table presents the estimated fair value of the Company s OTC-bilateral 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. OTC-bilateral derivatives that are not subject to collateral agreements are excluded from this table.

		Estimated Fair Value of Collateral Provided:		Fair Value of Incremental Collateral Provided Upon:	
	Estimated Fair Value of Derivatives in Net Liability Position (1)	Fixed Maturity Securities	Cash	One Notch Downgrade in the Company s Credit Rating	Downgrade in the Company s Credit Rating to a Level that Triggers Full Overnight Collateralization or Termination of the Derivative Position
			(In millions)		
June 30, 2013:					
Derivatives subject to credit-contingent provisions	$ 700	$ 724	$	$ 19	$ 31
Derivatives not subject to credit-contingent provisions	14		2		
Total	$ 714	$ 724	$ 2	$ 19	$ 31
December 31, 2012:					
Derivatives subject to credit-contingent provisions	$ 771	$ 775	$	$ 35	$ 73
Derivatives not subject to credit-contingent provisions	79	100	1		
Total	$ 850	$ 875	$ 1	$ 35	$ 73

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

Embedded Derivatives

The Company issues certain products or purchases certain investments that contain embedded derivatives that are required to be separated from their host contracts and accounted for as freestanding derivatives. These host contracts principally include: variable annuities with guaranteed minimum benefits, including GMWBs,

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

guaranteed minimum accumulation benefits (GMABs) and certain GMIBs; ceded reinsurance of guaranteed minimum benefits related to GMABs and certain GMIBs; assumed reinsurance of guaranteed minimum benefits related to GMWBs and GMABs; funding agreements with equity or bond indexed crediting rates; funds withheld on assumed and ceded reinsurance; and certain debt and equity securities.

The following table presents the estimated fair value and balance sheet location of the Company s embedded derivatives that have been separated from their host contracts at:

	Balance Sheet Location	June 30, 2013	December 31, 2012
		(In millions)	
Net embedded derivatives within asset host contracts:			
Ceded guaranteed minimum benefits	Premiums, reinsurance and other receivables	$ 293	$ 439
Funds withheld on assumed reinsurance	Other invested assets	46	66
Options embedded in debt or equity securities	Investments	(143)	(88)
Other	Other invested assets		1
Net embedded derivatives within asset host contracts		$ 196	$ 418
Net embedded derivatives within liability host contracts:			
Direct guaranteed minimum benefits	PABs	$ (736)	$ 923
Assumed guaranteed minimum benefits	PABs	1,670	2,582
Funds withheld on ceded reinsurance	Other liabilities	83	162
Other	PABs	8	17
Net embedded derivatives within liability host contracts		$ 1,025	$ 3,684

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
	(In millions)		(In millions)	
Net derivative gains (losses) (1)	$ 1,079	$ (1,378)	$ 2,763	$ 446
Policyholder benefits and claims	$ (33)	$ 42	$ (80)	$ (5)

(1) The valuation of guaranteed minimum benefits includes a nonperformance risk adjustment. The amounts included in net derivative gains (losses), in connection with this adjustment, were ($236) million and ($650) million for the three months and six months ended June 30, 2013, respectively, and $608 million and ($636) million for the three months and six months ended June 30, 2012, respectively.

8. Fair Value

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

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Recurring Fair Value Measurements

The assets and liabilities measured at estimated fair value on a recurring basis and their corresponding placement in the fair value hierarchy, including those items for which the Company has elected the FVO, are presented below.

	June 30, 2013			
	Fair Value Hierarchy			
	Level 1	Level 2	Level 3	Total Estimated Fair Value
	(In millions)			
Assets:				
Fixed maturity securities:				
U.S. corporate	$	$ 103,090	$ 5,918	$ 109,008
Foreign corporate		58,178	6,008	64,186
Foreign government		50,326	1,971	52,297
U.S. Treasury and agency	25,535	21,809	82	47,426
RMBS	984	32,722	2,735	36,441
CMBS		16,213	1,050	17,263
ABS		11,897	3,758	15,655
State and political subdivision		14,197	41	14,238
Total fixed maturity securities	26,519	308,432	21,563	356,514
Equity securities:				
Common stock	1,017	1,031	183	2,231
Non-redeemable preferred stock		592	408	1,000
Total equity securities	1,017	1,623	591	3,231
FVO and trading securities:				
Actively Traded Securities	4	729	11	744
FVO general account securities	5	138	46	189
FVO contractholder-directed unit-linked investments	9,443	5,114	593	15,150
FVO securities held by CSEs		27		27
Total FVO and trading securities	9,452	6,008	650	16,110
Short-term investments (1)	4,240	6,033	344	10,617
Mortgage loans:				
Residential mortgage loans FVO			150	150
Commercial mortgage loans held by CSEs		2,268		2,268
Mortgage loans held-for-sale (2)				
Total mortgage loans		2,268	150	2,418
Other invested assets:				
Other investments	163	87		250
Derivative assets: (3)				
Interest rate	11	6,500	118	6,629
Foreign currency exchange rate		1,422	27	1,449
Credit		75	30	105
Equity market	11	1,946	294	2,251
Total derivative assets	22	9,943	469	10,434

Total other invested assets		185		10,030		469		10,684
Net embedded derivatives within asset host contracts (4)						339		339
Separate account assets (5)		34,193		210,155		1,225		245,573
Total assets	$	75,606	$	544,549	$	25,331	$	645,486
Liabilities:								
Derivative liabilities: (3)								
Interest rate	$	13	$	2,466	$	20	$	2,499
Foreign currency exchange rate		2		1,229		21		1,252
Credit				40		5		45
Equity market		53		631		465		1,149
Total derivative liabilities		68		4,366		511		4,945
Net embedded derivatives within liability host contracts (4)				8		1,017		1,025
Long-term debt of CSEs				2,095		31		2,126
Trading liabilities (6)		236						236
Total liabilities	$	304	$	6,469	$	1,559	$	8,332

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

	December 31, 2012 Fair Value Hierarchy			
	Level 1	Level 2	Level 3	Total Estimated Fair Value
	(In millions)			
Assets:				
Fixed maturity securities:				
U.S. corporate	$	$ 106,693	$ 7,433	$ 114,126
Foreign corporate		60,976	6,208	67,184
Foreign government		55,522	1,814	57,336
U.S. Treasury and agency	27,441	20,455	71	47,967
RMBS		35,442	2,037	37,479
CMBS		17,982	1,147	19,129
ABS		12,341	3,656	15,997
State and political subdivision		14,994	54	15,048
Total fixed maturity securities	27,441	324,405	22,420	374,266
Equity securities:				
Common stock	932	1,040	190	2,162
Non-redeemable preferred stock		310	419	729
Total equity securities	932	1,350	609	2,891
FVO and trading securities:				
Actively Traded Securities	7	646	6	659
FVO general account securities		151	32	183
FVO contractholder-directed unit-linked investments	9,103	5,425	937	15,465
FVO securities held by CSEs		41		41
Total FVO and trading securities	9,110	6,263	975	16,348
Short-term investments (1)	9,426	6,295	429	16,150
Mortgage loans:				
Residential mortgage loans FVO				
Commercial mortgage loans held by CSEs		2,666		2,666
Mortgage loans held-for-sale (2)			49	49
Total mortgage loans		2,666	49	2,715
Other invested assets:				
Other investments	303	123		426
Derivative assets: (3)				
Interest rate	1	9,648	206	9,855
Foreign currency exchange rate	4	819	44	867
Credit		47	43	90
Equity market	14	2,478	473	2,965
Total derivative assets	19	12,992	766	13,777
Total other invested assets	322	13,115	766	14,203
Net embedded derivatives within asset host contracts (4)		1	505	506
Separate account assets (5)	31,620	202,568	1,205	235,393
Total assets	$ 78,851	$ 556,663	$ 26,958	$ 662,472

Liabilities:								
Derivative liabilities: (3)								
Interest rate	$	38	$	3,001	$	29	$	3,068
Foreign currency exchange rate				1,521		7		1,528
Credit				39				39
Equity market		132		424		345		901
Total derivative liabilities		170		4,985		381		5,536
Net embedded derivatives within liability host contracts (4)				17		3,667		3,684
Long-term debt of CSEs				2,483		44		2,527
Trading liabilities (6)		163						163
Total liabilities	$	333	$	7,485	$	4,092	$	11,910

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

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

(2) Mortgage loans held-for-sale are comprised of residential mortgage loans held-for-sale. See Fair Value Option for additional information. The amounts in the preceding tables differ from the amounts presented in the consolidated balance sheets as these tables do not include mortgage loans that are stated at lower of amortized cost or estimated fair value.

(3) Derivative assets are presented within other invested assets in the consolidated balance sheets and 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.

(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 PABs in the consolidated balance sheets. At June 30, 2013 and December 31, 2012, equity securities also included embedded derivatives of ($143) million and ($88) million, respectively.

(5) 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.

The following describes the valuation methodologies used to measure assets and liabilities at fair value. The description includes the valuation techniques and key inputs for each category of assets or liabilities that are classified within Level 2 and Level 3 of the fair value hierarchy.

Investments

Valuation Controls and Procedures

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

The Company reviews its valuation methodologies on an ongoing basis and revises those methodologies when necessary based on changing market conditions. Assurance is gained on the overall reasonableness and consistent application of input assumptions, valuation methodologies and compliance with fair value accounting standards through controls designed to ensure valuations represent an exit price. Several controls are utilized, including certain monthly controls, which include, but are not limited to, analysis of portfolio returns to corresponding benchmark returns, comparing a sample of executed prices of securities sold to the

MetLife, Inc.

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

fair value estimates, comparing fair value estimates to management s knowledge of the current market, reviewing the bid/ask spreads to assess activity, comparing prices from multiple independent pricing services and ongoing due diligence to confirm that independent pricing services use market-based parameters. The process includes a determination of the observability of inputs used in estimated fair values received from independent pricing services or brokers by assessing whether these inputs can be corroborated by observable market data. The Company ensures that prices received from independent brokers, also referred to herein as consensus pricing, represent a reasonable estimate of fair value by considering such pricing relative to the Company s knowledge of the current market dynamics and current pricing for similar financial instruments. While independent non-binding broker quotations are utilized, they are not used for a significant portion of the portfolio. For example, fixed maturity securities priced using independent non-binding broker quotations represent less than 1% of the total estimated fair value of fixed maturity securities and 8% of the total estimated fair value of Level 3 fixed maturity securities.

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

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

When available, the estimated fair value of these financial instruments is based on quoted prices in active markets that are readily and regularly obtainable. Generally, these are the most liquid of the Company s securities holdings and valuation of these securities does not involve management s judgment.

When quoted prices in active markets are not available, the determination of estimated fair value is based on market standard valuation methodologies, giving priority to observable inputs. The significant inputs to the market standard valuation methodologies for certain types of securities with reasonable levels of price transparency are inputs that are observable in the market or can be derived principally from, or corroborated by, observable market data. When observable inputs are not available, the market standard valuation methodologies rely on inputs that are significant to the estimated fair value that are not observable in the market or cannot be derived principally from, or corroborated by, observable market data. These unobservable inputs can be based in large part on management s judgment or estimation and cannot be supported by reference to market activity. Even though these inputs are unobservable, management believes they are consistent with what other market participants would use when pricing such securities and are considered appropriate given the circumstances.

The estimated fair value of FVO securities held by CSEs, other investments, long-term debt of CSEs and trading liabilities is determined on a basis consistent with the methodologies described herein for securities. The Company consolidates certain securitization entities that hold securities that have been accounted for under the FVO and classified within FVO and trading securities.

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Level 2 Valuation Techniques and Key Inputs:

This level includes securities priced principally by independent pricing services using observable inputs. FVO and trading securities, short-term investments and other investments within this level are of a similar nature and class to the Level 2 fixed maturity securities and equity securities. Contractholder-directed unit-linked investments reported within FVO and trading securities include mutual fund interests without readily determinable fair values given prices are not published publicly. Valuation of these mutual funds is based upon quoted prices or reported net asset value (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. Valuations are based primarily on quoted prices in markets that are not active, or using matrix pricing or other similar techniques that use standard market observable inputs such as benchmark yields, spreads off benchmark yields, new issuances, issuer rating, duration, and trades of identical or comparable securities. Privately-placed securities are valued using matrix pricing 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, and in certain cases, delta spread adjustments to reflect specific credit-related issues.

Foreign government and state and political subdivision securities

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

U.S. Treasury and agency securities

These securities are principally valued using the market approach. Valuations are 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 a benchmark U.S. Treasury yield curve, the spread off the U.S. Treasury yield curve for the identical security and comparable securities that are actively traded.

Structured securities comprised of RMBS, CMBS and ABS

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

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Common and non-redeemable preferred stock

These securities are principally valued using the market approach. Valuations are based principally on observable inputs, including quoted prices in markets that are not considered active.

Level 3 Valuation Techniques and Key Inputs:

In general, securities classified within Level 3 use many of the same valuation techniques and inputs as described previously for Level 2. 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.

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

U.S. corporate and foreign corporate securities

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

Foreign government and state and political subdivision securities

These securities are principally valued using the market approach. Valuations are based primarily on independent non-binding broker quotations and inputs, including quoted prices for identical or similar securities that are less liquid and based on lower levels of trading activity than securities classified in Level 2. Certain valuations are based on matrix pricing that utilize inputs that are unobservable or cannot be derived principally from, or corroborated by, observable market data, including credit spreads.

Structured securities comprised of RMBS, CMBS and ABS

These securities are principally valued using the market and income approaches. Valuations are based primarily on matrix pricing, discounted cash flow methodologies or other similar techniques that utilize inputs that are unobservable or cannot be derived principally from, or corroborated by, observable market data, including credit spreads. Below investment grade securities and sub-prime RMBS included in this level are valued based on inputs including quoted prices for identical or similar securities that are less liquid and based on lower levels of trading activity than securities classified in Level 2. Certain of these valuations are based on independent non-binding broker quotations.

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

Common and non-redeemable preferred stock

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

Mortgage Loans

The Company has elected the FVO for certain residential mortgage loans held-for-investment, commercial mortgage loans held by CSEs and certain residential mortgage loans held-for-sale.

Level 2 Valuation Techniques and Key Inputs:

Commercial mortgage loans held by CSEs

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

Level 3 Valuation Techniques and Key Inputs:

Residential mortgage loans FVO

For these investments, the estimated fair values are 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.

Mortgage loans held-for-sale

For these investments, when pricing for securities backed by similar adjustable-rate loans is not observable, the estimated fair value is determined using unobservable independent broker quotations or valuation models using significant unobservable inputs.

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. Separate account assets include: mutual funds, fixed maturity securities, equity securities, derivatives, hedge funds, other limited partnership interests, short-term investments and cash and cash equivalents.

MetLife, Inc.

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

Level 2 Valuation Techniques and Key Inputs:

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

Level 3 Valuation Techniques and Key Inputs:

These assets are comprised of investments that are similar in nature to the instruments described under Securities, Short-term Investments, Other Investments, Long-term Debt of CSEs and Trading Liabilities and Derivatives Freestanding Derivatives. Also included are other limited partnership interests, which 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 that may impact the exit value of the particular partnership interest.

Derivatives

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

The significant inputs to the pricing models for most OTC-bilateral and OTC-cleared 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-bilateral and OTC-cleared derivatives may rely on inputs that are significant to the estimated fair value that are not observable in the market or cannot be derived principally from, or corroborated by, observable market data. Significant inputs that are unobservable generally include references to emerging market currencies and inputs that are outside the observable portion of the interest rate curve, credit curve, volatility or other relevant market measure. These unobservable inputs may involve significant management judgment or estimation. Even though unobservable, these inputs are based on assumptions deemed appropriate given the circumstances and management believes they are consistent with what other market participants would use when pricing such instruments.

Most inputs for OTC-bilateral and OTC-cleared derivatives are mid-market inputs but, in certain cases, liquidity adjustments are made 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.

The credit risk of both the counterparty and the Company are considered in determining the estimated fair value for all OTC-bilateral and OTC-cleared 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.

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The Company values its OTC-bilateral and OTC-cleared derivatives using standard swap curves which may include a spread to the risk free rate, depending upon specific collateral arrangements. This credit spread is appropriate for those parties that execute trades at pricing levels consistent with similar collateral arrangements. As the Company and its significant derivative counterparties generally execute trades at such pricing levels and hold sufficient collateral, additional credit risk adjustments are not currently required in the valuation process. The Company s ability to consistently execute at such pricing levels is in part due to the netting agreements and collateral arrangements that are in place with all of its significant derivative counterparties. An evaluation of the requirement to make additional credit risk adjustments is performed by the Company each reporting period.

Freestanding Derivatives

Level 2 Valuation Techniques and Key Inputs:

This level includes all types of derivatives utilized by the Company with the exception of exchange-traded derivatives included within Level 1 and those derivatives with unobservable inputs as described in Level 3. These derivatives are principally valued using the income approach.

Interest rate

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

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

Foreign currency exchange rate

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

Credit

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

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.

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Level 3 Valuation Techniques and Key Inputs:

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

Interest rate

Non-option-based. Significant unobservable inputs may include the extrapolation beyond observable limits of the swap yield curve and basis curves.

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

Foreign currency exchange rate

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

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

Credit

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

Equity market

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

Option-based. Significant unobservable inputs may include the extrapolation beyond observable limits of dividend yield curves, equity volatility and unobservable correlation between model inputs.

Embedded Derivatives

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

The Company issues certain variable annuity products with guaranteed minimum benefits. GMWBs, GMABs and GMIBs are embedded derivatives, which are measured at estimated fair value separately from the host

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

variable annuity contract, with changes in estimated fair value reported in net derivative gains (losses). These embedded derivatives are classified within PABs in the consolidated balance sheets.

The fair value of these embedded derivatives, estimated as the present value of projected future benefits minus the present value of projected future fees using actuarial and capital market assumptions including expectations concerning policyholder behavior, is calculated by the Company s actuarial department. The calculation is based on in-force business, and is performed using standard actuarial valuation software which projects future cash flows from the embedded derivative over multiple risk neutral stochastic scenarios using observable risk free rates.

Capital market assumptions, such as risk free rates and implied volatilities, are based on market prices for publicly traded instruments to the extent that prices for such instruments are observable. Implied volatilities beyond the observable period are extrapolated based on observable implied volatilities and historical volatilities. Actuarial assumptions, including mortality, lapse, withdrawal and utilization, are unobservable and are reviewed at least annually based on actuarial studies of historical experience.

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

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

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

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

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

Embedded Derivatives Within Asset and Liability Host Contracts

Level 3 Valuation Techniques and Key Inputs:

Direct and assumed guaranteed minimum benefits

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

Reinsurance ceded on certain guaranteed minimum benefits

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

Transfers between Levels

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

Transfers between Levels 1 and 2:

For assets and liabilities measured at estimated fair value and still held at both June 30, 2013 and December 31, 2012, transfers between Levels 1 and 2 were not significant.

Transfers into or out of Level 3:

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

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

be observed, current prices are not available, and/or when there are significant variances in quoted prices, thereby affecting transparency. Assets and liabilities are transferred out of Level 3 when circumstances change such that a significant input can be corroborated with market observable data. This may be due to a significant increase in market activity, a specific event, or one or more significant input(s) becoming observable.

Transfers into Level 3 for fixed maturity securities were due primarily to a lack of trading activity, decreased liquidity and credit ratings downgrades (e.g., from investment grade to below investment grade) which have resulted in decreased transparency of valuations and an increased use of independent non-binding broker quotations and unobservable inputs, such as illiquidity premiums, delta spread adjustments, or credit spreads.

Transfers out of Level 3 for fixed maturity securities, FVO and trading securities and short-term investments 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 (such as observable spreads used in pricing securities) or increases in market activity and upgraded credit ratings.

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

Assets and Liabilities Measured at Fair Value Using Significant Unobservable Inputs (Level 3)

The following table presents certain quantitative information about the significant unobservable inputs used in the fair value measurement, and the sensitivity of the estimated fair value to changes in those inputs, for the more significant asset and liability classes measured at fair value on a recurring basis using significant unobservable inputs (Level 3) at:

			June 30, 2013			December 31, 2012			Impact of Increase in Input on Estimated Fair Value (2)
	Valuation Techniques	Significant Unobservable Inputs	Range		Weighted Average (1)	Range		Weighted Average (1)	
Fixed maturity securities: (3)									
U.S. corporate and foreign corporate	Matrix pricing	Delta spread adjustments (4)	(40)	240	65	(50)	500	90	Decrease
		Illiquidity premium (4)	30	30	30	30	30	30	Decrease
		Credit spreads (4)	(1,445)	720	200	(1,416)	876	272	Decrease
		Offered quotes (5)		127	101		348	115	Increase
	Consensus pricing	Offered quotes (5)	50	120	91		555	92	Increase
Foreign government	Matrix pricing	Credit spreads (4)	9	1,434	584	(58)	150	72	Decrease
	Market pricing	Quoted prices (5)	51	146	100	77	146	99	Increase
	Consensus pricing	Offered quotes (5)	85	187	120	82	200	117	Increase
RMBS	Matrix pricing and discounted cash flow	Credit spreads (4)	(148)	2,984	284	9	2,980	521	Decrease (6)
	Market pricing	Quoted prices (5)	13	109	96	13	109	100	Increase (6)
	Consensus pricing	Offered quotes (5)	72	100	83	28	100	75	Increase (6)
CMBS	Matrix pricing and discounted cash flow	Credit spreads (4)	6	1,412	328	1	9,164	374	Decrease (6)
	Market pricing	Quoted prices (5)	2	104	97	1	106	99	Increase (6)
	Consensus pricing	Offered quotes (5)	100	100	100				Increase (6)
ABS	Matrix pricing and discounted cash flow	Credit spreads (4)	30	1,828	117		1,829	109	Decrease (6)
	Market pricing	Quoted prices (5)		109	101	40	105	100	Increase (6)
	Consensus pricing	Offered quotes (5)		111	97		111	97	Increase (6)
Derivatives:									
Interest rate	Present value techniques	Swap yield (7)	238	402		186	353		Increase (12)
Foreign currency exchange rate	Present value techniques	Swap yield (7)	192	770		228	795		Increase (12)
		Correlation (8)	31%	50%		43%	57%		
Credit	Present value techniques	Credit spreads (9)	99	100		100	100		Decrease (9)

	Consensus pricing	Offered quotes (10)					
Equity market	Present value techniques or option pricing models	Volatility (11)	16%	31%	13%	32%	Increase (12)
		Correlation (8)	50%	50%	65%	65%	
Embedded derivatives:							
Direct and assumed guaranteed minimum benefits	Option pricing techniques	Mortality rates:					
		Ages 0 - 40	0%	0.14%	0%	0.14%	Decrease (13)
		Ages 41 - 60	0.05%	0.88%	0.05%	0.88%	Decrease (13)
		Ages 61 - 115	0.26%	100%	0.26%	100%	Decrease (13)
		Lapse rates:					
		Durations 1 - 10	0.50%	100%	0.50%	100%	Decrease (14)
		Durations 11 -20	2%	100%	2%	100%	Decrease (14)
		Durations 21 -116	2%	100%	2%	100%	Decrease (14)
		Utilization rates	20%	50%	20%	50%	Increase (15)
		Withdrawal rates	0.07%	20%	0.07%	20%	(16)
		Long-term equity volatilities	15.18%	40%	15.18%	40%	Increase (17)
		Nonperformance risk spread	0.01%	1.30%	0.10%	1.72%	Decrease (18)

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

(1) The weighted average for fixed maturity securities is determined based on the estimated fair value of the securities.

(2) The impact of a decrease in input would have the opposite impact on the estimated fair value. For embedded derivatives, changes are based on liability positions.

(3) Significant increases (decreases) in expected default rates in isolation would result in substantially lower (higher) valuations.

(4) Range and weighted average are presented in basis points.

(5) Range and weighted average are presented in accordance with the market convention for fixed maturity securities of dollars per hundred dollars of par.

(6) Changes in the assumptions used for the probability of default is accompanied by a directionally similar change in the assumption used for the loss severity and a directionally opposite change in the assumptions used for prepayment rates.

(7) Ranges represent the rates across different yield curves and are presented in basis points. The swap yield curve is utilized among different types of derivatives to project cash flows, as well as to discount future cash flows to present value. Since this valuation methodology uses a range of inputs across a yield curve to value the derivative, presenting a range is more representative of the unobservable input used in the valuation.

(8) Ranges represent the different correlation factors utilized as components within the valuation methodology. Presenting a range of correlation factors is more representative of the unobservable input used in the valuation. Increases (decreases) in correlation in isolation will increase (decrease) the significance of the change in valuations.

(9) Represents the risk quoted in basis points of a credit default event on the underlying instrument. The range being provided is a single quoted spread in the valuation model. Credit derivatives with significant unobservable inputs are primarily comprised of written credit default swaps.

(10) At both June 30, 2013 and December 31, 2012, independent non-binding broker quotations were used in the determination of less than 1% of the total net derivative estimated fair value.

(11)

Ranges represent the underlying equity volatility quoted in percentage points. Since this valuation methodology uses a range of inputs across multiple volatility surfaces to value the derivative, presenting a range is more representative of the unobservable input used in the valuation.

(12) Changes are based on long U.S. dollar net asset positions and will be inversely impacted for short U.S. dollar net asset positions.

(13) Mortality rates vary by age and by demographic characteristics such as gender. Mortality rate assumptions are based on company experience. A mortality improvement assumption is also applied. For any given contract, mortality rates vary throughout the period over which cash flows are projected for purposes of valuing the embedded derivative.

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

(14) Base lapse rates are adjusted at the contract level based on a comparison of the actuarially calculated guaranteed values and the current policyholder account value, as well as other factors, such as the applicability of any surrender charges. A dynamic lapse function reduces the base lapse rate when the guaranteed amount is greater than the account value as in the money contracts are less likely to lapse. Lapse rates are also generally assumed to be lower in periods when a surrender charge applies. For any given contract, lapse rates vary throughout the period over which cash flows are projected for purposes of valuing the embedded derivative.

(15) The utilization rate assumption estimates the percentage of contract holders with a GMIB or lifetime withdrawal benefit who will elect to utilize the benefit upon becoming eligible. The rates may vary by the type of guarantee, the amount by which the guaranteed amount is greater than the account value, the contract s withdrawal history and by the age of the policyholder. For any given contract, utilization rates vary throughout the period over which cash flows are projected for purposes of valuing the embedded derivative.

(16) The withdrawal rate represents the percentage of account balance that any given policyholder will elect to withdraw from the contract each year. The withdrawal rate assumption varies by age and duration of the contract, and also by other factors such as benefit type. For any given contract, withdrawal rates vary throughout the period over which cash flows are projected for purposes of valuing the embedded derivative. For GMWBs, any increase (decrease) in withdrawal rates results in an increase (decrease) in the estimated fair value of the guarantees. For GMABs and GMIBs, any increase (decrease) in withdrawal rates results in a decrease (increase) in the estimated fair value.

(17) Long-term equity volatilities represent equity volatility beyond the period for which observable equity volatilities are available. For any given contract, long-term equity volatility rates vary throughout the period over which cash flows are projected for purposes of valuing the embedded derivative.

(18) Nonperformance risk spread varies by duration and by currency. For any given contract, multiple nonperformance risk spreads will apply, depending on the duration of the cash flow being discounted for purposes of valuing the embedded derivative.

The following is a summary of the valuation techniques and significant unobservable inputs used in the fair value measurement of assets and liabilities classified within Level 3 that are not included in the preceding table. Generally, all other classes of securities classified within Level 3, including those within separate account assets, use the same valuation techniques and significant unobservable inputs as previously described for Level 3 securities. This includes matrix pricing and discounted cash flow methodologies, inputs such as quoted prices for identical or similar securities that are less liquid and based on lower levels of trading activity than securities classified in Level 2, as well as independent non-binding broker quotations. The residential mortgage loans FVO and long-term debt of CSEs are valued using independent non-binding broker quotations and internal models including matrix pricing and discounted cash flow methodologies using current interest rates. The sensitivity of the estimated fair value to changes in the significant unobservable inputs for these other assets and liabilities is similar in nature to that described in the preceding table. The valuation techniques and significant unobservable inputs used in the fair value measurement for the more significant assets measured at estimated fair value on a nonrecurring basis and determined using significant unobservable inputs (Level 3) are summarized in Nonrecurring Fair Value Measurements.

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The following tables summarize the change of all assets and (liabilities) measured at estimated fair value on a recurring basis using significant unobservable inputs (Level 3):

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3) Fixed Maturity Securities:							
	U.S. Corporate	Foreign Corporate	Foreign Government	U.S. Treasury and Agency	RMBS	CMBS	ABS	State and Political Subdivision
	(In millions)							
Three Months Ended June 30, 2013:								
Balance, beginning of period	$ 6,426	$ 5,825	$ 2,203	$ 115	$ 2,426	$ 1,084	$ 3,766	$ 53
Total realized/unrealized gains (losses) included in:								
Net income (loss): (1), (2)								
Net investment income	4	4	2		2		5	
Net investment gains (losses)	(29)	(3)			4	(2)		
Net derivative gains (losses)								
Other revenues								
Policyholder benefits and claims								
Other expenses								
OCI	(169)	(168)	(48)	(2)	14	(6)	(37)	(1)
Purchases (3)	553	642	234		524	184	359	17
Sales (3)	(281)	(135)	(47)	(42)	(198)	(113)	(256)	(5)
Issuances (3)								
Settlements (3)								
Transfers into Level 3 (4)	121	201	3	16	49	46		
Transfers out of Level 3 (4)	(707)	(358)	(376)	(5)	(86)	(143)	(79)	(23)
Balance, end of period	$ 5,918	$ 6,008	$ 1,971	$ 82	$ 2,735	$ 1,050	$ 3,758	$ 41
Changes in unrealized gains (losses) included in net income (loss): (5)								
Net investment income	$ 3	$ 4	$ 2	$	$ 9	$	$ 5	$
Net investment gains (losses)	$ (28)	$	$	$	$ (1)	$ (2)	$	$
Net derivative gains (losses)	$	$	$	$	$	$	$	$
Other revenues	$	$	$	$	$	$	$	$
Policyholder benefits and claims	$	$	$	$	$	$	$	$
Other expenses	$	$	$	$	$	$	$	$

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	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)							
	Equity Securities:		FVO and Trading Securities:					
	Common Stock	Non-redeemable Preferred Stock	Actively Traded Securities	FVO General Account Securities	FVO Contractholder-directed Unit-linked Investments	Short-term Investments	Residential Mortgage Loans - FVO	Mortgage Loans Held-for-sale
	(In millions)							
Three Months Ended June 30, 2013:								
Balance, beginning of period	$ 189	$ 401	$ 14	$ 44	$ 831	$ 2,130	$	$ 2
Total realized/unrealized gains (losses) included in:								
Net income (loss): (1), (2)								
Net investment income				2	(17)	2		
Net investment gains (losses)		1				4		
Net derivative gains (losses)								
Other revenues								
Policyholder benefits and claims								
Other expenses								
OCI	(4)	8				(38)		
Purchases (3)	8	20	1		341	247	150	
Sales (3)	(7)	(22)	(4)		(481)	(1,783)		(2)
Issuances (3)								
Settlements (3)								
Transfers into Level 3 (4)	1		2		36			
Transfers out of Level 3 (4)	(4)		(2)		(117)	(218)		
Balance, end of period	$ 183	$ 408	$ 11	$ 46	$ 593	$ 344	$ 150	$
Changes in unrealized gains (losses) included in net income (loss): (5)								
Net investment income	$	$	$	$ 3	$ (9)	$ 1	$	$
Net investment gains (losses)	$	$	$	$	$	$ 1	$	$
Net derivative gains (losses)	$	$	$	$	$	$	$	$
Other revenues	$	$	$	$	$	$	$	$
Policyholder benefits and claims	$	$	$	$	$	$	$	$
Other expenses	$	$	$	$	$	$	$	$

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	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)						
	Net Derivatives: (6)						
	Interest Rate	Foreign Currency Exchange Rate	Credit	Equity Market	Net Embedded Derivatives (7)	Separate Account Assets (8)	Long-term Debt of CSEs
	(In millions)						
Three Months Ended June 30, 2013:							
Balance, beginning of period	$ 144	$ 30	$ 38	$ (139)	$ (1,584)	$ 1,219	$ (31)
Total realized/unrealized gains (losses) included in:							
Net income (loss): (1), (2)							
Net investment income							
Net investment gains (losses)						(15)	
Net derivative gains (losses)	(26)	(25)	(10)	(33)	1,031		
Other revenues							
Policyholder benefits and claims				(3)	(33)		
Other expenses							
OCI	(7)	2	(3)		105		
Purchases (3)		2		4		117	
Sales (3)						(39)	
Issuances (3)		(1)					
Settlements (3)	(12)	(2)			(197)	(19)	
Transfers into Level 3 (4)						5	
Transfers out of Level 3 (4)	(1)					(43)	
Balance, end of period	$ 98	$ 6	$ 25	$ (171)	$ (678)	$ 1,225	$ (31)
Changes in unrealized gains (losses) included in net income (loss): (5)							
Net investment income	$	$	$	$	$	$	$
Net investment gains (losses)	$	$	$	$	$	$	$
Net derivative gains (losses)	$ (21)	$ (26)	$ (10)	$ (34)	$ 1,024	$	$
Other revenues	$	$	$	$	$	$	$
Policyholder benefits and claims	$	$	$	$ (3)	$ (31)	$	$
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	Foreign Corporate	Foreign Government	U.S. Treasury and Agency	RMBS	CMBS	ABS	State and Political Subdivision
	(In millions)							
Three Months Ended June 30, 2012:								
Balance, beginning of period	$ 7,305	$ 4,646	$ 2,213	$ 24	$ 2,246	$ 762	$ 2,198	$ 82
Total realized/unrealized gains (losses) included in:								
Net income (loss): (1), (2)								
Net investment income	2	5	(5)		6	1	4	
Net investment gains (losses)	12	(14)	(6)		(4)	(18)	1	
Net derivative gains (losses)								
Other revenues								
Policyholder benefits and claims								
Other expenses								
OCI	10	(7)	(29)	1	35	20	5	
Purchases (3)	452	752	469	50	349	448	699	
Sales (3)	(381)	(349)	(82)	(1)	(189)	(128)	(180)	(6)
Issuances (3)								
Settlements (3)								
Transfers into Level 3 (4)	92	129	37		37	21	1	
Transfers out of Level 3 (4)	(98)	(349)	(211)		(117)	(68)	(48)	
Balance, end of period	$ 7,394	$ 4,813	$ 2,386	$ 74	$ 2,363	$ 1,038	$ 2,680	$ 76
Changes in unrealized gains (losses) included in net income (loss): (5)								
Net investment income	$ 2	$ 5	$ (5)	$	$ 6	$ 1	$ 4	$
Net investment gains (losses)	$ (1)	$ (15)	$	$	$ (3)	$ (9)	$	$
Net derivative gains (losses)	$	$	$	$	$	$	$	$
Other revenues	$	$	$	$	$	$	$	$
Policyholder benefits and claims	$	$	$	$	$	$	$	$
Other expenses	$	$	$	$	$	$	$	$

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MetLife, Inc.

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

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

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MetLife, Inc.

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

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)								
		Net Derivatives: (6)							
	MSRs (9)	Interest Rate	Foreign Currency Exchange Rate	Credit	Equity Market	Net Embedded Derivatives (7)	Separate Account Assets (8)	Long-term Debt of CSEs	Liability Related to Securitized Reverse Mortgage Loans (9)
	(In millions)								
Three Months Ended June 30, 2012:									
Balance, beginning of period	$ 727	$ 142	$ 54	$ 38	$ 393	$ (2,413)	$ 1,382	$ (82)	$ (1,505)
Total realized/unrealized gains (losses) included in:									
Net income (loss): (1), (2)									
Net investment income					(1)				
Net investment gains (losses)							23	1	
Net derivative gains (losses)		22	(9)	(14)	225	(1,362)			
Other revenues	(130)	(4)							1
Policyholder benefits and claims					(4)	42			
Other expenses									
OCI		98			1	(64)			
Purchases (3)					10		191		
Sales (3)	(49)						(116)		1,484
Issuances (3)	46						2		(98)
Settlements (3)	(30)	(30)	(5)		(49)	(164)	(1)		20
Transfers into Level 3 (4)							2		
Transfers out of Level 3 (4)							(38)		
Balance, end of period	$ 564	$ 228	$ 40	$ 24	$ 575	$ (3,961)	$ 1,445	$ (81)	$ (98)
Changes in unrealized gains (losses) included in net income (loss): (5)									
Net investment income	$	$	$	$	$ (1)	$	$	$	$
Net investment gains (losses)	$	$	$	$	$	$	$	$ 1	$
Net derivative gains (losses)	$	$ 15	$ (8)	$ (14)	$ 198	$ (1,366)	$	$	$
Other revenues	$ (121)	$	$	$	$	$	$	$	$
Policyholder benefits and claims	$	$	$	$	$ (4)	$ 42	$	$	$
Other expenses	$	$	$	$	$	$	$	$	$

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MetLife, Inc.

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

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)							
	Fixed Maturity Securities:							
	U.S. Corporate	Foreign Corporate	Foreign Government	U.S. Treasury and Agency	RMBS	CMBS	ABS	State and Political Subdivision
	(In millions)							
Six Months Ended June 30, 2013:								
Balance, beginning of period	$ 7,433	$ 6,208	$ 1,814	$ 71	$ 2,037	$ 1,147	$ 3,656	$ 54
Total realized/unrealized gains (losses) included in:								
Net income (loss): (1), (2)								
Net investment income	8	6	8		10	(1)	8	
Net investment gains (losses)	(32)	(23)	5		2	(2)		
Net derivative gains (losses)								
Other revenues								
Policyholder benefits and claims								
Other expenses								
OCI	(9)	(161)	(47)	(2)	124	(49)	(62)	(1)
Purchases (3)	684	794	352		803	404	985	17
Sales (3)	(659)	(413)	(74)	(4)	(168)	(333)	(420)	(5)
Issuances (3)								
Settlements (3)								
Transfers into Level 3 (4)	241	185	91	17	21	139		
Transfers out of Level 3 (4)	(1,748)	(588)	(178)		(94)	(255)	(409)	(24)
Balance, end of period	$ 5,918	$ 6,008	$ 1,971	$ 82	$ 2,735	$ 1,050	$ 3,758	$ 41
Changes in unrealized gains (losses) included in net income (loss): (5)								
Net investment income	$ 7	$ 5	$ 8	$	$ 17	$ (1)	$ 8	$
Net investment gains (losses)	$ (34)	$ (3)	$	$	$ (1)	$ (2)	$	$
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:		FVO and Trading Securities:					
	Common Stock	Non-redeemable Preferred Stock	Actively Traded Securities	FVO General Account Securities	FVO Contractholder-directed Unit-linked Investments	Short-term Investments	Residential Mortgage Loans - FVO	Mortgage Loans Held-for-sale
	(In millions)							
Six Months Ended June 30, 2013:								
Balance, beginning of period	$ 190	$ 419	$ 6	$ 32	$ 937	$ 429	$	$ 49
Total realized/unrealized gains (losses) included in:								
Net income (loss): (1), (2)								
Net investment income				5	(24)	2		
Net investment gains (losses)		(29)				(24)		
Net derivative gains (losses)								
Other revenues								
Policyholder benefits and claims								
Other expenses								
OCI	(7)	65				11		
Purchases (3)	12	23	3		340	332	150	
Sales (3)	(9)	(70)		(5)	(427)	(400)		(45)
Issuances (3)								
Settlements (3)								(4)
Transfers into Level 3 (4)	1		2	14	58			
Transfers out of Level 3 (4)	(4)				(291)	(6)		
Balance, end of period	$ 183	$ 408	$ 11	$ 46	$ 593	$ 344	$ 150	$
Changes in unrealized gains (losses) included in net income (loss): (5)								
Net investment income	$	$	$	$ 5	$ (12)	$ 1	$	$
Net investment gains (losses)	$	$ (20)	$	$	$	$ 1	$	$
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)						
	Net Derivatives: (6)						
	Interest Rate	Foreign Currency Exchange Rate	Credit	Equity Market	Net Embedded Derivatives (7)	Separate Account Assets (8)	Long-term Debt of CSEs
	(In millions)						
Six Months Ended June 30, 2013:							
Balance, beginning of period	$ 177	$ 37	$ 43	$ 128	$ (3,162)	$ 1,205	$ (44)
Total realized/unrealized gains (losses) included in:							
Net income (loss): (1), (2)							
Net investment income							
Net investment gains (losses)							(1)
Net derivative gains (losses)	(22)	(34)	(15)	(305)	2,721		
Other revenues							
Policyholder benefits and claims				9	(80)		
Other expenses							
OCI	(31)	1	(3)		209		
Purchases (3)		2		4		175	
Sales (3)						(78)	
Issuances (3)		(1)					
Settlements (3)	(25)	1		(7)	(366)	(28)	14
Transfers into Level 3 (4)						7	
Transfers out of Level 3 (4)	(1)					(56)	
Balance, end of period	$ 98	$ 6	$ 25	$ (171)	$ (678)	$ 1,225	$ (31)
Changes in unrealized gains (losses) included in net income (loss): (5)							
Net investment income	$	$	$	$	$	$	$
Net investment gains (losses)	$	$	$	$	$	$	$ (1)
Net derivative gains (losses)	$ (17)	$ (34)	$ (15)	$ (305)	$ 2,707	$	$
Other revenues	$	$	$	$	$	$	$
Policyholder benefits and claims	$	$	$	$ 10	$ (77)	$	$
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: (In millions)							
	U.S. Corporate	Foreign Corporate	Foreign Government	U.S. Treasury and Agency	RMBS	CMBS	ABS	State and Political Subdivision
Six Months Ended June 30, 2012:								
Balance, beginning of period	$ 6,784	$ 4,370	$ 2,322	$ 31	$ 1,602	$ 753	$ 1,850	$ 53
Total realized/unrealized gains (losses) included in:								
Net income (loss): (1), (2)								
Net investment income	4	10	1		12	7	10	
Net investment gains (losses)	11	(55)	(7)		(4)	(36)	2	
Net derivative gains (losses)								
Other revenues								
Policyholder benefits and claims								
Other expenses								
OCI	(20)	90	(8)		40	20	(14)	4
Purchases (3)	1,111	1,049	634	50	892	458	1,124	20
Sales (3)	(555)	(451)	(235)	(7)	(194)	(182)	(246)	(1)
Issuances (3)								
Settlements (3)								
Transfers into Level 3 (4)	203	132	60		27	18	2	
Transfers out of Level 3 (4)	(144)	(332)	(381)		(12)		(48)	
Balance, end of period	$ 7,394	$ 4,813	$ 2,386	$ 74	$ 2,363	$ 1,038	$ 2,680	$ 76
Changes in unrealized gains (losses) included in net income (loss): (5)								
Net investment income	$ 5	$ 10	$ 1	$	$ 12	$ 2	$ 9	$
Net investment gains (losses)	$ (2)	$ (26)	$	$	$ (3)	$ (9)	$	$
Net derivative gains (losses)	$	$	$	$	$	$	$	$
Other revenues	$	$	$	$	$	$	$	$
Policyholder benefits and claims	$	$	$	$	$	$	$	$
Other expenses	$	$	$	$	$	$	$	$

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MetLife, Inc.

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

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

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MetLife, Inc.

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

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)								
		Net Derivatives: (6)							
	MSRs (9)	Interest Rate	Foreign Currency Exchange Rate	Credit	Equity Market	Net Embedded Derivatives (7)	Separate Account Assets (8)	Long-term Debt of CSEs	Liability Related to Securitized Reverse Mortgage Loans (9)
	(In millions)								
Six Months Ended June 30, 2012:									
Balance, beginning of period	$ 666	$ 300	$ 44	$ 1	$ 889	$ (4,203)	$ 1,325	$ (116)	$ (1,175)
Total realized/unrealized gains (losses) included in:									
Net income (loss): (1), (2)									
Net investment income					(1)				
Net investment gains (losses)							78	(9)	
Net derivative gains (losses)		24	7	29	(284)	511			
Other revenues	(85)	(67)							2
Policyholder benefits and claims					12	(5)			
Other expenses									
OCI		11			(2)	39			
Purchases (3)					10		293		
Sales (3)	(49)						(255)		1,147
Issuances (3)	104			(3)			2		(98)
Settlements (3)	(72)	(40)	(11)	(3)	(49)	(303)	(4)	44	26
Transfers into Level 3 (4)							23		
Transfers out of Level 3 (4)							(17)		
Balance, end of period	$ 564	$ 228	$ 40	$ 24	$ 575	$ (3,961)	$ 1,445	$ (81)	$ (98)
Changes in unrealized gains (losses) included in net income (loss): (5)									
Net investment income	$	$	$	$	$ (1)	$	$	$	$
Net investment gains (losses)	$	$	$	$	$	$	$	$ (9)	$
Net derivative gains (losses)	$	$ 6	$ (5)	$ 27	$ (287)	$ 498	$	$	$
Other revenues	$ (70)	$	$	$	$	$	$	$	$
Policyholder benefits and claims	$	$	$	$	$ 12	$ (4)	$	$	$
Other expenses	$	$	$	$	$	$	$	$	$

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

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

(3) Items purchased/issued and then sold/settled in the same period are excluded from the rollforward. Fees attributed to embedded derivatives are included in settlements.

(4) Gains and losses, in net income (loss) and OCI, are calculated assuming transfers into and/or out of Level 3 occurred at the beginning of the period. Items transferred into and then out of Level 3 in the same period are excluded from the rollforward.

(5) Changes in unrealized gains (losses) included in net income (loss) relate to assets and liabilities still held at the end of the respective periods.

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

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

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

(9) See Note 3 of the Notes to the Consolidated Financial Statements included in the 2012 Annual Report for a discussion of the MetLife Bank Divestiture. See Note 10 of the Notes to the Consolidated Financial Statements included in the 2012 Annual Report for discussion of the valuation techniques and key inputs. Other revenues related to MSRs represent the changes in estimated fair value due to changes in valuation model inputs or assumptions.

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MetLife, Inc.

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

Fair Value Option

The following table presents information for certain assets and liabilities accounted for under the FVO. These assets and liabilities were initially measured at fair value.

	Residential Mortgage Loans FVO (1)		Mortgage Loans Held-for-Sale (2)		Certain Assets and Liabilities of CSEs (3)	
	June 30, 2013	December 31, 2012	June 30, 2013	December 31, 2012	June 30, 2013	December 31, 2012
	(In millions)					
Assets:						
Unpaid principal balance	$ 202	$	$	$ 80	$ 2,177	$ 2,539
Difference between estimated fair value and unpaid principal balance	(52)			(31)	91	127
Carrying value at estimated fair value	$ 150	$	$	$ 49	$ 2,268	$ 2,666
Loans in non-accrual status	$	$	$	$ 3	$	$
Loans more than 90 days past due	$	$	$	$ 23	$	$
Loans in non-accrual status or more than 90 days past due, or both difference between aggregate estimated fair value and unpaid principal balance	$	$	$	$ (14)	$	$
Liabilities:						
Contractual principal balance					$ 2,076	$ 2,430
Difference between estimated fair value and contractual principal balance					50	97
Carrying value at estimated fair value					$ 2,126	$ 2,527

(1) Interest income, changes in estimated fair value and gains or losses on sales are recognized in net investment income. There were no changes in estimated fair value for the three months and six months ended June 30, 2013.

(2) Interest income is included in net investment income. Gains and losses from initial measurement, subsequent changes in estimated fair value and gains or losses on sales are recognized in other revenues. Changes in estimated fair value for these loans were due to the following:

	Three Months Ended	Six Months Ended

	June 30,		June 30,	
	2013	2012	2013	2012
	(In millions)			
Instrument-specific credit risk based on changes in credit spreads for non-agency loans and adjustments in individual loan quality	$	$ 4	$ (1)	$ 2
Other changes in estimated fair value	1	(72)	1	98
Total gains (losses) recognized in other revenues	$ 1	$ (68)	$	$ 100

(3) These assets and liabilities are comprised of the commercial mortgage loans and the long-term debt. Changes in estimated fair value on these assets and liabilities and gains or losses on sales of these assets are recognized in net investment gains (losses). Interest income on commercial mortgage loans held by CSEs is recognized in net investment income. Interest expense from long-term debt of CSEs is recognized in other expenses.

MetLife, Inc.

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

Nonrecurring Fair Value Measurements

The following table presents information for assets measured at estimated fair value on a nonrecurring basis during the periods and still held at the reporting dates; that is, they are not measured at fair value on a recurring basis but are subject to fair value adjustments only in certain circumstances (for example, when there is evidence of impairment). The estimated fair values for these assets were determined using significant unobservable inputs (Level 3).

	Three Months Ended June 30,					
	2013			2012		
	Carrying Value Prior to Measurement	Carrying Value After Measurement	Gains (Losses)	Carrying Value Prior to Measurement	Carrying Value After Measurement	Gains (Losses)
	(In millions)					
Mortgage loans: (1)						
Held-for-investment	$ 232	$ 242	$ 10	$ 197	$ 209	$ 12
Held-for-sale	$	$	$	$ 254	$ 239	$ (15)
Other limited partnership interests (2)	$ 108	$ 69	$ (39)	$ 38	$ 27	$ (11)
Real estate joint ventures (3)	$	$	$	$ 10	$ 8	$ (2)

	Six Months Ended June 30,					
	2013			2012		
	Carrying Value Prior to Measurement	Carrying Value After Measurement	Gains (Losses)	Carrying Value Prior to Measurement	Carrying Value After Measurement	Gains (Losses)
	(In millions)					
Mortgage loans: (1)						
Held-for-investment	$ 225	$ 242	$ 17	$ 197	$ 210	$ 13
Held-for-sale	$	$	$	$ 270	$ 239	$ (31)
Other limited partnership interests (2)	$ 109	$ 70	$ (39)	$ 48	$ 34	$ (14)
Real estate joint ventures (3)	$ 5	$ 3	$ (2)	$ 15	$ 10	$ (5)

(1) The carrying value after measurement has been adjusted for the excess of the carrying value prior to measurement over the estimated fair value. Estimated fair values for impaired mortgage loans are based on independent broker quotations or valuation models using unobservable inputs or, if the loans are in foreclosure or are otherwise determined to be collateral dependent, are based on the estimated fair value of the underlying collateral or the present value of the expected future cash flows.

(2) For these cost method investments, estimated fair value is determined from information provided in the financial statements of the underlying entities including NAV data. These investments include private equity and debt funds that typically invest primarily in various strategies including domestic and international leveraged buyout funds; power, energy, timber and infrastructure development funds; venture capital funds; and below investment grade debt and mezzanine debt funds. Distributions will be generated from investment gains, from operating income from the underlying investments of the funds and from liquidation of the underlying assets of the funds. It is estimated that the underlying assets of the funds will be liquidated over the next two to 10 years. Unfunded commitments for these investments at both June 30, 2013 and 2012 were not significant.

(3) For these cost method investments, estimated fair value is determined from information provided in the financial statements of the underlying entities including NAV data. These investments include several real estate funds that typically invest primarily in commercial real estate and mezzanine debt. Distributions will be generated from investment gains, from operating income from the underlying investments of the funds and from liquidation of the underlying assets of the funds. It is estimated that the underlying assets of the funds will be liquidated over the next one to 10 years. Unfunded commitments for these investments at both June 30, 2013 and 2012 were not significant.

MetLife, Inc.

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

Fair Value of Financial Instruments Carried at Other Than Fair Value

The following tables provide fair value information for financial instruments that are carried on the balance sheet at amounts other than fair value. These tables exclude the following financial instruments: cash and cash equivalents, accrued investment income, payables for collateral under securities loaned and other transactions, short-term debt and those short-term investments that are not securities, such as time deposits, and therefore are not included in the three level hierarchy table disclosed in the Recurring Fair Value Measurements section. The estimated fair value of the excluded financial instruments, which are primarily classified in Level 2 and, to a lesser extent, in Level 1, approximates carrying value as they are short-term in nature such that the Company believes there is minimal risk of material changes in interest rates or credit quality. All remaining balance sheet amounts excluded from the table below are not considered financial instruments subject to this disclosure.

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MetLife, Inc.

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

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

	June 30, 2013				
		Fair Value Hierarchy			
	Carrying Value	Level 1	Level 2	Level 3	Total Estimated Fair Value
			(In millions)		
Assets:					
Mortgage loans:					
Held-for-investment	$ 53,218	$	$	$ 55,875	$ 55,875
Held-for-sale					
Mortgage loans, net	$ 53,218	$	$	$ 55,875	$ 55,875
Policy loans	$ 11,722	$	$ 1,646	$ 11,962	$ 13,608
Real estate joint ventures	$ 106	$	$	$ 174	$ 174
Other limited partnership interests	$ 1,064	$	$	$ 1,246	$ 1,246
Other invested assets	$ 892	$ 250	$ 314	$ 328	$ 892
Premiums, reinsurance and other receivables	$ 2,799	$	$ 404	$ 2,543	$ 2,947
Other assets	$ 260	$	$ 211	$ 78	$ 289
Liabilities:					
PABs	$ 142,852	$	$	$ 149,632	$ 149,632
Bank deposits	$	$	$	$	$
Long-term debt	$ 16,421	$	$ 18,021	$	$ 18,021
Collateral financing arrangements	$ 4,196	$	$	$ 3,937	$ 3,937
Junior subordinated debt securities	$ 3,193	$	$ 3,874	$	$ 3,874
Other liabilities	$ 5,781	$	$ 4,532	$ 1,252	$ 5,784
Separate account liabilities	$ 61,122	$	$ 61,122	$	$ 61,122
Commitments: (1)					
Mortgage loan commitments	$	$	$	$ (34)	$ (34)
Commitments to fund bank credit facilities, bridge loans and private corporate bond investments	$	$	$ (21)	$	$ (21)

	December 31, 2012				
		Fair Value Hierarchy			
	Carrying Value	Level 1	Level 2	Level 3	Total Estimated Fair Value
			(In millions)		
Assets:					
Mortgage loans:					
Held-for-investment	$ 53,926	$	$	$ 57,381	$ 57,381
Held-for-sale	365			365	365
Mortgage loans, net	$ 54,291	$	$	$ 57,746	$ 57,746
Policy loans	$ 11,884	$	$ 1,690	$ 12,567	$ 14,257
Real estate joint ventures	$ 113	$	$	$ 171	$ 171
Other limited partnership interests	$ 1,154	$	$	$ 1,277	$ 1,277
Other invested assets	$ 815	$ 305	$ 144	$ 366	$ 815
Premiums, reinsurance and other receivables	$ 3,287	$	$ 745	$ 2,960	$ 3,705
Other assets	$ 260	$	$ 214	$ 78	$ 292
Liabilities:					
PABs	$ 149,928	$	$	$ 158,040	$ 158,040
Bank deposits	$ 6,416	$	$ 2,018	$ 4,398	$ 6,416
Long-term debt	$ 16,502	$	$ 18,978	$	$ 18,978

Collateral financing arrangements	$	4,196	$		$		$	3,839	$	3,839
Junior subordinated debt securities	$	3,192	$		$	3,984	$		$	3,984
Other liabilities	$	1,913	$		$	673	$	1,243	$	1,916
Separate account liabilities	$	58,726	$		$	58,726	$		$	58,726
Commitments: (1)										
Mortgage loan commitments	$		$		$		$	12	$	12
Commitments to fund bank credit facilities, bridge loans and private corporate bond investments	$		$		$	22	$		$	22

(1) Commitments are off-balance sheet obligations. Negative estimated fair values represent off-balance sheet liabilities. See Note 14 for additional information on these off-balance sheet obligations.

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MetLife, Inc.

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

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

Mortgage Loans

Mortgage loans held-for-investment

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

Mortgage loans held-for-sale

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

Policy Loans

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

Real Estate Joint Ventures and Other Limited Partnership Interests

The estimated fair values of these cost method investments are generally based on the Company s share of the NAV as provided in the financial statements of the investees. In certain circumstances, management may adjust the NAV by a premium or discount when it has sufficient evidence to support applying such adjustments.

Other Invested Assets

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

Premiums, Reinsurance and Other Receivables

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

MetLife, Inc.

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

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

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

Other Assets

These other assets are principally comprised of a receivable for cash paid to an unaffiliated financial institution under the MetLife Reinsurance Company of Charleston (MRC) collateral financing arrangement described in Note 12 of the Notes to the Consolidated Financial Statements included in the 2012 Annual Report. The estimated fair value of the receivable for the cash paid to the unaffiliated financial institution under the MRC collateral financing arrangement is determined by discounting the expected future cash flows using a discount rate that reflects the credit rating of the unaffiliated financial institution.

PABs

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

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

Bank Deposits

Due to the frequency of interest rate resets on customer bank deposits held in money market accounts, the Company believes that there is minimal risk of a material change in interest rates such that the estimated fair value approximates carrying value. For time deposits, the Company has taken into consideration the sale price for the disposition of the depository business of MetLife Bank to determine the estimated fair value of bank deposits. See Note 3.

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

The estimated fair values of long-term debt and junior subordinated debt securities are principally determined using market standard valuation methodologies. Capital leases, which are not required to be disclosed at estimated fair value, are excluded from the preceding tables.

Valuations classified as Level 2 are based primarily on quoted prices in markets that are not active or using matrix pricing that use standard market observable inputs such as quoted prices in markets that are not active and observable yields and spreads in the market. Instruments valued using discounted cash flow methodologies use standard market observable inputs including market yield curve, duration, call provisions, observable prices and spreads for similar publicly traded or privately traded issues.

MetLife, Inc.

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

Valuations classified as Level 3 are based primarily on discounted cash flow methodologies that utilize unobservable discount rates that can vary significantly based upon the specific terms of each individual arrangement. The determination of estimated fair values of collateral financing arrangements incorporates valuations obtained from the counterparties to the arrangements, as part of the collateral management process.

Other Liabilities

Other liabilities consist primarily of interest and dividends payable, amounts due for securities purchased but not yet settled, funds withheld amounts payable, which are contractually withheld by the Company in accordance with the terms of the reinsurance agreements, and amounts payable under certain assumed reinsurance agreements, which are recorded using the deposit method of accounting. The Company evaluates the specific terms, facts and circumstances of each instrument to determine the appropriate estimated fair values, which are not materially different from the carrying values, with the exception of certain deposit type reinsurance payables. For such payables, the estimated fair value is determined as the present value of expected future cash flows, which are discounted using an interest rate determined to reflect the appropriate credit standing of the assuming counterparty.

Separate Account Liabilities

Separate account liabilities represent those balances due to policyholders under contracts that are classified as investment contracts.

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

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

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

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

9. Goodwill

At June 30, 2013, the effect of foreign currency translation was a decrease to goodwill of $507 million. The impact by segment was $451 million, $37 million and $19 million related to Asia, EMEA and Latin America, respectively. Other than these foreign currency translation changes, there were no other significant changes to goodwill.

MetLife, Inc.

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

10. Equity

Stock-Based Compensation Plans

Performance Shares and Performance Units

For awards granted prior to the January 1, 2013 December 31, 2015 performance period, vested Performance Shares and Performance Units are multiplied by a performance factor of 0.0 to 2.0 based on MetLife, Inc. s adjusted income, total shareholder return, and performance in change in annual net operating earnings and total shareholder return compared to the performance of its competitors, each measured with respect to the applicable three-year performance period or portions thereof.

For the January 1, 2013 - December 31, 2015 performance period, the vested Performance Shares and Performance Units will be multiplied by a performance factor of 0.00 to 1.75. Assuming that MetLife, Inc. has met threshold performance goals related to its adjusted income or total shareholder return, the MetLife, Inc. Compensation Committee will determine the performance factor in its discretion. In doing so, the Compensation Committee may consider MetLife, Inc. s total shareholder return relative to the performance of its competitors and MetLife, Inc. s operating return on equity relative to its financial plan. The estimated fair value of performance shares will be remeasured each quarter until final settlement.

Payout of 2010 - 2012 Performance Shares

Final Performance Shares are paid in shares of MetLife, Inc. common stock. The performance factor for the January 1, 2010 December 31, 2012 performance period was 0.92. This factor has been applied to the 1,346,025 Performance Shares associated with that performance period that vested on December 31, 2012 and, as a result, 1,238,343 shares of MetLife, Inc. s common stock (less withholding for taxes and other items, as applicable) were issued, aside from shares that payees choose to defer, in April 2013.

Payout of 2010 - 2012 Performance Units

Final Performance Units are payable in cash equal to the closing price of MetLife, Inc. common stock on a date following the last day of the three-year performance period. The performance factor for the January 1, 2010 December 31, 2012 performance period was 0.92. This factor has been applied to the 51,650 Performance Units associated with that performance period that vested on December 31, 2012 and, as a result, the cash value of 47,518 units was paid in April 2013.

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MetLife, Inc.

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

Accumulated Other Comprehensive Income (Loss)

Information regarding changes in the balances of each component of AOCI attributable to MetLife, Inc., net of income tax, was as follows:

	Three Months Ended June 30, 2013				
	Unrealized Investment Gains (Losses), Net of Related Offsets (1)	Unrealized Gains (Losses) on Derivatives	Foreign Currency Translation Adjustments	Defined Benefit Plans Adjustment	Total
	(In millions)				
Balance, beginning of period	$ 13,332	$ 905	$ (1,205)	$ (2,452)	$ 10,580
OCI before reclassifications	(3,476)	(215)	(620)	2	(4,309)
Amounts reclassified from AOCI	(147)	44		34	(69)
Balance, end of period	$ 9,709	$ 734	$ (1,825)	$ (2,416)	$ 6,202

	Six Months Ended June 30, 2013				
	Unrealized Investment Gains (Losses), Net of Related Offsets (1)	Unrealized Gains (Losses) on Derivatives	Foreign Currency Translation Adjustments	Defined Benefit Plans Adjustment	Total
	(In millions)				
Balance, beginning of period	$ 13,590	$ 829	$ (533)	$ (2,489)	$ 11,397
OCI before reclassifications	(3,575)	(255)	(1,292)	2	(5,120)
Amounts reclassified from AOCI	(306)	160		71	(75)
Balance, end of period	$ 9,709	$ 734	$ (1,825)	$ (2,416)	$ 6,202

(1) See Note 6 for information on offsets to investments related to insurance liabilities, DAC and VOBA and the policyholder dividend obligation.

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MetLife, Inc.

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

Information regarding amounts reclassified out of each component of AOCI was as follows:

AOCI Components	Amounts Reclassified from AOCI				Statement of Operations and Comprehensive Income Location
	Three Months Ended June 30, 2013		Six Months Ended June 30, 2013		
	(In millions)				
Net unrealized investment gains (losses):					
Net unrealized investment gains (losses)	$	171	$	461	Other net investment gains (losses)
Net unrealized investment gains (losses)		22		43	Net investment income
OTTI		(4)		(35)	OTTI on fixed maturity securities
Net unrealized investment gains (losses), before income tax		189		469	
Income tax (expense) benefit		(42)		(163)	
Net unrealized investment gains (losses), net of income tax	$	147	$	306	
Unrealized gains (losses) on derivatives - cash flow hedges:					
Interest rate swaps	$	10	$	14	Net derivative gains (losses)
Interest rate swaps		2		4	Net investment income
Interest rate forwards		3		6	Net derivative gains (losses)
Interest rate forwards				1	Net investment income
Interest rate forwards				(1)	Other expenses
Foreign currency swaps		(68)		(257)	Net derivative gains (losses)
Foreign currency swaps		(1)		(2)	Net investment income
Credit forwards		1		1	Net investment income
Gains (losses) on cash flow hedges, before income tax		(53)		(234)	
Income tax (expense) benefit		9		74	
Gains (losses) on cash flow hedges, net of income tax	$	(44)	$	(160)	
Defined benefit plans adjustment: (1)					
Amortization of net actuarial gains (losses)	$	(70)	$	(141)	
Amortization of prior service (costs) credit		18		34	
Amortization of defined benefit plan items, before income tax		(52)		(107)	
Income tax (expense) benefit		18		36	
Amortization of defined benefit plan items, net of income tax	$	(34)	$	(71)	

Total reclassifications, net of income tax	$	69	$	75

(1) These AOCI components are included in the computation of net periodic benefit costs. See Note 12.

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MetLife, Inc.

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

11. Other Expenses

Information on other expenses was as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
	(In millions)			
Compensation	$ 1,227	$ 1,395	$ 2,518	$ 2,889
Pension, postretirement and postemployment benefit costs	122	110	245	228
Commissions	1,387	1,467	2,775	3,024
Volume-related costs	196	156	379	248
Interest credited to bank deposits		20	2	41
Capitalization of DAC	(1,212)	(1,315)	(2,468)	(2,679)
Amortization of DAC and VOBA	958	1,479	1,782	2,193
Amortization of negative VOBA	(138)	(181)	(284)	(336)
Interest expense on debt and debt issuance costs	321	342	642	700
Premium taxes, licenses and fees	166	144	325	343
Professional services	324	363	627	778
Rent, net of sublease income	101	112	194	232
Other (1)	573	683	1,426	1,435
Total other expenses	$ 4,025	$ 4,775	$ 8,163	$ 9,096

(1) See Note 3 for information on the Japan income tax refund included in other expenses for the six months ended June 30, 2013.

Restructuring Charges

The Company commenced in 2012 an enterprise-wide strategic initiative. This global strategy focuses on leveraging the Company s scale to improve the value it provides to customers and shareholders in order to reduce costs, enhance revenues, achieve efficiencies and reinvest in its technology, platforms and functionality to improve its current operations and develop new capabilities.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
	(In millions)			
Balance, beginning of period	$ 20	$ 27	$ 23	$

Restructuring charges		16		20		49		47
Cash payments		(15)		(26)		(51)		(26)
Balance, end of period	$	21	$	21	$	21	$	21
Total restructuring charges incurred since inception of initiative	$	208	$	47	$	208	$	47

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MetLife, Inc.

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

Management anticipates further restructuring charges including severance, lease and asset impairments, through the year ending December 31, 2015. However, such restructuring plans were not sufficiently developed to enable management to make an estimate of such restructuring charges at June 30, 2013.

ALICO Acquisition Integration-Related Expenses

Integration-related costs were $54 million and $90 million for the three months and six months ended June 30, 2013, respectively, and were $94 million and $179 million for the three months and six months ended June 30, 2012, respectively. Integration-related costs represent costs directly related to integrating American Life and Delaware American Life Insurance Company (collectively, ALICO), including expenses for consulting and the integration of information systems. Such costs have been expensed as incurred and, as the integration of ALICO is an enterprise-wide initiative, these expenses are reported in Corporate & Other.

12. Employee Benefit Plans

Pension and Other Postretirement Benefit Plans

Certain subsidiaries of MetLife, Inc. (the Subsidiaries) sponsor and/or administer various U.S. qualified and non-qualified defined benefit pension plans and other postretirement employee benefit plans covering employees and sales representatives who meet specified eligibility requirements. The Subsidiaries also provide certain postemployment benefits and certain postretirement medical and life insurance benefits for retired employees.

The components of net periodic benefit costs were as follows:

	Pension Benefits				Other Postretirement Benefits			
	U.S. Plans		Non-U.S. Plans		U.S. Plans		Non-U.S. Plans	
	Three Months Ended June 30,		Three Months Ended June 30,		Three Months Ended June 30,		Three Months Ended June 30,	
	2013	2012	2013	2012	2013	2012	2013	2012
	(In millions)							