METLIFE INC
Form ARS
March 22, 2013

Table of Contents

`

Chairman s Letter

In these days of fierce competition, we are apt to disregard the old landmarks in the wild anxiety for business, but the management of this Company are determined to be guided only by those sound and conservative principles which can be the only basis of a *permanent* success; among them is the necessity of more solicitude for the *character* of its business than for its mere *volume*.

Metropolitan Life Insurance Company, Annual Report, 1870

To my fellow shareholders:

One year ago in this space, I outlined the principles MetLife would follow in developing its new corporate strategy, among them, that we would strike the right balance between growth, profitability and risk. So I was pleased to learn of the above quote from the company s founding era. Our managers then knew what we still know today that compromising on any one of these will defeat your chances for permanent success.

The task for the current management of MetLife is clear. We must ensure that we conduct business in a way that creates value for our shareholders, customers, employees and the communities where we do business.

Our financial results and management actions in 2012 demonstrate that we are on the right path. For the year, we grew operating earnings per share (EPS) by 21% over 2011. We achieved an operating return on equity of 11.3%. And our operating premiums, fees and other revenues rose by 5% in the face of continuing economic headwinds.[1]

Even more important than our strong 2012 financial results are the steps we took to position MetLife for long-term profitable growth. In May of last year, we introduced our new corporate strategy to guide MetLife through the current environment. We have made significant progress on each of the four cornerstone initiatives.

Refocus the U.S. Business

A top priority for MetLife is to shift our business mix from market-sensitive, capital-intensive products toward protection-oriented, lower-risk products. To be clear, this does not mean that MetLife will stop providing customers with long-term income solutions. But in a period of prolonged low interest rates and potentially higher capital requirements for large life insurance companies, we must achieve the correct balance.

From a high-water mark of approximately $28 billion in 2011, MetLife managed its sales of variable annuity products downward to $17.7 billion in 2012. For 2013, we plan to sell between $10 billion and $11 billion of variable annuities. We believe our newest product, which includes a 4% roll-up rate and a 4% withdrawal rate, will improve the risk profile of our variable annuity sales and generate a higher expected return on economic capital, while still helping customers meet their retirement security goals.

Similarly, a new Voluntary and Worksite Benefits solution is consistent with our strategic shift toward low-capital-intensity products. We are now cross-selling protection-oriented accident and health products in Group offerings for mid-sized employers, which can generate revenue with lower risk. A dedicated team was established within our U.S. business specifically to drive growth in this area.

Grow Emerging Markets

By capitalizing on an expanding global middle class, we expect to increase MetLife s share of operating earnings from emerging markets to more than 20% by 2016, up from 14% today. Our existing emerging-market businesses performed well in 2012 and contributed to overall operating earnings growth of 18% in Asia, 13% in Latin America, and 8% in Europe, the Middle East, and Africa (EMEA).

[1] See Management s Discussion and Analysis of Financial Condition and Results of Operations Non-GAAP and Other Financial Disclosures for non-GAAP definitions and financial information.

MetLife has been actively growing its emerging-markets business both organically and through acquisitions and partnerships. We have expanded in Eastern Europe with the acquisition of Aviva s life businesses in Hungary, Romania and the Czech Republic, which added a large, diverse distribution network and expanded MetLife s product capabilities, further solidifying the company s market position in the region.

We recently finalized our partnership agreement with Punjab National Bank (PNB) in India that will give us access to over 70 million PNB customers across the nation. This partnership is an important step forward in a large market with a rapidly growing middle class.

Most recently, we announced our agreement to acquire AFP Provida, the largest pension provider in Chile. MetLife is already the leading life insurer in Chile, and the acquisition of AFP Provida for approximately $2 billion in cash will further strengthen our position in the market. With this acquisition, MetLife s operating earnings from emerging markets are expected to grow from 14% today to approximately 17%, which puts us halfway toward our 2016 target.

In addition to being an excellent strategic fit, the Provida acquisition is very attractive on a financial basis. We anticipate that the transaction will be immediately accretive to operating earnings. While accretion from a cash acquisition is one metric to consider, it does not necessarily determine if the transaction creates shareholder value. Therefore, we modeled the long-term operating EPS impact of Provida assuming we financed the transaction using 75% equity and 25% debt. On this basis, we forecast that the transaction would be essentially neutral for operating EPS during the first few years and then become accretive. This analysis gave us comfort that the return on this transaction is likely to exceed our weighted-average cost of capital.

Build the Global Employee Benefits Business

MetLife will build on its strong U.S. employee benefits business to help companies around the world provide benefit solutions to their employees. Whether the market is U.S. citizens living abroad or the local workforces of large multinational firms, MetLife has the capabilities to provide benefit solutions that help companies win in the global war for talent.

In its first year of operations, Global Employee Benefits grew year-over-year expatriate sales by 189% and multinational sales by 54%. We are leveraging MetLife s scale, global footprint and existing relationships to secure deals of increasing size and scope. For example, in April we won a contract with a Korean-based manufacturer to provide benefits to 350 expatriates in seven countries, and in December we struck a deal to cover a multinational bank s 13,500 employees in the United Kingdom. From new products to enhanced technology, we are making prudent investments to continue growing our employee benefits businesses outside of the U.S.

Drive Toward Customer Centricity and a Global Brand

For MetLife, customer centricity is not a fad or a buzzword. It is a central organizing principle for how we are going to do business. The life insurance industry is not known for providing exceptional customer experiences, which is one of the reasons insurers have lost market share over the decades to banks and asset managers. We are working hard to make customer centricity a powerful competitive advantage for MetLife across all products and markets.

In 2012, we launched a customer empathy initiative with participation by all of our senior leaders. For example, every member of the Executive Group and I are personally calling dissatisfied customers to learn how we can do better. We also introduced metrics to track MetLife s performance on 100 customer touch points in 10 countries. The reason is simple: Research confirms that customer-centric companies achieve higher organic growth rates and lower costs.

Another way to create a meaningful and enduring competitive advantage is to build consumer preference for our brand above all others. MetLife s brand is formidable in the United States and parts of Latin America, but is not as well-known in some of the new markets we entered through the Alico acquisition. So we are building the brand s familiarity and appeal around the world. In Japan, using the popular Peanuts characters, we are promoting the diversity of MetLife s distribution channels. In Turkey, we recently announced the new availability of our products at nearly 600 DenizBank branches with the aid of popular celebrity spokespersons.

The Foundation for Success

We are also working diligently to ensure that the right foundational elements are in place to successfully execute our strategy and become a world-class company.

Becoming world-class is a commitment that permeates everything we do. We are holding ourselves to a higher standard not just to be the best in our industry but among the best of any business. Achieving this goal requires the collective commitment of our employees to relentlessly raise our standards and improve our performance in a way that sustains MetLife for the long term. Our new global structure, as well as our stronger approach to talent management, diversity and inclusion, is key to operating as a world-class company.

MetLife now does business in more than 45 markets and derives approximately one-third of its operating earnings from outside the United States, up from about 17% pre-Alico. Starting in 2012, we employed a new organizational structure composed of the Americas, EMEA, Asia, and Global Employee Benefits. This new structure has helped us to break down barriers and facilitate the sharing of ideas, best practices and talent across the enterprise.

In 2012, we strengthened our talent management processes through rigorous talent reviews and by focusing on placing the right people in the right jobs. Our financial strength, strong customer value proposition, and global footprint should make us an employer of choice for world-class talent. A case in point is how we built MetLife s executive leadership team, which is now fully staffed. Although it might have taken longer than I would have liked, we succeeded in attracting a diverse team of top talent from leading global companies. We view a diverse workforce and a culture of inclusion as essential to the way we do business and how we treat our employees. I am committed to this effort and will personally be leading a new global Diversity and Inclusion Council.

The final foundational element for achieving success is leveraging our scale. MetLife is improving the value it provides to customers, shareholders and employees by leveraging our scale to become more efficient. We are simplifying the way we work, reducing duplication and improving work environments. That is why we targeted $1 billion in cost saves by 2016. Of those cost saves, MetLife is committed to reinvesting $400 million in technology and process improvements, which are essential to becoming more agile and achieving our customer centricity goals.

The Policy Environment Facing MetLife

Our strategy and the foundational elements that support it are matters firmly within MetLife s control. However, we also face a number of challenges on the public policy front where our business results hinge on the outcome of the regulatory and economic policymaking process.

Low Interest Rates

As a matter of economic policy, the Federal Reserve has publicly stated that it intends to hold interest rates at historically low levels until the unemployment rate drops to 6.5%, which most economists believe will be at least a few years in the future. While the Fed s goal of encouraging economic growth is laudable and arguably consistent with its dual mandate, flooding markets with cheap money carries unintended consequences that have not received sufficient attention.

A policy of artificially low interest rates is a form of taxation on savers and a subsidy to borrowers. It penalizes savers directly through low returns on bank deposits and other fixed-income instruments, and indirectly through lower crediting rates on products offered by financial intermediaries such as insurance companies. The current environment of extremely low interest rates is starting to have a meaningful impact on the ability of life insurance companies to offer certain guarantees to our customers, reducing their financial security. During 2012, MetLife increased prices and lowered guarantees on products such as variable annuities and universal life insurance with secondary guarantees, primarily due to the impact of low interest rates. This social cost should be considered more explicitly in debates over monetary stimulus.

Table of Contents

SIFI Designation and Prudential Regulation

Last month, MetLife successfully completed the process of deregistering as a bank holding company, which means that we are no longer regulated by the Federal Reserve. However, substantial uncertainty remains on the regulatory front as we face the possibility of being named a non-bank systemically important financial institution (SIFI), which would place us back under Federal Reserve supervision.

It is difficult to find experts in financial regulation who believe that traditional life insurance activities represent a threat to the financial stability of the United States, and with good reason. Regulated life insurance activities were not responsible for the financial crisis. Perhaps that is why the federal government s own report on the crisis, the Financial Crisis Inquiry Report, mentions life insurance only once in 663 pages.

The relevant question to ask of MetLife is: Would the failure of our company threaten the financial stability of the United States ? We believe the answer is no. Not only would we pose no threat to the broader economy, we cannot think of a single firm that would be brought down by its exposure to MetLife. The risk is that the federal government could undermine competition in our industry by imposing a potentially onerous layer of federal regulation on a select few life insurance companies, which are already regulated by the states. A more sensible approach would be to identify and regulate those activities that fueled the financial crisis in the first place.

Nevertheless, if MetLife is deemed to be systemically important, it is imperative that the final prudential rules be tailored to the life insurance business model, which differs dramatically from that of banks. Naming the nation s largest life insurers as SIFIs and subjecting them to unmodified bank-style capital and liquidity rules would constrain our ability to issue guarantees. Faced with costly requirements, life insurers would have to raise the price of the products they offer, reduce the amount of risk they take on, or stop offering certain products altogether. At a time when government social safety nets are under increasing pressure and corporate pensions are disappearing, sound public policy should preserve competitively priced financial protection for consumers.

Conclusion

MetLife s achievements in 2012 raised the bar for our performance in 2013. In light of the economic headwinds and policy uncertainty we face, it is imperative that MetLife stay focused on the swift execution of our strategy. Our goal is simple: build a business that makes us the insurance company of choice for customers and achieve returns in excess of our long-term cost of capital for you, our shareholders. In the modern age, that is how MetLife will demonstrate more solicitude for the *character* of its business than for its mere *volume*.

On behalf of the entire MetLife team, thank you for the continued trust you place in us to run your company.

Sincerely,

Steven A. Kandarian

Chairman of the Board, President and Chief Executive Officer

MetLife, Inc.

March 15, 2013

Table of Contents

TABLE OF CONTENTS

	Page Number
Note Regarding Forward-Looking Statements	1
Selected Financial Data	2
Business	3
Management s Discussion and Analysis of Financial Condition and Results of Operations	5
Quantitative and Qualitative Disclosures About Market Risk	66
Changes in and Disagreements With Accountants on Accounting and Financial Disclosure	73
Management s Annual Report on Internal Control Over Financial Reporting	73
Attestation Report of the Company s Registered Public Accounting Firm	73
Financial Statements and Supplementary Data	75
Board of Directors	206
Executive Officers	206
Contact Information	207
Corporate Information	207

Table of Contents

As used in this Annual Report, MetLife, the Company, we, our and us refer to MetLife, Inc., a Delaware corporation incorporated in 1999, its subsidiaries and affiliates.

Note Regarding Forward-Looking Statements

This Annual Report, 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 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; (3) exposure to financial and capital market risk, 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 Dodd-Frank 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 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 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.

Selected Financial Data

The following selected financial data has been derived from the Company s audited consolidated financial statements. The statement of operations data for the years ended December 31, 2012, 2011 and 2010, and the balance sheet data at December 31, 2012 and 2011 have been derived from the Company s audited consolidated financial statements included elsewhere herein. The statement of operations data for the years ended December 31, 2009 and 2008, and the balance sheet data at December 31, 2010, 2009 and 2008 have been derived from the Company s audited consolidated financial statements not included herein. The selected financial data set forth below should be read in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations and the audited consolidated financial statements and related notes included elsewhere herein.

	Years Ended December 31,				
	2012	**2011**	**2010**	**2009**	**2008**
	(In millions, except per share data)				
Statement of Operations Data (1)					
Revenues					
Premiums	$ 37,975	$ 36,361	$ 27,071	$ 26,157	$ 25,604
Universal life and investment-type product policy fees	8,556	7,806	6,028	5,197	5,373
Net investment income	21,984	19,585	17,493	14,726	16,168
Other revenues	1,906	2,532	2,328	2,329	1,585
Net investment gains (losses)	(352)	(867)	(408)	(2,901)	(2,085)
Net derivative gains (losses)	(1,919)	4,824	(265)	(4,866)	3,910
Total revenues	68,150	70,241	52,247	40,642	50,555
Expenses					
Policyholder benefits and claims	37,987	35,471	29,187	28,005	27,095
Interest credited to policyholder account balances	7,729	5,603	4,919	4,845	4,787
Policyholder dividends	1,369	1,446	1,485	1,649	1,749
Goodwill impairment	1,868				
Other expenses	17,755	18,537	12,927	10,761	11,988
Total expenses	66,708	61,057	48,518	45,260	45,619
Income (loss) from continuing operations before provision for income tax	1,442	9,184	3,729	(4,618)	4,936
Provision for income tax expense (benefit)	128	2,793	1,110	(2,107)	1,542
Income (loss) from continuing operations, net of income tax	1,314	6,391	2,619	(2,511)	3,394
Income (loss) from discontinued operations, net of income tax	48	24	44	64	(179)
Net income (loss)	1,362	6,415	2,663	(2,447)	3,215
Less: Net income (loss) attributable to noncontrolling interests	38	(8)	(4)	(36)	66
Net income (loss) attributable to MetLife, Inc.	1,324	6,423	2,667	(2,411)	3,149
Less: Preferred stock dividends	122	122	122	122	125
Preferred stock redemption premium		146			
Net income (loss) available to MetLife, Inc. s common shareholders	$ 1,202	$ 6,155	$ 2,545	$ (2,533)	$ 3,024
EPS Data (1), (5)					
Income (loss) from continuing operations available to MetLife, Inc. s common shareholders per common share:					
Basic	$ 1.08	$ 5.79	$ 2.83	$ (3.17)	$ 4.48
Diluted	$ 1.08	$ 5.74	$ 2.81	$ (3.17)	$ 4.43
Income (loss) from discontinued operations per common share:					
Basic	$ 0.04	$ 0.02	$ 0.05	$ 0.08	$ (0.37)
Diluted	$ 0.04	$ 0.02	$ 0.05	$ 0.08	$ (0.37)
Net income (loss) available to MetLife, Inc. s common shareholders per common share:					
Basic	$ 1.12	$ 5.81	$ 2.88	$ (3.09)	$ 4.11
Diluted	$ 1.12	$ 5.76	$ 2.86	$ (3.09)	$ 4.06

Cash dividends declared per common share	$ 0.74	$ 0.74	$ 0.74	$ 0.74	$ 0.74

Table of Contents

	December 31, 2012	2011	2010	2009	2008
			(In millions)		
Balance Sheet Data (1)					
Separate account assets	$ 235,393	$ 203,023	$ 183,138	$ 148,854	$ 120,697
Total assets (2)	$ 836,781	$ 796,226	$ 728,249	$ 537,531	$ 499,794
Policyholder liabilities and other policy-related balances (3)	$ 438,191	$ 421,267	$ 399,135	$ 281,495	$ 280,351
Short-term debt	$ 100	$ 686	$ 306	$ 912	$ 2,659
Long-term debt (2)	$ 19,062	$ 23,692	$ 27,586	$ 13,220	$ 9,667
Collateral financing arrangements	$ 4,196	$ 4,647	$ 5,297	$ 5,297	$ 5,192
Junior subordinated debt securities	$ 3,192	$ 3,192	$ 3,191	$ 3,191	$ 3,758
Separate account liabilities	$ 235,393	$ 203,023	$ 183,138	$ 148,854	$ 120,697
Accumulated other comprehensive income (loss)	$ 11,397	$ 6,083	$ 1,145	$ (3,049)	$ (14,512)
Total MetLife, Inc. s stockholders equity	$ 64,453	$ 57,519	$ 46,853	$ 31,336	$ 21,846
Noncontrolling interests	$ 384	$ 370	$ 365	$ 371	$ 249

	Years Ended December 31, 2012	2011	2010	2009	2008
Other Data (1), (4)					
Return on MetLife, Inc. s common equity	2.0%	12.2%	6.9%	(9.9)%	10.9%
Return on MetLife, Inc. s common equity, excluding accumulated other comprehensive income (loss)	2.4%	13.2%	7.0%	(7.3)%	9.3%

(1) On November 1, 2010 (the ALICO Acquisition Date), MetLife, Inc. completed the acquisition of American Life Insurance Company (American Life) from AM Holdings LLC (formerly known as ALICO Holdings LLC) (AM Holdings), a subsidiary of American International Group, Inc. (AIG), and Delaware American Life Insurance Company (DelAm) from AIG (American Life, together with DelAm, collectively, ALICO) (the ALICO Acquisition). The results of the ALICO Acquisition are reflected in the selected financial data from the ALICO Acquisition Date. See Note 3 of the Notes to the Consolidated Financial Statements.

(2) Total assets and long-term debt include amounts relating to variable interest entities as follows at:

	December 31, 2012	2011	2010
		(In millions)	
General account assets	$ 6,692	$ 7,273	$ 11,080
Long-term debt	$ 2,527	$ 3,068	$ 6,902

(3) Policyholder liabilities and other policy-related balances include future policy benefits, policyholder account balances, other policy-related balances, policyholder dividends payable and the policyholder dividend obligation.

(4) Return on MetLife, Inc. s common equity is defined as net income (loss) available to MetLife, Inc. s common shareholders divided by MetLife, Inc. s average common stockholders equity.

(5) For the years ended December 31, 2012 and 2010, all shares related to the assumed issuance of shares in settlement of the applicable purchase contracts have been excluded from the calculation of diluted earnings per common share as these assumed shares are anti-dilutive. For the year ended December 31, 2009, shares related to the assumed exercise or issuance of stock-based awards have been excluded from the calculation of diluted earnings per common share, as to include such assumed shares would be anti-dilutive.

Business

With a more than 140-year history, we have grown to become a leading global provider of insurance, annuities and employee benefit programs, serving 90 million customers. Through our subsidiaries and affiliates, we hold leading market positions in the United States, Japan, Latin America, Asia, Europe and the Middle East. Over the past several years, we have grown our core businesses, as well as successfully executed on our growth strategy. This has included completing a number of transactions that have resulted in the acquisition and, in some cases, divestiture of certain businesses while also further strengthening our balance sheet to position MetLife for continued growth.

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 Europe, the Middle East and Africa (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 of the Notes to the Consolidated Financial Statements for information regarding MetLife Bank s exit from certain of its businesses (the MetLife Bank Divestiture)) and other business activities. Management continues to evaluate the Company s segment performance and allocated resources and may adjust related measurements in the future to better reflect segment profitability.

On November 1, 2010, MetLife, Inc. acquired ALICO. The assets, liabilities and operating results relating to the ALICO Acquisition are included in the Latin America, Asia and EMEA segments. See Note 3 of the Notes to the Consolidated Financial Statements.

Certain international subsidiaries have a fiscal year-end of November 30. Accordingly, the Company s consolidated financial statements reflect the assets and liabilities of such subsidiaries as of November 30, 2012 and 2011 and the operating results of such subsidiaries for the years ended November 30, 2012, 2011 and 2010.

In the U.S., we provide a variety of insurance and financial services products, including life, dental, disability, property & casualty, guaranteed interest, stable value and annuities, through both proprietary and independent retail distribution channels, as well as at the workplace. This business serves approximately 60,000 group customers, including over 90 of the top 100 FORTUNE 500® companies, and provides protection and retirement solutions to millions of individuals.

Outside the U.S., we operate in Latin America, Asia, Europe and the Middle East. MetLife is the largest life insurer in both Mexico and Chile and also holds leading market positions in Japan, Poland and Korea. Our businesses outside the U.S. provide life insurance, accident & health insurance, credit insurance, annuities, endowment and retirement & savings products to both individuals and groups. We believe these businesses will continue to grow more quickly than our U.S. businesses.

In the Americas, excluding Latin America, we market our products and services through various distribution channels. Our retail life, disability and annuities products targeted to individuals are sold via sales forces, comprised of MetLife employees, in addition to third-party organizations. Our group and corporate benefit funding products are sold via sales forces primarily comprised of MetLife employees. Personal lines property & casualty insurance products are directly marketed to employees at their employer s worksite. Personal lines property & casualty insurance products are also marketed and sold to individuals by independent agents and property & casualty specialists through a direct marketing channel and the individual distribution sales group. MetLife sales employees work with all distribution groups to better reach and service customers, brokers, consultants and other intermediaries.

In Asia, Latin America, and EMEA, we market our products and services through a multi-distribution strategy which varies by geographic region and stage of market development. The various distribution channels include: career agency, bancassurance, direct marketing, brokerage, other third-party distribution, and e-commerce. In developing countries, the career agency channel covers the needs of the emerging middle class with primarily traditional products (e.g., whole life, term, endowment and accident & health). In more developed and mature markets, career agents, while continuing to serve their existing customers to keep pace with their developing financial needs, also target upper middle class and mass affluent customer bases with a more sophisticated product set including more investment-sensitive products, such as universal life insurance, unit-linked life insurance, mutual funds and single premium deposit insurance. In the bancassurance channel, we leverage partnerships that span all regions and have developed extensive and far reaching capabilities in all regions. Our direct marketing operations, the largest of which is in Japan, deploy both broadcast marketing approaches (e.g. direct response TV, web-based lead generation) and traditional direct marketing techniques such as inbound and outbound telemarketing.

Revenues derived from any customer did not exceed 10% of consolidated premiums, universal life and investment-type product policy fees and other revenues for the last three years. Financial information, including revenues, expenses, operating earnings, and total assets by segment, as well as premiums, universal life and investment-type product policy fees and other revenues by major product groups, is provided in Note 2 of the Notes to the Consolidated Financial Statements. Operating revenues and operating earnings are performance measures that are not based on accounting principles generally accepted in the United States of America (GAAP). See Management s Discussion and Analysis of Financial Condition and Results of Operations Non-GAAP and Other Financial Disclosures for definitions of such measures.

MetLife s operations in the United States and in other jurisdictions are subject to regulation. Each of MetLife s insurance subsidiaries operating in the United States is licensed and regulated in each U.S. jurisdiction where it conducts insurance business. The extent of such regulation varies, but most jurisdictions have laws and regulations governing the financial aspects and business conduct of insurers. MetLife, Inc. and its U.S. insurance subsidiaries are subject to regulation under the insurance holding company laws of various U.S. jurisdictions. The insurance holding company laws and regulations vary from jurisdiction to jurisdiction, but generally require a controlled insurance company (insurers that are subsidiaries of insurance holding companies) to register with state regulatory authorities and to file with those authorities certain reports, including information concerning its capital structure, ownership, financial condition, certain intercompany transactions and general business operations. State insurance statutes also typically place restrictions and limitations on the amount of dividends or other distributions payable by insurance company subsidiaries to their parent companies, as well as on transactions between an insurer and its affiliates. See Business U.S. Regulation and Business International Regulation in the 2012 Form 10-K and Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources MetLife, Inc. Liquidity and Capital Sources Dividends from Subsidiaries.

MetLife, Inc. has de-registered as a bank holding company. As a result, MetLife, Inc. is no longer regulated as a bank holding company or subject to enhanced supervision and prudential standards as a bank holding company with assets of $50 billion or more. However, if, in the future, MetLife, Inc. is designated by the FSOC as a nonbank systemically important financial institution (non-bank SIFI), it could once again be subject to regulation by the Board of Governors of the Federal Reserve System and the Federal Reserve Bank of New York and to enhanced supervision and prudential standards. See Business U.S. Regulation Enhanced Prudential Standards in the 2012 Form 10-K.

Management s Discussion and Analysis of Financial Condition and Results of Operations

Index to Management s Discussion and Analysis of Financial Condition and Results of Operations

	Page Number
Forward-Looking Statements and Other Financial Information	6
Executive Summary	6
Industry Trends	8
Summary of Critical Accounting Estimates	12
Economic Capital	17
Acquisitions and Dispositions	17
Results of Operations	18
Effects of Inflation	34
Investments	34
Derivatives	47
Off-Balance Sheet Arrangements	48
Insolvency Assessments	49
Policyholder Liabilities	49
Liquidity and Capital Resources	54
Adoption of New Accounting Pronouncements	65
Future Adoption of New Accounting Pronouncements	65
Non-GAAP and Other Financial Disclosures	65
Subsequent Events	66

Forward-Looking Statements and Other Financial Information

For purposes of this discussion, MetLife, the Company, we, our and us refer to MetLife, Inc., a Delaware corporation incorporated in 1999, its subsidiaries and affiliates. Following this summary is a discussion addressing the consolidated results of operations and financial condition of the Company for the periods indicated. This discussion should be read in conjunction with Note Regarding Forward-Looking Statements, Selected Financial Data and the Company s consolidated financial statements included elsewhere herein, and Risk Factors included in MetLife s Annual Report for the year ended December 31, 2012 (the 2012 Form 10-K).

This 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 o 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. Actual results could differ materially from those expressed or implied in the forward-looking statements. See Note Regarding Forward-Looking Statements.

This Management s Discussion and Analysis of Financial Condition and Results of Operations includes references to our performance measures, operating earnings and operating earnings available to common shareholders, that are not based on accounting principles generally accepted in the United States of America (GAAP). Operating earnings is the measure of segment profit or loss we use to evaluate segment performance and allocate resources. Consistent with GAAP accounting guidance for segment reporting, operating earnings is our measure of segment performance. Operating earnings is also a measure by which senior management s and many other employees performance is evaluated for the purposes of determining their compensation under applicable compensation plans. See Non-GAAP and Other Financial Disclosures for definitions of such measures.

Executive Summary

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. Through its subsidiaries and affiliates, 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, reflecting three broad geographic regions: Retail; Group, Voluntary & Worksite Benefits; Corporate Benefit Funding; and Latin America (collectively, the Americas); Asia; and Europe, the Middle East and Africa (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 of the Notes to the Consolidated Financial Statements for information regarding MetLife Bank s exit from certain of its businesses (the MetLife Bank Divestiture)) and other business activities. Management continues to evaluate the Company s segment performance and allocated resources and may adjust related measurements in the future to better reflect segment profitability.

On November 1, 2010 (the ALICO Acquisition Date), MetLife, Inc. completed the acquisition of American Life Insurance Company (American Life) from AM Holdings LLC (formerly known as ALICO Holdings LLC) (AM Holdings), a subsidiary of American International Group, Inc. (AIG), and Delaware American Life Insurance Company (DelAm) from AIG (American Life, together with DelAm, collectively, ALICO) (the ALICO Acquisition). The assets, liabilities and operating results relating to the ALICO Acquisition are included in the Latin America, Asia and EMEA segments. See Note 3 of the Notes to the Consolidated Financial Statements.

Certain international subsidiaries have a fiscal year-end of November 30. Accordingly, the Company s consolidated financial statements reflect the assets and liabilities of such subsidiaries as of November 30, 2012 and 2011 and the operating results of such subsidiaries for the years ended November 30, 2012, 2011 and 2010.

We continue to experience an increase in sales in several of our businesses; however, global economic conditions continue to negatively impact the demand for some of our products. Portfolio growth, resulting from strong sales in the majority of our businesses, drove positive investment results and higher asset-based fee revenue. Changes in interest rates and the impact of the nonperformance risk adjustment on variable annuity embedded derivatives resulted in significant derivative losses. In addition, a goodwill impairment charge was recorded in the current year, as well as a charge associated with the global review of assumptions related to deferred policy acquisition costs (DAC), reserves and certain intangibles.

	Years Ended December 31,		
	2012	2011	2010
		(In millions)	
Income (loss) from continuing operations, net of income tax	$ 1,314	$ 6,391	$ 2,619
Less: Net investment gains (losses)	(352)	(867)	(408)
Less: Net derivative gains (losses)	(1,919)	4,824	(265)

Less: Goodwill impairment	(1,868)		
Less: Other adjustments to continuing operations (1)	(2,550)	(1,451)	(708)
Less: Provision for income tax (expense) benefit	2,195	(914)	304
Operating earnings	5,808	4,799	3,696
Less: Preferred stock dividends	122	122	122
Operating earnings available to common shareholders	$ 5,686	$ 4,677	$ 3,574

(1) See definitions of operating revenues and operating expenses for the components of such adjustments.

Year Ended December 31, 2012 Compared with the Year Ended December 31, 2011

During the year ended December 31, 2012, income (loss) from continuing operations, net of income tax, decreased $5.1 billion from the prior year. The change was predominantly due to a $6.7 billion ($4.4 billion, net of income tax), unfavorable change in net derivative gains (losses) primarily driven by changes in interest rates, the weakening of the U.S. dollar and Japanese yen, equity market movements, decreased volatility and the impact of a nonperformance risk adjustment. In addition, the current year includes a $1.9 billion ($1.6 billion, net of income tax) non-cash charge for goodwill impairment associated with our U.S. retail annuities business. The current year also includes a $1.2 billion ($752 million, net of income tax) charge associated with the global review of assumptions related to DAC, reserves and certain intangibles, of which $526 million ($342 million, net of income tax) was reflected in net derivative gains (losses). Also included in income (loss) from continuing operations, net of income tax, were the unfavorable results of the discontinued operations and other businesses that have been or will be sold or exited by MetLife, Inc. (Divested Businesses), which decreased $724 million ($476 million, net of income tax) from the prior year. These declines were partially offset by a $1.0 billion, net of income tax, increase in operating earnings available to common shareholders.

The increase in operating earnings available to common shareholders was primarily driven by improved investment results and higher asset-based fee revenue as strong sales levels drove portfolio growth. In addition, the low interest rate environment resulted in lower average interest credited rates. Despite the impact of Superstorm Sandy, catastrophe losses were lower in 2012 as compared to the significant weather-related claims in 2011. In addition, the prior year included a $117 million, net of income tax, charge in connection with the Company s use of the U.S. Social Security Administration s Death Master File. The prior year also included $40 million, net of income tax, of expenses incurred related to a liquidation plan filed by the New York State Department of Financial Services (the Department of Financial Services) for Executive Life Insurance Company of New York (ELNY). Current year results include a $52 million, net of income tax, charge representing a multi-state examination payment related to unclaimed property and MetLife s use of the U.S. Social Security Administration s Death Master File to identify potential life insurance claims, as well as the expected acceleration of benefit payments to policyholders under the settlements. The current year also includes a $50 million, net of income tax, impairment charge on an intangible asset related to a previously acquired dental business.

Year Ended December 31, 2011 Compared with the Year Ended December 31, 2010

During the year ended December 31, 2011, income (loss) from continuing operations, net of income tax, increased $3.8 billion over 2010. The change was predominantly due to a $5.1 billion ($3.3 billion, net of income tax) favorable change in net derivative gains (losses) primarily due to the impact of falling long-term and mid-term interest rates and equity market movements and volatility. In addition, a $1.1 billion, net of income tax, favorable change in operating earnings available to common shareholders, which includes the impact of the ALICO Acquisition, also contributed to the increase.

The ALICO Acquisition drove the majority of the $1.1 billion increase in operating earnings available to common shareholders. In addition, improved investment performance was driven by portfolio growth resulting from increased sales across many of our businesses, which more than offset the negative impact of the declining interest rate environment on yields. Current year results were negatively impacted by severe weather, as well as, in the third quarter of 2011, a charge to increase reserves in connection with the Company s use of the U.S. Social Security Administration s Death Master File and similar databases to identify potential life insurance claims that have not been presented to the Company and expenses incurred related to a liquidation plan filed by the Department of Financial Services for ELNY.

Consolidated Company Outlook

In 2013, despite pressure from low interest rates, we expect operating earnings to be in line with 2012, driven primarily by the following:

- Growth in premiums, fees and other revenues driven by:
  - Rational pricing strategy in the group insurance marketplace;
  - Increases in our businesses outside of the U.S., notably accident & health, from continuing organic growth throughout our various geographic regions and leveraging of our multichannel distribution network.
- Expanding our presence in emerging markets, including potential merger and acquisition activity.
- Focus on disciplined underwriting. We see no significant changes to the underlying trends that drive underwriting results; however, unanticipated catastrophes, similar to Superstorm Sandy could result in a high volume of claims.
- Focus on expense management in the light of the low interest rate environment, and continue to focus on expense control throughout the Company.
- Continued disciplined approach to investing and asset/liability management (ALM), including significant hedging to protect against low interest rates and the purchasing of derivatives to protect against higher interest rates.

We expect only modest investment losses in 2013, but more difficult to predict is the impact of potential changes in fair value of freestanding and embedded derivatives as even relatively small movements in market variables, including interest rates, equity levels and volatility, can have a large impact on the fair value of derivatives and net derivative gains (losses). Additionally, changes in fair value of embedded derivatives within certain insurance liabilities may have a material impact on net derivative gains (losses) related to the inclusion of a nonperformance risk adjustment.

As part of an enterprise-wide strategic initiative, by 2016, we expect to increase our operating return on common equity to the low end of the 12% to 14% range, driven by higher operating earnings. If we were to assume no share buybacks through year-end 2016, our estimated operating return on equity target range for 2016 would be approximately 100 basis points lower than this previously noted range, all other assumptions held constant. We will leverage our scale to improve the value we provide to customers and shareholders in order to achieve $1 billion in efficiencies, $600 million of which is expected to be related to net pre-tax expense savings, and $400 million of which we expect to be reinvested in our technology, platforms and functionality to improve our current operations and develop new capabilities. Additionally, we will shift our product mix toward protection products and away from more capital-intensive products, in order to generate more predictable operating earnings and cash flows, and improve our risk profile and free cash flow. We expect that by 2016, more than 20% of our operating earnings will come from emerging markets.

Impact of Superstorm Sandy

On October 29, 2012, Superstorm Sandy made landfall in the Northeastern United States causing extensive property damage. MetLife s property & casualty business gross losses from Superstorm Sandy were approximately $150 million, before income tax. As of December 31, 2012, we recognized total net losses related to the catastrophe of $90 million, net of income tax and reinsurance recoverables and including reinstatement premiums, which impacted the Retail and Group, Voluntary & Worksite Benefits segments. The Retail and Group, Voluntary & Worksite Benefits segments recorded net losses related to the catastrophe of $49 million and $41 million, each net of income tax reinsurance recoverables and reinstatement premiums, respectively.

Additional storm-related losses may be recorded in future periods as claims are received from insureds and claims to reinsurers are processed. Reinsurance recoveries are dependent on the continued creditworthiness of the reinsurers, which may be affected by their other reinsured losses in connection with Superstorm Sandy and otherwise.

Industry Trends

We continue to be impacted by the unstable global financial and economic environment that has been affecting the industry.

Financial and Economic Environment

Our business and results of operations are materially affected by conditions in the global capital markets and the economy generally. Stressed conditions, volatility and disruptions in global capital markets, particular markets, or financial asset classes can have an adverse effect on us, in part because we have a large investment portfolio and our insurance liabilities are sensitive to changing market factors. Global market factors, including interest rates, credit spreads, equity prices, real estate markets, foreign currency exchange rates, consumer spending, business investment, government spending, the volatility and strength of the capital markets, deflation and inflation, all affect the business and economic environment and, ultimately, the amount and profitability of our business. Disruptions in one market or asset class can also spread to other markets or asset classes. Upheavals in the financial markets can also affect our business through their effects on general levels of economic activity, employment and customer behavior. While our diversified business mix and geographically diverse business operations partially mitigate these risks, correlation across regions, countries and global market factors may reduce the benefits of diversification.

Financial markets have also been affected by concerns over U.S. fiscal policy. While uncertainty regarding the fiscal cliff (a series of tax increases and automatic government spending cuts that would have become effective at the beginning of 2013) has been abated following a last minute Congressional compromise on January 1, questions over the direction of U.S. fiscal policy remain as a result of further Congressional action that will be needed to again raise the U.S. federal government s debt ceiling by August 2013. Unless steps are taken to raise the debt ceiling and reduce the federal deficit, rating agencies have warned of the possibility of future downgrades of U.S. Treasury securities. These issues could, on their own, or combined with the slowing of the global economy generally, send the U.S. into a new recession, have severe repercussions to the U.S. and global credit and financial markets, further exacerbate concerns over sovereign debt of other countries and disrupt economic activity in the U.S. and elsewhere.

In September 2012, Moody s Investors Service (Moody s) changed its outlook for the U.S. life insurance industry to negative from stable, saying it expects interest rates to remain in the low single digits for the next few years, depressing such companies earnings. In June 2012, Moody s announced that it downgraded the long-term ratings and standalone credit for a number of banks and securities firms with global capital markets operations. Through our ongoing credit evaluation process, we have been closely monitoring our financial institution investment holdings, including the impact of the Moody s downgrades to these institutions, and do not expect these downgrades to have a material adverse effect on our business, results of operations and financial condition.

Concerns about economic conditions, capital markets and the solvency of certain European Union member states, including Portugal, Ireland, Italy, Greece and Spain (Europe s perimeter region) and Cyprus, and of financial institutions that have significant direct or indirect exposure to debt issued by these countries, have been a cause of elevated levels of market volatility. See Investments Current Environment for information regarding credit ratings downgrades, support programs for Europe s perimeter region and our exposure to obligations of European governments and private obligors. The financial markets have also been affected by concerns that other European Union member states could experience similar financial troubles, that some countries could default on their obligations, have to restructure their outstanding debt, or be unable or unwilling to comply with the terms of any aid provided to them, that financial institutions with significant holdings of sovereign or private debt issued by borrowers in Europe s perimeter region could experience financial stress, or that one or more countries may exit the Euro zone, any of which could have significant adverse effects on the European and global economies and on financial markets, generally. In September 2012, the European Central Bank (ECB) announced a new bond buying program, Outright Monetary Transactions, intended to stabilize the European financial crisis and help certain countries struggling with their levels of sovereign debt. This program involves the purchase by the ECB of unlimited quantities of short-term sovereign bonds, with maturities of one to three years. These large scale purchases of short-term sovereign bonds are intended to increase the price of the bonds, and lower their interest rates, making it less expensive for certain countries to borrow money. As a condition to participating in this program, countries must agree to strict levels of economic reform and oversight. See Risk Factors Economic Environment and Capital Markets-Related Risks We Are Exposed to Significant Financial and Capital Markets Risk Which May Adversely Affect Our Results of Operations, Financial Condition and Liquidity, and May Cause Our Net Investment Income to Vary from Period to Period in the 2012 Form 10-K.

The Japanese economy, to which we face substantial exposure given our operations there, has experienced weak economic performance for over two decades and a long period of deflation, which have led to a deterioration in public finances. The global financial crisis and March 2011 earthquake further pressured Japan s budget outcomes and public debt levels. Going forward, Japan s structural and demographic challenges may continue to limit its potential growth unless reforms that boost productivity are put into place. Japan s high public sector debt levels are mitigated by low refinancing risks and its nominal yields on government debt have remained at a lower level than that of any other advanced country. However, frequent changes in government have prevented policy makers from implementing fiscal reform measures to put public finances on a sustainable path. In January 2013, the government and the Bank of Japan pledged to strengthen policy coordination to end deflation and to achieve sustainable economic growth. This was followed by the announcement of a supplementary budget stimulus program totaling 2% of gross domestic product and the adoption of a 2% inflation target by the Bank of Japan. Although the yen has weakened and the stock market has rallied on the back of these announcements, it is too soon to tell whether these actions will have a sustained impact on Japan s economy. Japan s public debt trajectory could continue to rise until a strategy to boost longer term growth is implemented.

Impact of a Sustained Low Interest Rate Environment

As a global insurance company, we are affected by the monetary policy of central banks around the world. In the United States, the Board of Governors of the Federal Reserve System (the Federal Reserve Board) has taken a number of actions in recent years to spur economic activity by keeping interest rates low and may take further actions to influence interest rates in the future, which may have an impact on the pricing levels of risk-bearing investments, and may adversely impact the level of product sales.

In December 2012, the Federal Reserve Board s Federal Open Market Committee (FOMC) reiterated its plan to keep interest rates low until such time as certain numerical thresholds are met, including with respect to the rates of unemployment, inflation and long-term inflation. It also announced that it will continue purchasing agency mortgage-backed securities at a pace of $40 billion per month and will purchase longer-term U.S. Treasury securities at a pace of $45 billion per month. Taken together, these actions are intended to maintain downward pressure on longer-term interest rates, support mortgage markets, and contribute to a broad easing of financial market conditions that could provide additional stimulus to support the economic recovery. Based on the FOMC s January 2013 meeting, however, it is possible that the extent of this quantitative easing could be varied in amount, gradually reduced, or even ended earlier than originally anticipated depending on the pace of economic recovery, including substantial improvement in the outlook for the labor market.

Central banks in other parts of the world, including the ECB, the Bank of England, the Bank of Japan, the Bank of Australia, the Central Bank of Brazil and the Central Bank of China, have followed the recent actions of the Federal Reserve Board to lower interest rates. The collective effort globally to lower interest rates was in response to concerns about Europe s sovereign debt crisis and slowing global economic growth. We cannot predict with certainty the effect of these programs and policies on interest rates or the impact on the pricing levels of risk-bearing investments at this time. See Investments Current Environment.

In periods of declining interest rates, we may have to invest insurance cash flows and reinvest the cash flows we received as interest or return of principal on our investments in lower yielding instruments. Moreover, borrowers may prepay or redeem the fixed income securities, commercial or agricultural mortgage loans and mortgage-backed securities in our investment portfolio with greater frequency in order to borrow at lower market rates. Therefore, some of our products expose us to the risk that a reduction in interest rates will reduce the difference between the amounts that we are required to credit on contracts in our general account and the rate of return we are able to earn on investments intended to support obligations under these contracts. This difference between interest earned and interest credited, or margin, is a key metric for the management of, and reporting for, many of our businesses.

Our expectations regarding future margins are an important component impacting the amortization of certain intangible assets such as DAC and value of business acquired (VOBA). Significantly lower margins may cause us to accelerate the amortization, thereby reducing net income in the affected reporting period. Additionally, lower margins may also impact the recoverability of intangible assets such as goodwill, require the establishment of additional liabilities or trigger loss recognition events on certain policyholder liabilities. We review this long-term margin assumption, along with other assumptions, as part of our annual assumption review. Although the analysis shown below considers low interest rates in 2013 and 2014, it does not assume any change to our long-term assumption for margins. As a result, the impact of a hypothetical interest rate stress scenario described below does not capture the impact of any of the aforementioned items.

Mitigating Actions. The Company has been and continues to be proactive in its investment strategies, product designs, and interest crediting rate strategies to mitigate the risk of unfavorable consequences from the low interest rate environment. Lowering interest crediting rates on some products, or adjusting the dividend scale on traditional products, can help offset decreases in investment margins on some products. Our ability to lower interest crediting rates could be limited by competition, regulatory approval, or contractual guarantees of minimum rates and may not match the timing or magnitude of changes in asset yields. As a result, our margins could decrease or potentially become negative. The Company applies disciplined ALM strategies, including the use of derivatives, primarily interest rate swaps, floors and swaptions, to mitigate the risk of sustained low interest rates in the U.S. A significant portion of these derivatives were entered into prior to the onset of the current low U.S. interest rate environment. In some cases, the Company has entered into offsetting positions as part of its overall ALM strategy and to reduce volatility in net income. Business actions, such as shifting the sales focus to less interest rate sensitive products, can also mitigate this risk. In addition, the Company is well diversified across product, distribution, and geography. Certain of our non-U.S. businesses, reported within our Latin America and EMEA segments, which accounted for approximately 15% of our operating earnings in 2012, are not significantly interest rate or market sensitive, particularly to any direct sensitivity to U.S. rates. The Company s primary exposure within these segments is insurance risk. We expect our non-U.S. businesses to grow faster than our U.S. businesses and, over time, to become a larger percentage of our total business. As a result of the foregoing, the Company expects to be able to substantially mitigate the negative impact of a sustained low interest rate environment in the U.S. on the Company s profitability. Based on a near to intermediate term analysis of a sustained lower interest rate environment in the U.S., the Company anticipates operating earnings will continue to increase, although at a slower growth rate.

Interest Rate Stress Scenario

The following summarizes the impact of a hypothetical interest rate stress scenario on our operating earnings and the mark-to-market impact of our derivative positions that do not qualify as accounting hedges assuming a continued low interest rate environment in the U.S.

The hypothetical interest rate stress scenario is based on a constant set of U.S. interest rates and credit spreads in the U.S., as compared to our business plan interest rates and credit spreads, which are based on consensus interest rate view and credit spreads as of October 31, 2012. For example, our business plan assumes a 10-year treasury rate of 1.69% at December 31, 2012 to rise during 2013 to 2.38% by December 31, 2013 and remain at 2.38% until December 31, 2014. The hypothetical interest rate stress scenario assumes the 10-year treasury rate to be 1.69% at December 31, 2012 and remain constant at that level until December 31, 2014. We make similar assumptions for interest rates at other maturities, and hold this interest rate curve constant through December 31, 2014. In addition, in the interest rate stress scenario, we assume credit spreads remain constant from December 2012 through the end of 2014, as compared to our business plan which assumes rising credit spreads through 2013 and thereafter remaining constant through the end of 2014. Further, we also are including the impact of low interest rates on our pension and post-retirement plan expenses. We allocate this impact across our segments; it is included in the segment discussion below. The discount rate used to value these plans is tied to long-term high quality corporate bond yields. Accordingly, an extended low interest rate environment will result in increased pension and other post-retirement benefit liabilities and expenses. Higher total return on the fixed income portfolio of pension and other post-retirement benefit plan assets will partially offset this increase in pension and other post-retirement plan liabilities.

Based on the above assumptions, we estimate the impact of the hypothetical U.S. interest rate stress scenario on our consolidated operating earnings to be a decrease of approximately $45 million and $150 million in 2013 and 2014, respectively.

As previously mentioned, operating earnings is the measure of segment profit and loss that we use to evaluate segment performance and allocated resources. Further, we believe the presentation of operating earnings and operating earnings available to common shareholders as we measure it for management purposes enhances the understanding of our performance by highlighting the results of operations and the underlying profitability drivers of our business. The most directly comparable GAAP measure is not accessible on a forward-looking basis because we believe it is not possible to provide other than a range of net investment gains and losses and net derivative gains and losses, which can fluctuate significantly within or outside the range from period to period and may have a significant impact on GAAP net income. See Non-GAAP and Other Financial Disclosures for definitions of such measures.

In addition to the impact on operating earnings, we estimated the effect on the mark-to-market impact of our derivative positions that do not qualify as accounting hedges. We applied the hypothetical U.S. interest rate stress scenario to these derivatives and compared the impact to that based on rates in our business plan. We hold a significant position in long duration receive-fixed interest rate swaps to hedge reinvestment risk. These swaps are most sensitive to the 30-year and 10-year swap rates and we recognize gains as rates drop and recognize losses as rates rise. This estimated impact on the derivative mark-to-market does not include that of our VA program derivatives as the impact of low interest rates in the freestanding derivatives would be largely offset by the mark-to-market in earnings for the related embedded derivative. See Results of Operations Consolidated Results for discussions on our net derivative gains and losses.

Based on these additional assumptions, we estimate the impact of the hypothetical U.S. interest rate stress scenario on the mark-to-market of our derivative positions that do not qualify as accounting hedges to be an increase in income of $450 million to $850 million and a decrease in income of $200 million to an increase in income of $200 million in 2013 and 2014, respectively.

Segments and Corporate & Other

The following discussion summarizes the impact of the above hypothetical U.S. interest rate stress scenario on the operating earnings of our segments, as well as Corporate & Other. See also Policyholder Liabilities Policyholder Account Balances for information regarding the account values subject to minimum guaranteed credited rates.

Retail

Life & Other Our interest rate sensitive products include traditional life, universal life, and retained asset accounts. Because the majority of our traditional life insurance business is participating, we can largely offset lower investment returns on assets backing our traditional life products through adjustments to the applicable dividend scale. In our universal life products, we manage interest rate risk through a combination of product design features and ALM strategies, including the use of hedges such as interest rate swaps and floors. While the Company has the ability to lower crediting rates on certain in-force universal life policies to mitigate margin compression, such actions would be partially offset by increases in our liabilities related to those with secondary guarantees. Our retained asset accounts have minimum interest crediting rate guarantees which range from 1.5% to 3.0%, all of which are currently at their respective minimum interest crediting rates. While we expect to experience margin compression as we re-invest at lower rates, interest rate floors purchased in this portfolio will partially mitigate this risk.

Annuities The impact on operating earnings from margin compression is concentrated in our deferred annuities where there are minimum interest rate guarantees. Under low U.S. interest rate scenarios, we assume that a larger percentage of customers will maintain their funds with the Company to take advantage of the attractive minimum guaranteed rates and we expect to experience margin compression as we reinvest cash flows at lower interest rates. Partially offsetting this margin compression, we assume we will lower crediting rates on their contractual reset dates for the portion of business that is not currently at minimum crediting rates. Additionally, we have various derivative positions, primarily interest rate floors, to partially mitigate this risk. Reinvestment risk is defined here as the amount of reinvestment in 2013 and 2014 that would impact operating earnings due to reinvesting cash flows in the hypothetical interest rate stress scenario. For the deferred annuities business, $1.3 billion and $2.3 billion in 2013 and 2014, respectively of the asset base will be subject to reinvestment risk on an average asset base of $37.6 billion and $37.2 billion in 2013 and 2014, respectively.

We estimate an unfavorable operating earnings impact in our Retail segment from the hypothetical U.S. interest rate stress scenario noted above of $15 million and $60 million in 2013 and 2014, respectively.

Group, Voluntary & Worksite Benefits

Group In general, most of our group life insurance products in this segment are renewable term insurance and, therefore, have significant repricing flexibility. Interest rate risk mainly arises from minimum interest rate guarantees on retained asset accounts. These accounts have minimum interest crediting rate guarantees which range from 0.5% to 3.0%. All of these account balances are currently at their respective minimum interest crediting rates and we expect to experience margin compression as we reinvest at lower interest rates. We have used interest rate floors to partially mitigate the risks of a sustained U.S. low interest rate environment. We also have exposure to interest rate risk in this business arising from our group disability policy claim reserves. For these products, lower reinvestment rates cannot be offset by a reduction in liability crediting rates for established claim reserves. Group disability policies are generally renewable term policies. Rates may be adjusted on in-force policies at renewal based on the retrospective experience rating and current interest rate assumptions. We review the discount rate assumptions and other assumptions associated with our long-term disability claim reserves no less frequently than annually. Our most recent review at the end of 2012 resulted in no change to the applicable discount rates.

Voluntary & Worksite We have exposure to interest rate risk in this business arising mainly from our long-term care (LTC) policy reserves. For these products, lower reinvestment rates cannot be offset by a reduction in liability crediting rates for established claim reserves. LTC policies are generally guaranteed renewable, and rates may be adjusted on a class basis with regulatory approval to reflect emerging experience. Our LTC block is closed to new business. The Company makes use of derivative instruments to more closely match asset and liability duration and immunize the portfolio against changes in interest rates. Reinvestment risk is defined here as the amount of reinvestment in 2013 and 2014 that would impact operating earnings due to reinvesting cash flows in the hypothetical interest rate stress scenario. For the LTC portfolio, $0.9 billion of the asset base in both 2013 and 2014 will be subject to reinvestment risk on an average asset base of $8.0 billion and $8.7 billion in 2013 and 2014, respectively.

We estimate an unfavorable operating earnings impact in our Group, Voluntary & Worksite Benefits segment from the hypothetical U.S. interest rate stress scenario noted above of $5 million and $20 million in 2013 and 2014, respectively.

Corporate Benefit Funding

This segment contains both short and long duration products consisting of capital market products, pension closeouts, structured settlements, and other benefit funding products. The majority of short duration products are managed on a floating rate basis, which mitigates the impact of the low interest rate environment in the U.S. The long duration products have very predictable cash flows and we have matched these cash flows through our ALM practices. We also use interest rate swaps to help protect income in this segment against a low interest rate environment in the U.S. Based on the cash flow estimates, only a small component is subject to reinvestment risk. Reinvestment risk is defined here as the amount of reinvestment in 2013 and 2014 that would impact operating earnings due to reinvesting cash flows in the hypothetical interest rate stress scenario. For the long duration business, $0 and $0.4 billion of the asset base in 2013 and 2014, respectively, will be subject to reinvestment risk on an average asset base of $46.3 billion and $46.2 billion in 2013 and 2014, respectively.

We estimate an unfavorable operating earnings impact in our Corporate Benefit Funding segment from the hypothetical U.S. interest rate stress scenario noted above of $0 and $10 million in 2013 and 2014, respectively.

Asia

Our Asia segment has a portion of its investments in U.S. dollar denominated assets. The following represents the impact on our Asia segment s operating earnings under the hypothetical U.S. interest rate stress scenario.

Life & Other Our Japan business offers traditional life insurance and accident & health products. To the extent the Japan life insurance portfolio is U.S. interest rate sensitive and we are unable to lower crediting rates to the customer, operating earnings will decline. We manage interest rate risk on our life products through a combination of product design features and ALM strategies.

Annuities We sell annuities in Asia which are predominantly single premium products with crediting rates set at the time of issue. This allows us to tightly manage product ALM, cash flows and net spreads, thus maintaining profitability.

We estimate an unfavorable operating earnings impact in our Asia segment from the hypothetical U.S. interest rate stress scenario noted above of $10 million and $20 million in 2013 and 2014, respectively.

Corporate & Other

Corporate & Other contains the surplus portfolios for the enterprise, as well as the portfolios used to fund the capital needs of the Company. In addition, there are various reinsurance products. The surplus portfolios are subject to reinvestment risk; however lower net investment income is significantly offset by lower interest expense on both fixed and variable rate debt. Under a lower interest rate environment, fixed rate debt is assumed to be either paid off when it matures or refinanced at a lower interest rate resulting in lower overall interest expense. Variable rate debt is indexed to the three-month LIBOR, which results in lower interest expense incurred.

We estimate an unfavorable operating earnings impact in Corporate & Other from the hypothetical U.S. interest rate stress scenario noted above of $15 million and $40 million in 2013 and 2014, respectively.

Competitive Pressures

The life insurance industry remains highly competitive. The product development and product life-cycles have shortened in many product segments, leading to more intense competition with respect to product features. Larger companies have the ability to invest in brand equity, product development, technology and risk management, which are among the fundamentals for sustained profitable growth in the life insurance industry. In addition, several of the industry s products can be quite homogeneous and subject to intense price competition. Sufficient scale, financial strength and financial flexibility are becoming prerequisites for sustainable growth in the life insurance industry. Larger market participants tend to have the capacity to invest in additional distribution capability and the information technology needed to offer the superior customer service demanded by an increasingly sophisticated industry client base. We believe that the continued volatility of the financial markets, its impact on the capital position of many competitors, and subsequent actions by regulators and rating agencies have altered the competitive environment. In particular, we believe that these factors have highlighted financial strength as the most significant differentiator from the perspective of some customers and certain distributors. We believe the Company is well positioned to compete in this environment. See Business Competition in the 2012 Form 10-K.

Regulatory Developments

The U.S. life insurance industry is regulated primarily at the state level, with some products and services also subject to Federal regulation. As life insurers introduce new and often more complex products, regulators refine capital requirements and introduce new reserving standards for the life insurance industry. Regulations recently adopted or currently under review can potentially impact the statutory reserve and capital requirements of the industry. In addition, regulators have undertaken market and sales practices reviews of several markets or products, including equity-indexed annuities, variable annuities and group products, as well as reviews of the utilization of affiliated captive reinsurers or off-shore entities to reinsure insurance risks. The regulation of the global financial services industry has received renewed scrutiny as a result of the disruptions in the financial markets. Significant regulatory reforms have been recently adopted and additional reforms proposed, and these or other reforms could be implemented. See Business U.S. Regulation, Business International Regulation, Risk Factors Regulatory and Legal Risks Our Insurance and Brokerage Businesses Are Highly Regulated, and Changes in Regulation and in Supervisory and Enforcement Policies May Reduce Our Profitability and Limit Our Growth, Risk Factors Risks Related to Our Business Our Statutory Life Insurance Reserve Financings May Be Subject to Cost Increases and New Financings May Be Subject to Limited Market Capacity, and Risk Factors Regulatory and Legal Risks Changes in U.S. Federal and State Securities Laws and Regulations, and State Insurance Regulations Regarding Suitability of Annuity Product Sales, May Affect Our Operations and Our Profitability in the 2012 Form 10-K.

The Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank), which was signed by President Obama in July 2010, effected the most far-reaching overhaul of financial regulation in the U.S. in decades. The full impact of Dodd-Frank on us will depend on the numerous rulemaking initiatives required or permitted by Dodd-Frank which are in various stages of implementation, many of which are not likely to be completed for some time. See Business U.S. Regulation in the 2012 Form 10-K.

Mortgage and Foreclosure-Related Exposures

Since 2008, MetLife, through its affiliate, MetLife Bank, has been engaged in the origination, sale and servicing of forward and reverse residential mortgage loans. In January 2012, MetLife, Inc. announced that it was exiting the business of originating forward residential mortgage loans. In April 2012, MetLife, Inc. announced it was exiting the businesses of originating and servicing reverse residential mortgage loans and that MetLife Bank and MetLife, Inc. entered into a definitive agreement to sell MetLife Bank s reverse mortgage servicing portfolio. In June 2012, the Company sold the majority of MetLife Bank s reverse mortgage servicing rights and related assets and liabilities, with the remainder sold in September 2012 pursuant to the same sales agreement. On November 2, 2012, MetLife Bank and MetLife, Inc. entered into a definitive agreement to sell MetLife Bank s forward mortgage servicing portfolio to JPMorgan Chase Bank, N.A. (JPMorgan Chase). The rights and obligations of the forward mortgage servicing portfolio were assumed by JPMorgan Chase on December 31, 2012. See Note 3 of the Notes to the Consolidated Financial Statements for information regarding the MetLife Bank Divestiture.

In conjunction with the sales of residential mortgage loans and servicing portfolios, MetLife Bank has made representations and warranties that the loans sold met certain requirements (relating, for example, to the underwriting and origination of the loans), and that the loans were serviced in accordance with investor guidelines. Notwithstanding its exit from the origination and servicing businesses, MetLife Bank remains obligated to repurchase loans or compensate for losses upon demand due to alleged defects by MetLife Bank or its predecessor servicers in past servicing of the loans and material representations made in connection with MetLife Bank s sale of the loans. At the time the servicing portfolios were sold MetLife Bank was servicing $75.2 billion in mortgage loans, of which $58.9 billion were originated by MetLife Bank, and which loans were subject to both origination and servicing representations and warranties. Estimation of repurchase liability arising from breaches of origination representations and warranties requires considerable management judgment. MetLife Bank considers the level of outstanding unresolved repurchase demands and challenges to mortgage insurance, probable future demands in light of historical experience and changes in general economic conditions such as unemployment and the housing market, and the likelihood of recovery from indemnifications made to MetLife Bank relating to loans that MetLife Bank acquired rather than originated. Reserves for representation and warranty repurchases and indemnifications were $95 million and $69 million at December 31, 2012 and 2011, respectively. Reserves for estimated future losses due to alleged servicing deficiencies on loans originated and sold, as well as servicing acquired, are estimated based on unresolved claims as well as projected losses under investor servicing contracts where MetLife Bank s past actions or inactions are likely to result in missing certain stipulated investor timelines. Reserves for servicing defects were $54 million and $26 million at December 31, 2012 and 2011, respectively. Management is satisfied that adequate provision has been made in the Company s consolidated financial statements for those representation and warrant obligations that are currently probable and reasonably estimable.

State and federal regulatory and law enforcement authorities have initiated various inquiries, investigations or examinations of alleged irregularities in the foreclosure practices of the residential mortgage servicing industry. Mortgage servicing practices have also been the subject of Congressional attention. Authorities have publicly stated that the scope of the investigations extends beyond foreclosure documentation practices to include mortgage loan modification and loss mitigation practices.

On April 13, 2011, the Office of the Comptroller of the Currency (OCC) entered into consent orders with several banks, including MetLife Bank. The consent orders require an independent review of foreclosure practices and set forth new residential mortgage servicing standards, including a requirement for a designated point of contact for a borrower during the loss mitigation process. In the first quarter of 2013, MetLife Bank entered into an agreement in principle with the OCC to settle obligations related to the independent foreclosure review required by its consent order. Under the agreement in principle, the foreclosure review will end and MetLife Bank will pay approximately $46 million. In addition, the Federal Reserve Board entered into consent orders with the affiliated bank holding companies of these banks, including MetLife, Inc., to enhance the supervision of the mortgage servicing activities of their banking subsidiaries. On August 6, 2012, the Federal Reserve Board issued an Order of Assessment of a Civil Monetary Penalty Issued Upon Consent against MetLife, Inc. that will impose a penalty of up to $3.2 million for the alleged deficiencies in oversight of MetLife Bank s servicing of residential mortgage loans and processing foreclosures that were the subject of the 2011 consent order.

MetLife Bank also had a meeting with the Department of Justice regarding mortgage servicing and foreclosure practices. It is possible that various state or federal regulatory and law enforcement authorities may seek monetary penalties from MetLife Bank relating to foreclosure practices.

MetLife Bank has also responded to a subpoena issued by the Department of Financial Services regarding hazard insurance and flood insurance that MetLife Bank obtains to protect the lienholder s interest when the borrower s insurance has lapsed. In April and May 2012, MetLife Bank received two subpoenas issued by the Office of Inspector General for the U.S. Department of Housing and Urban Development regarding Federal Housing Administration (FHA) insured loans. In June and September 2012, MetLife Bank received two Civil Investigative Demands that the U.S. Department of Justice issued as part of a False Claims Act investigation of allegations that MetLife Bank had improperly originated and/or underwritten loans insured by the FHA.

The consent decrees, as well as the inquiries or investigations referred to above, could adversely affect MetLife s reputation or result in significant fines, penalties, equitable remedies or other enforcement actions, and result in significant legal costs in responding to governmental investigations or other litigation.

The MetLife Bank Divestiture may not relieve MetLife from complying with the consent decrees, or protect it from the inquiries and investigations relating to residential mortgage servicing and foreclosure activities, or any fines, penalties, equitable remedies or enforcement actions that may result, the costs of responding to any such governmental investigations, or other litigation.

Summary of Critical Accounting Estimates

The preparation of financial statements in conformity with GAAP requires management to adopt accounting policies and make estimates and assumptions that affect amounts reported in the Consolidated Financial Statements. For a discussion of our significant accounting policies, see Note 1 of the Notes to the Consolidated Financial Statements. The most critical estimates include those used in determining:

(i) liabilities for future policyholder benefits and the accounting for reinsurance;
(ii) capitalization and amortization of DAC and the establishment and amortization of VOBA;
(iii) estimated fair values of investments in the absence of quoted market values;
(iv) investment impairments;
(v) estimated fair values of freestanding derivatives and the recognition and estimated fair value of embedded derivatives requiring bifurcation;
(vi) measurement of goodwill and related impairment;
(vii) measurement of employee benefit plan liabilities;
(viii) measurement of income taxes and the valuation of deferred tax assets; and
(ix) liabilities for litigation and regulatory matters.

In addition, the application of acquisition accounting requires the use of estimation techniques in determining the estimated fair values of assets acquired and liabilities assumed the most significant of which relate to aforementioned critical accounting estimates. In applying our accounting policies, we make subjective and complex judgments that frequently require estimates about matters that are inherently uncertain. Many of these policies, estimates and related judgments are common in the insurance and financial services industries; others are specific to our business and operations. Actual results could differ from these estimates.

Liability for Future Policy Benefits

Generally, future policy benefits are payable over an extended period of time and related liabilities are calculated as the present value of future expected benefits to be paid, reduced by the present value of future expected premiums. Such liabilities are established based on methods and underlying assumptions in accordance with GAAP and applicable actuarial standards. Principal assumptions used in the establishment of liabilities for future policy benefits are mortality, morbidity, policy lapse, renewal, retirement, disability incidence, disability terminations, investment returns, inflation, expenses and other contingent events as appropriate to the respective product type and geographical area. These assumptions are established at the time the policy is issued and are intended to estimate the experience for the period the policy benefits are payable. Utilizing these assumptions, liabilities are established on a block of business basis. If experience is less favorable than assumed, additional liabilities may be established, resulting in a charge to policyholder benefits and claims.

Future policy benefit liabilities for disabled lives are estimated using the present value of benefits method and experience assumptions as to claim terminations, expenses and interest.

Liabilities for unpaid claims are estimated based upon our historical experience and other actuarial assumptions that consider the effects of current developments, anticipated trends and risk management programs, reduced for anticipated salvage and subrogation.

Future policy benefit liabilities for minimum death and income benefit guarantees relating to certain annuity contracts are based on estimates of the expected value of benefits in excess of the projected account balance, recognizing the excess ratably over the accumulation period based on total expected assessments. Liabilities for universal and variable life secondary guarantees and paid-up guarantees are determined by estimating the expected value of death benefits payable when the account balance is projected to be zero and recognizing those benefits ratably over the accumulation period based on total expected assessments. The assumptions used in estimating the secondary and paid-up guarantee liabilities are consistent with those used for amortizing DAC, and are thus subject to the same variability and risk. The assumptions of investment performance and volatility for variable products are consistent with historical experience of the appropriate underlying equity index, such as the Standard & Poor s Rating Services 500 Index.

We regularly review our estimates of liabilities for future policy benefits and compare them with our actual experience. Differences between actual experience and the assumptions used in pricing these policies and guarantees, as well as in the establishment of the related liabilities, result in variances in profit and could result in losses.

See Note 4 of the Notes to the Consolidated Financial Statements for additional information on our liability for future policy benefits.

Reinsurance

Accounting for reinsurance requires extensive use of assumptions and estimates, particularly related to the future performance of the underlying business and the potential impact of counterparty credit risks. We periodically review actual and anticipated experience compared to the aforementioned assumptions used to establish assets and liabilities relating to ceded and assumed reinsurance and evaluate the financial strength of counterparties to our reinsurance agreements using criteria similar to that evaluated in the security impairment process discussed subsequently. Additionally, for each of our reinsurance agreements, we determine whether the agreement provides indemnification against loss or liability relating to insurance risk, in accordance with applicable accounting standards. We review all contractual features, particularly those that may limit the amount of insurance risk to which the reinsurer is subject or features that delay the timely reimbursement of claims. If we determine that a reinsurance agreement does not expose the reinsurer to a reasonable possibility of a significant loss from insurance risk, we record the agreement using the deposit method of accounting.

See Note 6 of the Notes to the Consolidated Financial Statements for additional information on our reinsurance programs.

Deferred Policy Acquisition Costs and Value of Business Acquired

We incur significant costs in connection with acquiring new and renewal insurance business. Costs that relate directly to the successful acquisition or renewal of insurance contracts are deferred as DAC. In addition to commissions, certain direct-response advertising expenses and other direct costs, deferrable costs include the portion of an employee s total compensation and benefits related to time spent selling, underwriting or processing the issuance of new and renewal insurance business only with respect to actual policies acquired or renewed. We utilize various techniques to estimate the portion of an employee s time spent on qualifying acquisition activities that result in actual sales, including surveys, interviews, representative time studies and other methods. These estimates include assumptions that are reviewed and updated on a periodic basis or more frequently to reflect significant changes in processes or distribution methods.

VOBA represents the excess of book value over the estimated fair value of acquired insurance, annuity, and investment-type contracts in-force at the acquisition date. For certain acquired blocks of business, the estimated fair value of the in-force contract obligations exceeded the book value of assumed in-force insurance policy liabilities, resulting in negative VOBA, which is presented separately from VOBA as an additional insurance liability included in other policy-related balances. The estimated fair value of the acquired liabilities is based on projections, by each block of business, of future policy and contract charges, premiums, mortality and morbidity, separate account performance, surrenders, operating expenses, investment returns, nonperformance risk adjustment and other factors. Actual experience on the purchased business may vary from these projections. The recovery of DAC and VOBA is dependent upon the future profitability of the related business.

Separate account rates of return on variable universal life contracts and variable deferred annuity contracts affect in-force account balances on such contracts each reporting period, which can result in significant fluctuations in amortization of DAC and VOBA. Our practice to determine the impact of gross profits resulting from returns on separate accounts assumes that long-term appreciation in equity markets is not changed by short-term market fluctuations, but is only changed when sustained interim deviations are expected. We monitor these events and only change the assumption when our long-term expectation changes. The effect of an increase (decrease) by 100 basis points in the assumed future rate of return is reasonably likely to result in a decrease (increase) in the DAC and VOBA amortization of approximately $180 million, with an offset to our unearned revenue liability of approximately $30 million for this factor. We use a mean reversion approach to separate account returns where the mean reversion period is five years with a long-term separate account return after the five-year reversion period is over. The current long-term rate of return assumption for the variable universal life contracts and variable deferred annuity contracts is 7.25% for the U.S.

We also periodically review other long-term assumptions underlying the projections of estimated gross margins and profits. These assumptions primarily relate to investment returns, policyholder dividend scales, interest crediting rates, mortality, persistency, and expenses to administer business. Assumptions used in the calculation of estimated gross margins and profits which may have significantly changed are updated annually. If the update of assumptions causes expected future gross margins and profits to increase, DAC and VOBA amortization will decrease, resulting in a current period increase to earnings. The opposite result occurs when the assumption update causes expected future gross margins and profits to decrease.

Our most significant assumption updates resulting in a change to expected future gross margins and profits and the amortization of DAC and VOBA are due to revisions to expected future investment returns, expenses, in-force or persistency assumptions and policyholder dividends on participating traditional life contracts, variable and universal life contracts and annuity contracts. We expect these assumptions to be the ones most reasonably likely to cause significant changes in the future. Changes in these assumptions can be offsetting and we are unable to predict their movement or offsetting impact over time.

At December 31, 2012, 2011 and 2010, DAC and VOBA for the Company was $24.8 billion, $24.6 billion and $24.5 billion, respectively. Amortization of DAC and VOBA associated with the variable and universal life and the annuity contracts was significantly impacted by movements in equity markets. The following illustrates the effect on DAC and VOBA of changing each of the respective assumptions, as well as updating estimated gross margins or profits with actual gross margins or profits during the years ended December 31, 2012, 2011 and 2010. Increases (decreases) in DAC and VOBA balances, as presented below, resulted in a corresponding decrease (increase) in amortization.

	Years Ended December 31,		
	2012	**2011**	**2010**
	(In millions)		

Investment return	$ (161)	$ (43)	$ (71)
Separate account balances	39	(125)	49
Net investment gain (loss)	(44)	(530)	(109)
Guaranteed minimum income benefits	23	(13)	76
Expense	10	(6)	81
In-force/Persistency	368	(6)	(29)
Policyholder dividends and other	(4)	32	(159)
Total	$ 231	$ (691)	$ (162)

The following represents significant items contributing to the changes to DAC and VOBA amortization in 2012:

- The increase in actual, as well as changes in projected, investment returns resulted in an increase in actual and a reduction in expected future gross profits on variable universal life contracts and variable deferred annuity contracts resulting in an increase of $161 million in DAC and VOBA amortization.
- Better than expected persistency and changes in assumptions regarding persistency, especially in the U.S. deferred variable annuity contracts, resulted in an increase in actual and expected future gross profits resulting in a decrease of $368 million in DAC and VOBA amortization.

The following represents significant items contributing to the changes to DAC and VOBA amortization in 2011:

- The decrease in equity markets during the year lowered separate account balances, which led to a reduction in actual and expected future gross profits on variable universal life contracts and variable deferred annuity contracts resulting in an increase of $125 million in DAC and VOBA amortization.
- Changes in net investment gains (losses) resulted in the following changes in DAC and VOBA amortization:
  - Actual gross profits decreased as a result of an increase in liabilities associated with guarantee obligations on variable annuities, resulting in a decrease of DAC and VOBA amortization of $478 million, excluding the impact from our nonperformance risk and risk margins, which are described below. This decrease in actual gross profits was more than offset by freestanding derivative gains associated with the hedging of such guarantee obligations, which resulted in an increase in DAC and VOBA amortization of $759 million.
  - The widening of the Company s nonperformance risk adjustment decreased the valuation of guarantee liabilities, increased actual gross profits and increased DAC and VOBA amortization by $234 million. This was partially offset by higher risk margins, which increased the guarantee liability valuations, decreased actual gross profits and decreased DAC and VOBA amortization by $64 million.
  - The remainder of the impact of net investment gains (losses), which increased DAC and VOBA amortization by $79 million, was primarily attributable to current period investment activities.

The following represents significant items contributing to the changes to DAC and VOBA amortization in 2010:

- Changes in net investment gains (losses) resulted in the following changes in DAC and VOBA amortization:
  - Actual gross profits increased as a result of a decrease in liabilities associated with guarantee obligations on variable annuities, resulting in an increase of DAC and VOBA amortization of $188 million, excluding the impact from our nonperformance risk and risk margins, which are described below. This increase in actual gross profits was partially offset by freestanding derivative losses associated with the hedging of such guarantee obligations, which resulted in a decrease in DAC and VOBA amortization of $84 million.
  - The narrowing of our nonperformance risk adjustment increased the valuation of guarantee liabilities, decreased actual gross profits and decreased DAC and VOBA amortization by $92 million. In addition, higher risk margins, which increased the guarantee liability valuations, decreased actual gross profits and decreased DAC and VOBA amortization by $17 million.
  - The remainder of the impact of net investment gains (losses), which increased DAC and VOBA amortization by $114 million, was primarily attributable to current period investment activities.
- Included in policyholder dividends and other was an increase in DAC and VOBA amortization of $72 million as a result of favorable gross margin variances. The remainder of the increase was due to various immaterial items.

Our DAC and VOBA balance is also impacted by unrealized investment gains (losses) and the amount of amortization which would have been recognized if such gains and losses had been realized. The increase in unrealized investment gains decreased the DAC and VOBA balance by $713 million, $788 million and $1.2 billion in 2012, 2011 and 2010, respectively. See Notes 5 and 8 of the Notes to the Consolidated Financial Statements for information regarding the DAC and VOBA offset to unrealized investment losses.

Estimated Fair Value of Investments

In determining the estimated fair value of our investments, various methodologies, assumptions and inputs are utilized.

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

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

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

The estimated fair value of residential mortgage loans held-for-sale and securitized reverse residential mortgage loans is determined based on observable pricing for securities backed by similar types of loans, adjusted to convert the securities prices to loan prices, or from independent broker quotations, which is intended to approximate the amounts that would be received from third parties. Certain other mortgage loans that were previously designated as held-for-investment, but now are designated as held-for-sale, are recorded at the lower of amortized cost or estimated fair value, or for collateral dependent loans, estimated fair value of the collateral less expected disposition costs determined on an individual loan basis. For these loans, estimated fair value is determined using independent broker quotations, or values provided by independent valuation specialists, or when the loan is in foreclosure or otherwise collateral dependent, the estimated fair value of the underlying collateral is estimated using internal models.

Financial markets are susceptible to severe events evidenced by rapid depreciation in asset values accompanied by a reduction in asset liquidity. Our ability to sell securities, or the price ultimately realized for these securities, depends upon the demand and liquidity in the market and increases the use of judgment in determining the estimated fair value of certain securities.

See Note 10 of the Notes to the Consolidated Financial Statements for additional information regarding the estimated fair value of our investments.

Investment Impairments

One of the significant estimates related to available-for-sale (AFS) securities is our impairment evaluation. The assessment of whether an other-than-temporary impairment (OTTI) occurred is based on our case-by-case evaluation of the underlying reasons for the decline in estimated fair value on a security-by-security basis. Our review of each fixed maturity and equity security for OTTI includes an analysis of gross unrealized losses by three categories of severity and/or age of gross unrealized loss. An extended and severe unrealized loss position on a fixed maturity security may not have any impact on the ability of the issuer to service all scheduled interest and principal payments. Accordingly, such an unrealized loss position may not impact our evaluation of recoverability of all contractual cash flows or the ability to recover an amount at least equal to its amortized cost based on the present value of the expected future cash flows to be collected. In contrast, for certain equity securities, greater weight and consideration are given to a decline in estimated fair value and the likelihood such estimated fair value decline will recover.

Additionally, we consider a wide range of factors about the security issuer and use our best judgment in evaluating the cause of the decline in the estimated fair value of the security and in assessing the prospects for near-term recovery. Inherent in our evaluation of the security are assumptions and estimates about the operations of the issuer and its future earnings potential. Factors we consider in the OTTI evaluation process are described in Note 8 of the Notes to Consolidated Financial Statements.

The determination of the amount of allowances and impairments on the remaining invested asset classes is highly subjective and is based upon our periodic evaluation and assessment of known and inherent risks associated with the respective asset class. Such evaluations and assessments are revised as conditions change and new information becomes available.

See Note 8 of the Notes to the Consolidated Financial Statements for additional information relating to our determination of the amount of allowances and impairments.

Derivatives

The determination of estimated fair value of freestanding derivatives, 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 the 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. See Note 10 of the Notes to the Consolidated Financial Statements for additional details on significant inputs into the over-the-counter (OTC) derivative pricing models and credit risk adjustment.

We issue certain variable annuity products with guaranteed minimum benefits, which are measured at estimated fair value separately from the host variable annuity product, with changes in estimated fair value reported in net derivative gains (losses). The estimated fair values of these embedded derivatives are determined based on the present value of projected future benefits minus the present value of projected future fees. The projections of future benefits and future fees require capital market and actuarial assumptions, including expectations concerning policyholder behavior. A risk neutral valuation methodology is used under which the cash flows from the guarantees are projected under multiple capital market scenarios using observable risk free rates. The valuation of these embedded derivatives also includes an adjustment for our nonperformance risk and risk margins for non-capital market inputs. The nonperformance risk adjustment, which is captured as a spread over the risk free rate in determining the discount rate to discount the cash flows of the liability, 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 in certain actuarial assumptions. 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.

The table below illustrates the impact that a range of reasonably likely variances in credit spreads would have on our consolidated balance sheet, excluding the effect of income tax, related to the embedded derivative valuation on certain variable annuity products measured at estimated fair value. However, these estimated effects do not take into account potential changes in other variables, such as equity price levels and market volatility, that can also contribute significantly to changes in carrying values. Therefore, the table does not necessarily reflect the ultimate impact on the consolidated financial statements under the credit spread variance scenarios presented below.

In determining the ranges, we have considered current market conditions, as well as the market level of spreads that can reasonably be anticipated over the near term. The ranges do not reflect extreme market conditions experienced during the recent financial crisis as we do not consider those to be reasonably likely events in the near future.

	Changes in Balance Sheet Carrying Value At December 31, 2012

	Policyholder Account Balances	DAC and VOBA
	(In millions)	
100% increase in our credit spread	$ 2,368	$ 232
As reported	$ 3,308	$ 313
50% decrease in our credit spread	$ 3,910	$ 379

The accounting for derivatives is complex and interpretations of accounting standards continue to evolve in practice. If it is determined that hedge accounting designations were not appropriately applied, reported net income could be materially affected. Assessments of hedge effectiveness and measurements of ineffectiveness of hedging relationships are also subject to interpretations and estimations and different interpretations or estimates may have a material effect on the amount reported in net income.

Variable annuities with guaranteed minimum benefits 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 our nonperformance risk, 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. If interpretations change, there is a risk that features previously not bifurcated may require bifurcation and reporting at estimated fair value in the consolidated financial statements and respective changes in estimated fair value could materially affect net income.

Additionally, we ceded the risk associated with certain of the variable annuities with guaranteed minimum benefits described in the preceding paragraphs. 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 us with the exception of the input for nonperformance risk that reflects the credit of the reinsurer. Because certain of the direct guarantees do not meet the definition of an embedded derivative and, thus are not accounted for at fair value, significant fluctuations in net income may occur since the change in fair value of the embedded derivative on the ceded risk is being recorded in net income without a corresponding and offsetting change in fair value of the direct guarantee.

See Note 9 of the Notes to the Consolidated Financial Statements for additional information on our derivatives and hedging programs.

Goodwill

Goodwill is tested for impairment at least annually or more frequently if events or circumstances, such as adverse changes in the business climate, indicate that there may be justification for conducting an interim test.

For purposes of goodwill impairment testing, if the carrying value of a reporting unit exceeds its estimated fair value, the implied fair value of the reporting unit goodwill is compared to the carrying value of that goodwill to measure the amount of impairment loss, if any. In such instances, the implied fair value of the goodwill is determined in the same manner as the amount of goodwill that would be determined in a business acquisition. The key inputs, judgments and assumptions necessary in determining estimated fair value of the reporting units include projected operating earnings, current book value, the level of economic capital required to support the mix of business, long-term growth rates, comparative market multiples, the account value of in-force business, projections of new and renewal business, as well as margins on such business, the level of interest rates, credit spreads, equity market levels, and the discount rate that we believe is appropriate for the respective reporting unit. The estimated fair values of the Retail Annuities and Retail Life & Other reporting units are particularly sensitive to interest rate and equity market levels.

We performed the annual goodwill impairment test on our Retail Annuities reporting unit using both the market multiple and discounted cash flow valuation approaches. Results for both approaches indicated that the fair value of the Retail Annuities reporting unit was below its carrying value. As a result, an actuarial appraisal, which estimates the net worth of the reporting unit, the value of existing business and the value of new business, was performed. This appraisal resulted in a fair value of the Retail Annuities reporting unit that was less than the carrying value, indicating a potential for goodwill impairment. The actuarial appraisal reflected the expected market impact to a buyer of changes in the regulatory environment, continued low interest rates for an extended period of time, and other market and economic factors. Specifically, in July 2012, the Department of Financial Services initiated an inquiry into the use of captive or off-shore reinsurers, strategies many market participants have used for capital efficiency on variable annuity products; the National Association of Insurance Commissioners (NAIC) has also been studying the use of captives. Additionally, in the third quarter of 2012, the Federal Reserve announced that it anticipated that low interest rates were likely to be warranted at least through mid-2015, extending the time horizon from previous announcements and Moody s changed its outlook for the U.S. life insurance industry to negative from stable, and stated that it expects interest rates to remain in the low single digits for the next few years. As a result, we performed Step 2 of the goodwill impairment process, which compares the implied fair value of the reporting unit s goodwill with its carrying value. This analysis indicated that the recorded goodwill associated with this reporting unit was not recoverable. Therefore, we recorded a non-cash charge of $1.9 billion ($1.6 billion, net of income tax) for the impairment of the entire goodwill balance that is reported in goodwill impairment in the consolidated statements of operations and comprehensive income for the year ended December 31, 2012.

We performed the annual goodwill impairment test on our Retail Life reporting unit which passed both the market multiple valuation and the discounted cash flow valuation approaches. The fair value of the reporting unit, calculated based on application of the discounted cash flow valuation approach, exceeded the carrying value by approximately 3%. If we had assumed that the discount rate was 100 basis points higher than the discount rate used, the fair value of the Retail Life reporting unit would have been less than the carrying value by approximately 1%.

In addition, we performed the annual goodwill impairment tests on our other reporting units using a market multiple and/or the discounted cash flow approach and concluded that the fair values of all such reporting units were in excess of their carrying values and, therefore, goodwill was not impaired.

As anticipated, in the third quarter of 2012, we continued to realign certain products and businesses among our existing segments. As a result, beginning in the third quarter of 2012, the Retail Life reporting unit was integrated with other products and businesses, including the Retail property & casualty business, which is less sensitive to changes in interest rates. The amount of goodwill allocated to the Retail Life & Other reporting unit was approximately $1.5 billion as of December 31, 2012. As a result of the realignment during the third quarter, we performed an analysis to identify all reporting units under the revised structure. Based on a qualitative assessment performed, we concluded that there were no indicators of a scenario in which it was more likely than not that any reporting units had a carrying value that exceeded fair value, and thus, no further impairment analysis was performed. On an ongoing basis, we evaluate potential triggering events that may affect the estimated fair value of our reporting units to assess whether any goodwill impairment exists.

We apply significant judgment when determining the estimated fair value of our reporting units and when assessing the relationship of market capitalization to the aggregate estimated fair value of our reporting units. The valuation methodologies utilized are subject to key judgments and assumptions that are sensitive to change. Estimates of fair value are inherently uncertain and represent only management s reasonable expectation regarding future developments. These estimates and the judgments and assumptions upon which the estimates are based will, in all likelihood, differ in some respects from actual future results. Declines in the estimated fair value of our reporting units could result in goodwill impairments in future periods which could materially adversely affect our results of operations or financial position.

See Note 11 of the Notes to the Consolidated Financial Statements for additional information on our goodwill.

Employee Benefit Plans

Certain subsidiaries of MetLife, Inc. sponsor and/or administer various plans that provide defined benefit pension and other postretirement benefits covering eligible employees and sales representatives. The calculation of the obligations and expenses associated with these plans requires an extensive use of assumptions such as the discount rate, expected rate of return on plan assets, rate of future compensation increases and healthcare cost trend rates, as well as assumptions regarding participant demographics such as rate and age of retirements, withdrawal rates and mortality. In consultation with external actuarial firms, we determine these assumptions based upon a variety of factors such as historical experience of the plan and its assets, currently available market and industry data, and expected benefit payout streams.

We determine the expected rate of return on plan assets based upon an approach that considers inflation, real return, term premium, credit spreads, equity risk premium and capital appreciation, as well as expenses, expected asset manager performance, asset weights and the effect of rebalancing. Given the amount of plan assets as of December 31, 2011, the beginning of the measurement year, if we had assumed an expected rate of return for both our pension and other postretirement benefit plans that was 100 basis points higher or 100 basis points lower than the rates we assumed, the change in our net periodic benefit costs would have been a decrease of $84 million and an increase of $84 million, respectively, in 2012. This considers only changes in our assumed long-term rate of return given the level and mix of invested assets at the beginning of the year, without consideration of possible changes in any of the other assumptions described above that could ultimately accompany any changes in our assumed long-term rate of return.

We determine the discount rates used to value the pension and postretirement obligations, based upon rates commensurate with current yields on high quality corporate bonds. Given our pension and postretirement obligations as of December 31, 2011, the beginning of the measurement year, if we had assumed a discount rate for both our pension and postretirement benefit plans that was 100 basis points higher or 100 basis points lower than the rates we assumed, the change in our net periodic benefit costs would have been a decrease of $133 million and an increase of $153 million, respectively, in 2012. This considers only changes in our assumed discount rates without consideration of possible changes in any of the other assumptions described above that could ultimately accompany any changes in our assumed discount rate. The assumptions used may differ materially from actual results due to, among other factors, changing market and economic conditions and changes in participant demographics. These differences may have a significant effect on the Company s consolidated financial statements and liquidity.

See Note 18 of the Notes to the Consolidated Financial Statements for additional discussion of assumptions used in measuring liabilities relating to our employee benefit plans.

Income Taxes

We provide for federal, state and foreign income taxes currently payable, as well as those deferred due to temporary differences between the financial reporting and tax bases of assets and liabilities. Our accounting for income taxes represents our best estimate of various events and transactions. These tax laws are complex and are subject to differing interpretations by the taxpayer and the relevant governmental taxing authorities. In establishing a provision for income tax expense, we must make judgments and interpretations about the application of these inherently complex tax laws. We must also make estimates about when in the future certain items will affect taxable income in the various tax jurisdictions, both domestic and foreign.

The realization of deferred tax assets depends upon the existence of sufficient taxable income within the carryback or carryforward periods under the tax law in the applicable tax jurisdiction. Valuation allowances are established when management determines, based on available information, that it is more likely than not that deferred income tax assets will not be realized. Factors in management s determination include the performance of the business and its ability to generate capital gains. Significant judgment is required in determining whether valuation allowances should be established, as well as the amount of such allowances. When making such determination, consideration is given to, among other things, the following:

(i) future taxable income exclusive of reversing temporary differences and carryforwards;
(ii) future reversals of existing taxable temporary differences;
(iii) taxable income in prior carryback years; and
(iv) tax planning strategies.

Disputes over interpretations of the tax laws may be subject to review and adjudication by the court systems of the various tax jurisdictions or may be settled with the taxing authority upon audit. We determine whether it is more likely than not that a tax position will be sustained upon examination by the appropriate taxing authorities before any part of the benefit is recorded in the financial statements. We may be required to change our provision for income taxes when estimates used in determining valuation allowances on deferred tax assets significantly change, or when receipt of new information indicates the need for adjustment in valuation allowances. Additionally, future events, such as changes in tax laws, tax regulations, or interpretations of such laws or regulations, could have an impact on the provision for income tax and the effective tax rate. Any such changes could significantly affect the amounts reported in the consolidated financial statements in the year these changes occur.

See Note 19 of the Notes to the Consolidated Financial Statements for additional information on our income taxes.

Litigation Contingencies

We are a party to a number of legal actions and are involved in a number of regulatory investigations. Given the inherent unpredictability of these matters, it is difficult to estimate the impact on our financial position. Liabilities are established when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated. Liabilities related to certain lawsuits, including our asbestos-related liability, are especially difficult to estimate due to the limitation of available data and uncertainty regarding numerous variables that can affect liability estimates. The data and variables that impact the assumptions used to estimate our asbestos-related liability include the number of future claims, the cost to resolve claims, the disease mix and severity of disease in pending and future claims, the impact of the number of new claims filed in a particular jurisdiction and variations in the law in the jurisdictions in which claims are filed, the possible impact of tort reform efforts, the willingness of courts to allow plaintiffs to pursue claims against us when exposure to asbestos took place after the dangers of asbestos exposure were well known, and the impact of any possible future adverse verdicts and their amounts. On a quarterly and annual basis, we review relevant information with respect to liabilities for litigation, regulatory investigations and litigation-related contingencies to be reflected in our consolidated financial statements. It is possible that an adverse outcome in certain of our litigation and regulatory investigations, including asbestos-related cases, or the use of different assumptions in the determination of amounts recorded could have a material effect upon our consolidated net income or cash flows in particular quarterly or annual periods.

See Note 21 of the Notes to the Consolidated Financial Statements for additional information regarding our assessment of litigation contingencies.

Economic Capital

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 our business.

Our 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 our consolidated net investment income, operating earnings or income (loss) from continuing operations, net of income tax.

Acquisitions and Dispositions

See Notes 3 and 23 of the Notes to the Consolidated Financial Statements.

Table of Contents

Results of Operations

Consolidated Results

We have experienced growth and an increase in sales in several of our businesses, both domestic and foreign. In the U.S., the economy has continued to slowly improve and, as a result, our group term life and disability businesses exhibited growth from new sales, and our dental business continued to benefit from strong enrollments and renewals along with a large new group contract that began in the second quarter of 2012. Sales of variable annuities declined in response to actions taken to manage sales volume as we focus on pricing discipline and risk management in this challenging economic environment. Lower interest rates and a more competitive market adversely impacted sales of our pension closeouts and structured settlements. Although policy sales of our property and casualty products remained sluggish, our average premiums for new policies increased. Sales in nearly all of our businesses abroad have improved despite the challenging economic environment in certain European countries.

	Years Ended December 31,		
	2012	2011	2010
	(In millions)		
Revenues			
Premiums	$ 37,975	$ 36,361	$ 27,071
Universal life and investment-type product policy fees	8,556	7,806	6,028
Net investment income	21,984	19,585	17,493
Other revenues	1,906	2,532	2,328
Net investment gains (losses)	(352)	(867)	(408)
Net derivative gains (losses)	(1,919)	4,824	(265)
Total revenues	68,150	70,241	52,247
Expenses			
Policyholder benefits and claims and policyholder dividends	39,356	36,917	30,672
Interest credited to policyholder account balances	7,729	5,603	4,919
Goodwill impairment	1,868		
Capitalization of DAC	(5,289)	(5,558)	(2,770)
Amortization of DAC and VOBA	4,199	4,898	2,477
Amortization of negative VOBA	(622)	(697)	(64)
Interest expense on debt	1,356	1,629	1,550
Other expenses	18,111	18,265	11,734
Total expenses	66,708	61,057	48,518
Income (loss) from continuing operations before provision for income tax	1,442	9,184	3,729
Provision for income tax expense (benefit)	128	2,793	1,110
Income (loss) from continuing operations, net of income tax	1,314	6,391	2,619
Income (loss) from discontinued operations, net of income tax	48	24	44
Net income (loss)	1,362	6,415	2,663
Less: Net income (loss) attributable to noncontrolling interests	38	(8)	(4)
Net income (loss) attributable to MetLife, Inc.	1,324	6,423	2,667
Less: Preferred stock dividends	122	122	122
Preferred stock redemption premium		146	
Net income (loss) available to MetLife, Inc. s common shareholders	$ 1,202	$ 6,155	$ 2,545

Year Ended December 31, 2012 Compared with the Year Ended December 31, 2011

During the year ended December 31, 2012, income (loss) from continuing operations, before provision for income tax, decreased $7.7 billion ($5.1 billion, net of income tax) from the prior year primarily driven by an unfavorable change in net derivative gains (losses) and a goodwill impairment charge in the current year.

We manage our investment portfolio using disciplined ALM principles, focusing on cash flow and duration to support our current and future liabilities. Our intent is to match the timing and amount of liability cash outflows with invested assets that have cash inflows of comparable timing and amount, while optimizing risk-adjusted net investment income and risk-adjusted total return. Our investment portfolio is heavily weighted toward fixed income investments, with over 80% of our portfolio invested in fixed maturity securities and mortgage loans. These securities and loans have varying maturities and other characteristics which cause them to be generally well suited for matching the cash flow and duration of insurance liabilities. Other invested asset classes including, but not limited to, equity securities, other limited partnership interests and real estate and real estate joint ventures, provide additional diversification and opportunity for long-term yield enhancement in addition to supporting the cash flow and duration objectives of our investment portfolio. We also use derivatives as an integral part of our management of the investment portfolio to hedge certain risks, including changes in interest rates, foreign currency exchange rates, credit spreads and equity market levels. Additional considerations for our investment portfolio include current and expected market conditions and expectations for changes within our specific mix of products and business segments. In addition, the general account investment portfolio includes, within fair value option (FVO) and trading securities, contractholder-directed investments supporting unit-linked variable annuity type liabilities, which do not qualify as separate account assets. The returns on these contractholder-directed investments, which can vary significantly period to period, include changes in estimated fair value subsequent to purchase, inure to contractholders and are offset in earnings by a corresponding change in policyholder account balances (PABs) through interest credited to policyholder account balances.

The composition of the investment portfolio of each business segment is tailored to the specific characteristics of its insurance liabilities, causing certain portfolios to be shorter in duration and others to be longer in duration. Accordingly, certain portfolios are more heavily weighted in longer duration, higher yielding fixed maturity securities, or certain sub-sectors of fixed maturity securities, than other portfolios.

Investments are purchased to support our insurance liabilities and not to generate net investment gains and losses. However, net investment gains and losses are incurred and can change significantly from period to period due to changes in external influences, including changes in market factors such as interest rates, foreign currency exchange rates, credit spreads and equity markets; counterparty specific factors such as financial performance, credit rating and collateral valuation; and internal factors such as portfolio rebalancing. Changes in these factors from period to period can significantly impact the levels of both impairments and realized gains and losses on investments sold.

We use freestanding interest rate, equity, credit and currency derivatives to hedge certain invested assets and insurance liabilities. Certain of these hedges are designated and qualify as accounting hedges, which reduce volatility in earnings. For those hedges not designated as accounting hedges, changes in market factors lead to the recognition of fair value changes in net derivative gains (losses) generally without an offsetting gain or loss recognized in earnings for the item being hedged.

Certain variable annuity products with minimum benefit guarantees contain embedded derivatives that are measured at estimated fair value separately from the host variable annuity contract, with changes in estimated fair value recorded in net derivative gains (losses). The Company uses freestanding derivatives to hedge the market risks inherent in these variable annuity guarantees. The valuation of these embedded derivatives includes a nonperformance risk adjustment, which is unhedged and can be a significant driver of net derivative gains (losses) but does not have an economic impact on the Company.

The variable annuity embedded derivatives and associated freestanding derivative hedges are collectively referred to as VA program derivatives in the following table. All other derivatives that are economic hedges of certain invested assets and insurance liabilities are referred to as non-VA program derivatives in the following table. The table below presents the impact on net derivative gains (losses) from non-VA program derivatives and VA program derivatives:

	Years Ended December 31,		
	2012	2011	Change
	(In millions)		
Non-VA program derivatives			
Interest rate	$ 271	$ 2,536	$ (2,265)
Foreign currency exchange rate	(426)	171	(597)
Credit	(105)	173	(278)
Equity	1	6	(5)
Non-VA embedded derivatives	(61)	17	(78)
Total non-VA program derivatives	(320)	2,903	(3,223)
VA program derivatives			
Market and other risks in embedded derivatives	2,959	(3,123)	6,082
Nonperformance risk on embedded derivatives	(1,659)	1,822	(3,481)
Total embedded derivatives	1,300	(1,301)	2,601
Freestanding derivatives hedging embedded derivatives	(2,899)	3,222	(6,121)
Total VA program derivatives	(1,599)	1,921	(3,520)
Net derivative gains (losses)	$ (1,919)	$ 4,824	$ (6,743)

The unfavorable change in net derivative gains (losses) on non-VA program derivatives was $3.2 billion ($2.1 billion, net of income tax). This was primarily due to long-term interest rates increasing in the current period but decreasing in the prior period, unfavorably impacting receive-fixed interest rate swaps, long interest rate floors and receiver swaptions. These freestanding derivatives are primarily hedging long duration liability portfolios. The weakening of the U.S. dollar and Japanese yen relative to other key currencies unfavorably impacted foreign currency forwards and swaps, which primarily hedge certain foreign denominated bonds. Additionally, the narrowing of credit spreads in the current period compared to widening in the prior period unfavorably impacted credit default swaps hedging certain bonds. Because certain of these hedging strategies are not designated or do not qualify as accounting hedges, the changes in the estimated fair value of these freestanding derivatives are recognized in net derivative gains (losses) without an offsetting gain or loss recognized in earnings for the item being hedged.

The unfavorable change in net derivative gains (losses) on VA program derivatives was $3.5 billion ($2.3 billion, net of income tax). This was due to an unfavorable change of $3.5 billion ($2.3 billion, net of income tax) related to the change in the nonperformance risk adjustment on embedded derivatives and by an unfavorable change of $39 million ($25 million, net of income tax) on market and other risks in embedded derivatives, net of the impact of freestanding derivatives hedging those risks.

The unfavorable change of $39 million is comprised of a $6.1 billion ($4.0 billion, net of income tax) unfavorable change in freestanding derivatives that hedge market risks in embedded derivatives, which was offset by a $6.1 billion ($4.0 billion, net of income tax) favorable change in market and other risks in our embedded derivatives, which was primarily driven by changes in market factors. The primary changes in market factors are summarized as follows:

- Long-term interest rates increased in the current period but decreased in the prior period and contributed to an unfavorable change in our freestanding derivatives and favorable changes in our embedded derivatives.
- Key equity index levels improved in the current period but decreased in the prior period, and equity volatility decreased in the current period but generally increased in the prior period. These changes contributed to an unfavorable change in our freestanding derivatives and a favorable change in our embedded derivatives.
- Changes in foreign currency exchange rates contributed to an unfavorable change in our freestanding derivatives and favorable changes in our embedded derivatives.

Table of Contents

The decrease in net investment losses primarily reflects a significant decrease in current period impairments, as compared to the prior period on fixed maturity securities, primarily attributable to prior year impairments on Greece sovereign debt securities, prior year intent-to-sell OTTI on other sovereign debt due to the repositioning of the acquired ALICO portfolio into longer duration and higher yielding investments, and prior year intent-to-sell impairments related to the Divested Businesses, partially offset by a decrease in gains on sales of real estate investments.

In addition, the current year includes a $1.9 billion ($1.6 billion, net of income tax) non-cash charge for goodwill impairment associated with our U.S. retail annuities business. Also, the current year includes a $1.2 billion ($752 million, net of income tax) charge associated with the global review of assumptions related to DAC, reserves and certain intangibles, of which $526 million ($342 million, net of income tax) was reflected in net derivative gains (losses).

Income (loss) from continuing operations, before provision for income tax, related to the Divested Businesses, excluding net investment gains (losses) and net derivative gains (losses), decreased $724 million to a loss of $659 million in 2012 compared to income of $65 million in the prior year. Included in this loss was a decrease in total revenues of $797 million and a decrease in total expenses of $73 million. The Divested Businesses include certain operations of MetLife Bank and the Caribbean region, Panama and Costa Rica (the Caribbean Business).

Income tax expense for the year ended December 31, 2012 was $128 million, or 9% of income (loss) from continuing operations before provision for income tax, compared with income tax expense of $2.8 billion, or 30% of income (loss) from continuing operations before provision for income tax, for the prior year. The Company s 2012 and 2011 effective tax rates differ from the U.S. statutory rate of 35% primarily due to the impact of certain permanent tax differences, including non-taxable investment income and tax credits for investments in low income housing, in relation to income (loss) from continuing operations before provision for income tax, as well as certain foreign permanent tax differences. The Company also recorded a $324 million tax benefit in the current year to reduce deferred income tax liabilities related to the conversion of the Japan branch to a subsidiary. In addition, as previously mentioned, the current year includes a $1.9 billion ($1.6 billion, net of income tax) non-cash charge for goodwill impairment. The income tax benefit associated with this charge is limited to $247 million on the associated tax goodwill.

As more fully described in Non-GAAP and Other Financial Disclosures, we use operating earnings, which does not equate to income (loss) from continuing operations, net of income tax, as determined in accordance with GAAP, to analyze our performance, evaluate segment performance, and allocate resources. We believe that the presentation of operating earnings and operating earnings available to common shareholders, as we measure it for management purposes, enhances the understanding of our performance by highlighting the results of operations and the underlying profitability drivers of the business. Operating earnings and operating earnings available to common shareholders should not be viewed as substitutes for GAAP income (loss) from continuing operations, net of income tax, and GAAP net income (loss) available to MetLife, Inc. s common shareholders, respectively. Operating earnings available to common shareholders increased $1.0 billion, net of income tax, to $5.7 billion, net of income tax, for the year ended December 31, 2012 from $4.7 billion, net of income tax, in the prior year.

Year Ended December 31, 2011 Compared with the Year Ended December 31, 2010

During the year ended December 31, 2011, income (loss) from continuing operations, before provision for income tax, increased $5.5 billion ($3.8 billion, net of income tax) over the prior year primarily driven by a favorable change in net derivative gains (losses), partially offset by increased net investment losses, net of related adjustments, principally associated with DAC and VOBA amortization. Also included in income (loss) from continuing operations, before provision for income tax, are the results of the Divested Businesses. In addition, operating earnings increased, reflecting the impact of the ALICO Acquisition.

The variable annuity embedded derivatives and associated freestanding derivative hedges are collectively referred to as VA program derivatives in the following table. All other derivatives that are economic hedges of certain invested assets and insurance liabilities are referred to as non-VA program derivatives in the following table. The table below presents the impact on net derivative gains (losses) from non-VA program derivatives and VA program derivatives:

	Years Ended December 31,		
	2011	2010	Change
	(In millions)		
Non-VA program derivatives			
Interest rate	$ 2,536	$ 297	$ 2,239
Foreign currency exchange rate	171	(296)	467
Credit	173	14	159
Equity	6	75	(69)
Non-VA embedded derivatives	17	(81)	98
Total non-VA program derivatives	2,903	9	2,894
VA program derivatives			
Market and other risks in embedded derivatives	(3,123)	(210)	(2,913)
Nonperformance risk on embedded derivatives	1,822	(96)	1,918

Total embedded derivatives	(1,301)	(306)	(995)
Freestanding derivatives hedging embedded derivatives	3,222	32	3,190
Total VA program derivatives	1,921	(274)	2,195
Net derivative gains (losses)	$ 4,824	$ (265)	$ 5,089

The favorable change in net derivative gains (losses) on non VA program derivatives was $2.9 billion ($1.9 billion, net of income tax). This was primarily due to interest rates decreasing more in the current period than in the prior period favorably impacting receive fixed interest rate swaps, long interest rate floors, long interest rate futures, and receiver swaptions. These freestanding derivatives are primarily hedging long duration liability portfolios. The strengthening of the U.S. dollar and Japanese yen relative to other key currencies favorably impacted foreign currency forwards and swaps, which primarily hedge certain foreign denominated bonds. Additionally, the widening of credit spreads favorably impacted credit default swaps hedging certain bonds. Because certain of these hedging strategies are not designated or do not qualify as accounting hedges, the changes in the estimated fair value of these freestanding derivatives are recognized in net derivative gains (losses) without an offsetting gain or loss recognized in earnings for the item being hedged.

Table of Contents

The favorable change in net derivative gains (losses) on VA program derivatives was $2.2 billion ($1.4 billion, net of income tax). This was due to an favorable change of $1.9 billion ($1.2 billion, net of income tax) related to the change in the nonperformance risk adjustment on embedded derivatives and a favorable change of $277 million ($180 million, net of income tax) on market and other risks in embedded derivatives, net of the impact of freestanding derivatives hedging those risks.

The favorable change of $277 million is comprised of a $3.2 billion ($2.1 billion, net of income tax) favorable change in freestanding derivatives that hedge market risks in embedded derivatives, partially offset by a $2.9 billion ($1.9 billion, net of income tax) unfavorable change in market and other risks in our embedded derivatives, which was primarily driven by changes in market factors. The primary changes in market factors are summarized as follows:

Key equity index levels decreased in the current period but were mixed in the prior period, and equity volatility was mixed in both the current period and prior period. These changes contributed to a favorable change in our freestanding derivatives and an unfavorable change in our embedded derivatives.

Long-term and mid-term interest rates decreased more in the current period than in the prior period and contributed to a favorable change in our freestanding derivatives and unfavorable changes in our embedded derivatives.

Changes in foreign currency exchange rates contributed to an unfavorable change in our freestanding derivatives and a favorable change in our embedded derivatives.

The increase in net investment losses primarily reflects impairments on Greece sovereign debt securities, intent-to-sell OTTI on other sovereign debt securities due to the repositioning of the ALICO portfolio into longer duration and higher yielding investments, intent-to-sell OTTI related to the Divested Businesses, and lower net gains on sales of fixed maturity and equity securities. These losses were partially offset by net gains on the sales of certain real estate investments and reductions in the mortgage valuation allowance reflecting improving real estate market fundamentals.

Income (loss) from continuing operations, before provision for income tax, related to Divested Businesses, excluding net investment gains (losses) and net derivative gains (losses), decreased $318 million to income of $65 million in 2011 compared to income of $383 million in 2010. Included in this loss was an increase in total revenues of $28 million and an increase in total expenses of $346 million.

Income tax expense for the year ended December 31, 2011 was $2.8 billion, or 30% of income (loss) from continuing operations before provision for income tax, compared with $1.1 billion, or 30% of income (loss) from continuing operations before provision for income tax, for 2010. The Company s 2011 and 2010 effective tax rates differ from the U.S. statutory rate of 35% primarily due to the impact of certain permanent tax differences, including non-taxable investment income and tax credits for investments in low income housing, in relation to income (loss) from continuing operations before provision for income tax, as well as certain foreign permanent tax differences.

Operating earnings available to common shareholders increased $1.1 billion, net of income tax, to $4.7 billion, net of income tax, in 2011 from $3.6 billion, net of income tax, in 2010.

Reconciliation of income (loss) from continuing operations, net of income tax, to operating earnings available to common shareholders

Year Ended December 31, 2012

	Retail	Group, Voluntary & Worksite Benefits	Corporate Benefit Funding	Latin America	Asia	EMEA	Corporate & Other	Total
				(In millions)				
Income (loss) from continuing operations, net of income tax	$ (44)	$ 824	$ 1,204	$ 479	$ 976	$ 293	$ (2,418)	$ 1,314
Less: Net investment gains (losses)	212	(7)	107	(2)	(342)	31	(351)	(352)
Less: Net derivative gains (losses)	162	(63)	(157)	38	(170)	61	(1,790)	(1,919)
Less: Goodwill impairment	(1,692)						(176)	(1,868)
Less: Other adjustments to continuing operations (1)	(1,260)	(141)	19	(193)	(32)	(22)	(921)	(2,550)
Less: Provision for income tax (expense) benefit	532	75	11	53	483	(48)	1,089	2,195
Operating earnings	$ 2,002	$ 960	$ 1,224	$ 583	$ 1,037	$ 271	(269)	5,808
Less: Preferred stock dividends							122	122
Operating earnings available to common shareholders							$ (391)	$ 5,686

Year Ended December 31, 2011

	Retail	Group, Voluntary & Worksite Benefits	Corporate Benefit Funding	Latin America	Asia	EMEA	Corporate & Other	Total
				(In millions)				
Income (loss) from continuing operations, net of income tax	$ 2,486	$ 1,568	$ 1,454	$ 214	$ 835	$ (153)	$ (13)	$ 6,391
Less: Net investment gains (losses)	158	(26)	19	(6)	(305)	(525)	(182)	(867)
Less: Net derivative gains (losses)	2,321	1,203	426	(36)	202	32	676	4,824
Less: Goodwill impairment								
Less: Other adjustments to continuing operations (1)	(709)	(137)	79	(340)	14	(75)	(283)	(1,451)
Less: Provision for income tax (expense) benefit	(619)	(363)	(182)	82	44	164	(40)	(914)
Operating earnings	$ 1,335	$ 891	$ 1,112	$ 514	$ 880	$ 251	(184)	4,799
Less: Preferred stock dividends							122	122
Operating earnings available to common shareholders							$ (306)	$ 4,677

Year Ended December 31, 2010

	Retail	Group, Voluntary & Worksite Benefits	Corporate Benefit Funding	Latin America	Asia	EMEA	Corporate & Other	Total
				(In millions)				
Income (loss) from continuing operations, net of income tax	$ 1,371	$ 924	$ 1,120	$ 204	$ (160)	$ (175)	$ (665)	$ 2,619
Less: Net investment gains (losses)	178	8	225	(26)	(208)	(136)	(449)	(408)
Less: Net derivative gains (losses)	210	184	(107)	19	(173)	(33)	(365)	(265)
Less: Goodwill impairment								
Less: Other adjustments to continuing operations (1)	(509)	(107)	131	(274)	(122)	(4)	177	(708)
Less: Provision for income tax (expense) benefit	36	(30)	(87)	62	119	5	199	304
Operating earnings	$ 1,456	$ 869	$ 958	$ 423	$ 224	$ (7)	(227)	3,696
Less: Preferred stock dividends							122	122
Operating earnings available to common shareholders							$ (349)	$ 3,574

(1) See definitions of operating revenues and operating expenses for the components of such adjustments.

Table of Contents

Reconciliation of GAAP revenues to operating revenues and GAAP expenses to operating expenses

Year Ended December 31, 2012

	Retail	Group, Voluntary & Worksite Benefits	Corporate Benefit Funding	Latin America	Asia	EMEA	Corporate & Other	Total
				(In millions)				
Total revenues	$ 19,939	$ 17,436	$ 9,436	$ 4,845	$ 12,793	$ 4,279	$ (578)	$ 68,150
Less: Net investment gains (losses)	212	(7)	107	(2)	(342)	31	(351)	(352)
Less: Net derivative gains (losses)	162	(63)	(157)	38	(170)	61	(1,790)	(1,919)
Less: Adjustments related to net investment gains (losses) and net derivative gains (losses)						15		15
Less: Other adjustments to revenues (1)	(77)	(140)	62	232	549	813	616	2,055
Total operating revenues	$ 19,642	$ 17,646	$ 9,424	$ 4,577	$ 12,756	$ 3,359	$ 947	$ 68,351
Total expenses	$ 19,483	$ 16,206	$ 7,584	$ 4,289	$ 11,746	$ 3,792	$ 3,608	$ 66,708
Less: Adjustments related to net investment gains (losses) and net derivative gains (losses)	19				4	18		41
Less: Goodwill impairment	1,692						176	1,868
Less: Other adjustments to expenses (1)	1,164	1	43	425	577	832	1,537	4,579
Total operating expenses	$ 16,608	$ 16,205	$ 7,541	$ 3,864	$ 11,165	$ 2,942	$ 1,895	$ 60,220

Year Ended December 31, 2011

	Retail	Group, Voluntary & Worksite Benefits	Corporate Benefit Funding	Latin America	Asia	EMEA	Corporate & Other	Total
				(In millions)				
Total revenues	$ 21,491	$ 17,777	$ 9,413	$ 4,448	$ 10,959	$ 2,956	$ 3,197	$ 70,241
Less: Net investment gains (losses)	158	(26)	19	(6)	(305)	(525)	(182)	(867)
Less: Net derivative gains (losses)	2,321	1,203	426	(36)	202	32	676	4,824
Less: Adjustments related to net investment gains (losses) and net derivative gains (losses)	14							14
Less: Other adjustments to revenues (1)	(2)	(137)	133	179	(508)	(28)	1,546	1,183
Total operating revenues	$ 19,000	$ 16,737	$ 8,835	$ 4,311	$ 11,570	$ 3,477	$ 1,157	$ 65,087
Total expenses	$ 17,714	$ 15,401	$ 7,178	$ 4,166	$ 9,727	$ 3,117	$ 3,754	$ 61,057
Less: Adjustments related to net investment gains (losses) and net derivative gains (losses)	507				19			526
Less: Goodwill impairment								
Less: Other adjustments to expenses (1)	214		54	519	(541)	47	1,829	2,122
Total operating expenses	$ 16,993	$ 15,401	$ 7,124	$ 3,647	$ 10,249	$ 3,070	$ 1,925	$ 58,409

Year Ended December 31, 2010

	Retail	Group, Voluntary & Worksite Benefits	Corporate Benefit Funding	Latin America	Asia	EMEA	Corporate & Other	Total
				(In millions)				
Total revenues	$ 18,726	$ 16,877	$ 8,397	$ 3,544	$ 2,356	$ 534	$ 1,813	$ 52,247

Less: Net investment gains (losses)	178	8	225	(26)	(208)	(136)	(449)	(408)
Less: Net derivative gains (losses)	210	184	(107)	19	(173)	(33)	(365)	(265)
Less: Adjustments related to net investment gains (losses) and net derivative gains (losses)	1							1
Less: Other adjustments to revenues (1)	(86)	(102)	181	13	8	50	1,719	1,783
Total operating revenues	$ 18,423	$ 16,787	$ 8,098	$ 3,538	$ 2,729	$ 653	$ 908	$ 51,136
Total expenses	$ 16,656	$ 15,496	$ 6,674	$ 3,310	$ 2,589	$ 714	$ 3,079	$ 48,518
Less: Adjustments related to net investment gains (losses) and net derivative gains (losses)	110							110
Less: Goodwill impairment								
Less: Other adjustments to expenses (1)	314	5	50	287	130	54	1,542	2,382
Total operating expenses	$ 16,232	$ 15,491	$ 6,624	$ 3,023	$ 2,459	$ 660	$ 1,537	$ 46,026

(1) See definitions of operating revenues and operating expenses for the components of such adjustments.

Consolidated Results Operating

	Years Ended December 31,		
	2012	2011	2010
		(In millions)	
OPERATING REVENUES			
Premiums	$ 37,911	$ 36,269	$ 27,071
Universal life and investment-type product policy fees	8,212	7,528	5,817
Net investment income	20,472	19,638	16,855
Other revenues	1,756	1,652	1,393
Total operating revenues	68,351	65,087	51,136
OPERATING EXPENSES			
Policyholder benefits and claims and policyholder dividends	37,770	36,241	29,974
Interest credited to policyholder account balances	6,242	6,057	4,697
Capitalization of DAC	(5,284)	(5,549)	(2,770)
Amortization of DAC and VOBA	4,177	4,355	2,443
Amortization of negative VOBA	(555)	(619)	(57)
Interest expense on debt	1,190	1,304	1,137
Other expenses	16,680	16,620	10,602
Total operating expenses	60,220	58,409	46,026
Provision for income tax expense (benefit)	2,323	1,879	1,414
Operating earnings	5,808	4,799	3,696
Less: Preferred stock dividends	122	122	122
Operating earnings available to common shareholders	$ 5,686	$ 4,677	$ 3,574

Year Ended December 31, 2012 Compared with the Year Ended December 31, 2011

Unless otherwise stated, all amounts discussed below are net of income tax.

Higher policy fee income, stronger investment results and favorable claims experience were the primary drivers of the increase in operating earnings. In addition, the prior year included a $117 million charge in connection with our use of the U.S. Social Security Administration s Death Master File. These positive impacts on operating earnings were partially offset by a $52 million charge taken in the first quarter of 2012 representing a multi state examination payment related to unclaimed property and our use of the U.S. Social Security Administration s Death Master File to identify potential life insurance claims, as well as the expected acceleration of benefit payments to policyholders under the settlements. In addition, changes in foreign currency exchange rates had a $56 million negative impact on results compared to the prior year.

We benefited from strong sales, as well as growth and higher persistency in our business across many of our products. In our Retail segment, we implemented extensive changes to product pricing and variable annuity guarantee features which resulted in a significant decrease in variable annuity sales. However, as a result of stronger sales of variable annuities in 2011, we experienced growth in both our average separate account assets and our investment portfolio. The growth in the average separate account assets generated higher policy fee income of $384 million. The growth in our investment portfolio generated higher net investment income of $384 million. Since many of our products are interest spread based, the increase in net investment income was partially offset by a $345 million increase in interest credited expense, most notably in the Corporate Benefit Funding and Asia segments. The decline in variable annuity sales also resulted in a decrease in commissions, despite higher sales from our international businesses, which was partially offset by a decrease in related DAC capitalization which, combined, resulted in a $122 million increase to operating earnings. In addition, other non-variable expenses increased $310 million and our annuity business growth in 2011 was the primary driver of higher DAC amortization of $175 million in the current year. Higher premiums partially offset by higher policyholder benefits in our international segments improved operating earnings by $93 million.

The low interest rate environment continued to result in lower interest credited expense as we set interest credited rates lower on both new business, as well as on certain in-force business with rate resets that are contractually tied to external indices or contain discretionary rate reset provisions. The improving equity markets resulted in lower DAC amortization and higher fee income in our annuity business. Improved investment yields, excluding the Divested Businesses, were driven by the repositioning of the Japan portfolio, growth in higher yielding portfolios in the Asia and EMEA segments, the impact of inflation-indexed investments in the Latin America segment, higher derivatives income primarily from interest rate floors and interest rate swaps entered into prior to the onset of the low interest rate environment, and increased private equity income from improving equity markets. These improvements were partially offset by the unfavorable impact of the low interest rate environment on our fixed-income investments. Changes in market factors discussed above resulted in a $441 million increase in operating earnings.

Lower severity of property & casualty catastrophe claims in the current year increased operating earnings by $105 million as a result of severe storm activity in the prior year, which was greater than the impact of severe storm activity in the current year, primarily the result of Superstorm Sandy. Less favorable mortality results in our Group, Voluntary & Worksite Benefits segment and unfavorable mortality in our Asia and Corporate Benefit Funding segments, was partially offset by favorable mortality in our Retail segment. In addition, claims experience varied across our products with a net favorable result driven by a decrease in claims in our Group, Voluntary & Worksite Benefits segment. The combined impact of mortality and claims experience decreased operating earnings by $79 million.

Liability and DAC refinements in both periods, primarily from our Retail, Asia and Group, Voluntary & Worksite Benefits segments, resulted in a $190 million net increase in operating earnings. In addition, the prior period included $40 million of expenses incurred related to a liquidation plan filed by the Department of Financial Services for ELNY and $39 million of insurance claims and operating expenses related to the March 2011 earthquake and tsunami in Japan. The current period included $103 million of employee related and other costs associated with the Company s enterprise-wide strategic initiative and a $50 million impairment charge on an intangible asset related to a previously acquired dental business.

The Company benefited from the impact of certain permanent tax differences, including non-taxable investment income and tax credits for investments in low income housing. As a result, our effective tax rates differ from the U.S. statutory rate of 35%. In 2012, we benefited primarily from higher utilization of tax preferenced investments, which improved operating earnings by $65 million over the prior year.

Year Ended December 31, 2011 Compared with the Year Ended December 31, 2010

Unless otherwise stated, all amounts discussed below are net of income tax.

The increase in operating earnings reflects the impact of the ALICO Acquisition with the corresponding effects on each of our financial statement lines in Latin America, Asia and EMEA. Further trends and matters impacting our business and the comparison to 2010 results are discussed below.

Positive results from strong sales in 2011 were offset by losses from severe weather and the impact of the low interest rate environment. Changes in foreign currency exchange rates had a slightly positive impact on results compared to 2010.

In 2011, we benefited from strong sales as well as growth and higher persistency in our business, across many of our products. As a result, we experienced growth in our investment portfolio, as well as our average separate account assets, generating both higher net investment income of $565 million and higher policy fee income of $373 million. Since many of our products are interest spread-based, the growth in our individual life, LTC and structured settlement businesses also resulted in a $108 million increase in interest credited expenses. These increased sales also generated an increase in commission and other volume-related expenses of $568 million, which was largely offset by an increase of $476 million in related DAC capitalization. DAC amortization also increased $79 million. In addition, other non-variable expenses increased $81 million due to growth in our existing businesses.

We review and update our long-term assumptions used in our calculations of certain insurance-related liabilities and DAC annually, which may result in changes and are recorded in the fourth quarter each year. This annual update, along with other reserve refinements, contributed to a net operating earnings increase of $59 million, mainly in the universal life block of business. In addition, to better align with hedged risks, certain elements of our variable annuity hedging program that were previously recorded in net investment income were recorded in net derivative gains (losses) beginning in 2011 which resulted in a decrease in operating earnings of $77 million.

In the fourth quarter of 2011, we announced a reduction in our dividend scale related to our closed block. The impact of this action increased operating earnings by $54 million.

Severe weather during 2011 was the primary driver of our unfavorable claims experience in our property & casualty business, which decreased operating earnings by $239 million. In addition, in the third quarter of 2011, we incurred a $117 million charge to increase reserves in connection with our use of the U.S. Social Security Administration s Death Master File, impacting primarily Group, Voluntary & Worksite Benefits. These events overshadowed positive results of $76 million, driven by favorable claims experience in our dental and disability businesses and strong mortality gains in our group life business.

Market factors, specifically the current low interest rate environment, continued to be a challenge during 2011. Also in 2011, equity markets remained relatively flat compared to much stronger 2010 equity market performance. Excluding the impact of Divested Businesses, investment yields were negatively impacted by the current low interest rate environment and lower returns in the equity markets, partially offset by improving real estate markets, resulting in a $322 million decrease in net investment income. Partially offsetting this decrease was a $134 million improvement in operating earnings, primarily driven by lower average crediting rates on our annuity and funding agreement businesses. The lower average crediting rates continue to reflect the lower investment returns available in the marketplace. Also contributing to the decrease in interest credited is the impact from derivatives that are used to hedge certain liabilities in our funding agreement business.

Interest expense on debt increased $81 million primarily as a result of debt issued in the third and fourth quarters of 2010 in connection with the ALICO Acquisition.

The Company incurred $40 million of expenses related to a liquidation plan filed by the Department of Financial Services for ELNY in the third quarter of 2011.

The Company also benefited from higher tax credits in 2011 of $84 million over 2010 primarily due to $75 million of charges in 2010 related to the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010 (together, the Health Care Act). The Health Care Act reduced the tax deductibility of retiree health care costs to the extent of any Medicare Part D subsidy received beginning in 2013. Because the deductibility of future retiree health care costs was reflected in our financial statements, the entire future impact of this change in law was required to be recorded as a charge in the first quarter of 2010, when the legislation was enacted. The Company benefits from the impact of certain permanent tax differences, including non-taxable investment income and tax credits for investments in low income housing. As a result, our effective tax rates differ from the U.S. statutory rate of 35%. In 2011, we benefited primarily from higher utilization of tax preferenced investments, which improved operating earnings by $9 million over the prior period.

Segment Results and Corporate & Other

Retail

	Years Ended December 31,		
	2012	2011	2010
		(In millions)	
OPERATING REVENUES			
Premiums	$ 6,532	$ 6,711	$ 6,491
Universal life and investment-type product policy fees	4,561	4,096	3,655
Net investment income	7,670	7,414	7,644
Other revenues	879	779	633
Total operating revenues	19,642	19,000	18,423
OPERATING EXPENSES			
Policyholder benefits and claims and policyholder dividends	9,010	9,220	8,835
Interest credited to policyholder account balances	2,375	2,412	2,381
Capitalization of DAC	(1,753)	(2,339)	(1,769)
Amortization of DAC and VOBA	1,607	1,845	1,724
Interest expense on debt		1	2
Other expenses	5,369	5,854	5,059
Total operating expenses	16,608	16,993	16,232
Provision for income tax expense (benefit)	1,032	672	735
Operating earnings	$ 2,002	$ 1,335	$ 1,456

Year Ended December 31, 2012 Compared with the Year Ended December 31, 2011

Unless otherwise stated, all amounts discussed below are net of income tax.

We implemented extensive changes to product pricing and variable annuity guarantee features as we continued to manage sales volume, focusing on pricing discipline and risk management in this challenging economic environment. These actions resulted in a net decrease in the overall segment sales in the current year, most notably a $10.7 billion, or 38% decrease in variable annuity sales which were $17.7 billion in 2012. Consistent with the decrease in sales, retail life and annuity net flows were down $12.2 billion compared to the prior year.

Stronger sales of variable annuities in the prior year increased our average separate account assets and, as a result, generated higher asset-based fee revenues, partially offset by increases in non-deferrable expenses, increases in guaranteed minimum death benefit liabilities and higher DAC amortization related to the strong prior year sales. Positive net flows from life products, as well as higher allocated equity for annuities increased net investment income. These positive net flows also contributed to higher DAC amortization. Business growth, mainly in our traditional life products, generated higher interest credited expense; however, this was somewhat mitigated by a decrease in interest credited on deferred annuities where normal surrenders and withdrawals were greater than sales for the year, resulting in negative net flows. In our property & casualty business, the increase in average premium per policy in both auto and homeowners businesses improved operating earnings, but was partially offset by a decrease in exposures. We experienced a decrease in exposures as the negative impact from lower premiums exceeded the positive impact from lower claims. The net impact of these items resulted in a $198 million increase in operating earnings.

The improving equity market resulted in higher fee income from increased separate account balances, a decrease in variable annuity guaranteed minimum death benefit liabilities and lower DAC amortization. In addition, the low interest rate environment continued to result in lower interest credited expense, as we reduced interest credited rates on contracts with discretionary rate reset provisions. Higher derivatives income from interest rate floors purchased prior to the onset of the low interest rate environment and higher returns on our private equity investments more than offset the decrease in yields on other invested asset classes. The net impact of these items resulted in a $174 million increase in operating earnings.

In our property & casualty business, catastrophe-related losses decreased $74 million compared to 2011 mainly due to the severe storm activity during the second and third quarters of 2011, which were greater than the impact of severe storm activity in the fourth quarter of 2012, primarily the result of Superstorm Sandy. Current year non-catastrophe claim costs decreased $17 million as a result of lower claim frequencies in our homeowners businesses. Higher severities in both our auto and homeowners business resulted in a $23 million increase in claims. The impact of this can be seen in the favorable change in the combined ratio, including catastrophes, to 97.9% in 2012 from 107.3% in 2011. The combined ratio, excluding catastrophes, was 85.8% in 2012, compared to 88.2% in the prior year.

Favorable mortality experience in the traditional life business was partially offset by unfavorable mortality experience in the variable and universal life and income annuities businesses resulting in a $21 million increase in operating earnings. The current year results included a charge of $26 million for the expected acceleration of benefit payments to policyholders under a multi-state examination related to unclaimed property. The prior year results included a charge of $28 million, in connection with the Company s use of the U.S. Social Security Administration s Death Master File.

On an annual basis, we review and update our long-term assumptions used in our calculations of certain insurance-related liabilities and DAC. This annual update resulted in a net operating earnings increase of $43 million. This favorable adjustment was primarily related to DAC unlockings in the variable annuities business, partially offset by an increase in the liability for the secondary guarantees in the universal life business. In addition to our annual updates, certain insurance-related liability and DAC refinements were recorded in both the current and prior year. The net impact of these refinements was a $113 million increase in operating earnings. In our closed block, the impact of the dividend scale reduction, which was announced in the fourth quarter of 2011, increased operating earnings by $19 million, net of DAC amortization.

Table of Contents

Year Ended December 31, 2011 Compared with the Year Ended December 31, 2010

Unless otherwise stated, all amounts discussed below are net of income tax.

In 2011, operating results for our property & casualty business were negatively impacted by severe weather, including a record number of tornadoes in the second quarter and Hurricane Irene in the third quarter. Overall sales increased, largely driven by a 51% increase in annuity sales, which grew to $30.4 billion, mainly from strong growth in variable annuities across all distribution channels. However, the favorable impact of our sales growth was dampened by the sustained low interest rate environment. Variable annuity product sales increased primarily due to the introduction of a new higher benefit, lower-risk variable annuity rider and changes in competitors offerings which, we believe, made our products more attractive. We launched several changes to our annuity products and riders that are expected to reduce sales volumes in 2012, as we manage sales to strike the right balance among growth, profitability and risk. Retail life and annuity net flows were $18.6 billion, $8.7 billion higher than 2010.

Sales growth in variable annuities and in our variable and universal life products, along with higher persistency in 2011, resulted in an increase in operating earnings of $295 million. The growth in variable products increased average separate account assets and, as a result, generated higher asset-based fee revenue on the separate account assets, partially offset by increases in DAC amortization. This, coupled with the impact of positive net flows on invested assets, increased net investment income. Partially offsetting the positive impact from the strong sales of variable annuities, were increases in variable expenses, net of DAC capitalization. In addition, this business growth generated higher interest credited on policyholder account balances as well as on certain future policyholder benefits. The aforementioned increase in our variable and universal life products was mainly driven by our launch of a new product in the current year, coupled with ongoing organic growth in the business. The expected run-off of the traditional life closed block offset this growth. While property & casualty sales declined, due to sluggish housing and new automobile markets, an increase in average premium per policy in both our homeowners and auto businesses improved operating earnings by $39 million. This was partially offset by a $14 million negative impact to operating earnings due to the decline in exposures; the negative impact from lower premiums exceeded the positive impact from lower claims. This negative impact was coupled with a $9 million increase in expenses, mainly higher commissions, resulting from the increase in average premium per policy.

Changes in interest rates and equity markets can significantly impact our earnings. In 2011, interest rates declined while equity markets remained relatively flat compared with much stronger 2010 equity market performance. These changes in interest rates and equity markets reduced operating earnings by $281 million, including the related acceleration of DAC amortization. Lower investment returns in all products and higher interest crediting expense in the life products were partially offset by lower average interest crediting rates on annuity fixed rate funds. Our annuity interest crediting rates continue to reflect the lower investment returns available in the marketplace, while in our other products, reduced investment returns are not reflected as quickly in interest rates credited on policyholder account balances or on certain future policyholder benefits.

Catastrophe-related losses in our property & casualty business increased $117 million compared to 2010, mainly due to severe storm activity. Also, 2011 non-catastrophe claim costs increased $41 million as a result of higher claim frequencies, primarily due to severe winter weather, wind and hail. In addition, a $40 million decrease in operating earnings was the result of poor mortality experience from our variable life, universal life and income annuity businesses, partially offset by slightly improved mortality experience in the traditional life business. We review and update our long-term assumptions used in our calculations of certain insurance-related liabilities and DAC annually, which may result in changes and are recorded in the fourth quarter each year. This annual update, along with other reserve refinements, contributed to a net operating earnings increase of $84 million, mainly in the universal life block of business. These favorable adjustments, primarily related to DAC unlocking, were partially offset by a $28 million charge related to our use of the U.S. Social Security Administration s Death Master File.

The impact of the items discussed above, related to the property & casualty business, can be seen in the unfavorable change in the combined ratio, including catastrophes, to 107.3% in 2011 from 95.2% in 2010. The combined ratio, excluding catastrophes, was 88.2% in 2011 compared to 86.8% in 2010.

Two items in 2011 had the net impact of a $23 million reduction to operating earnings. First, to better align with hedged risks, certain elements of our variable annuity hedging program that were previously recorded in net investment income were recorded in net derivative gains (losses) beginning in 2011, which resulted in a decrease in operating earnings of $77 million. The second item was a reduction to our dividend scale related to our closed block, which was announced in the fourth quarter of 2011. The impact of this action increased operating earnings by $54 million.

Group, Voluntary & Worksite Benefits

	Years Ended December 31,		
	2012	2011	2010
		(In millions)	
OPERATING REVENUES			
Premiums	$ 14,794	$ 13,949	$ 14,100
Universal life and investment-type product policy fees	662	630	616
Net investment income	1,768	1,768	1,702
Other revenues	422	390	369

Total operating revenues	17,646	16,737	16,787
OPERATING EXPENSES			
Policyholder benefits and claims and policyholder dividends	13,691	13,015	13,112
Interest credited to policyholder account balances	167	178	192
Capitalization of DAC	(138)	(176)	(187)
Amortization of DAC and VOBA	133	186	181
Interest expense on debt	1		
Other expenses	2,351	2,198	2,193
Total operating expenses	16,205	15,401	15,491
Provision for income tax expense (benefit)	481	445	427
Operating earnings	$ 960	$ 891	$ 869

Year Ended December 31, 2012 Compared with the Year Ended December 31, 2011

Unless otherwise stated, all amounts discussed below are net of income tax.

Most of our businesses continued to experience growth in 2012, as the economy has continued to slowly improve. Our group term life and disability businesses grew as a result of new sales, and our dental business continued to benefit from strong enrollments and renewals, as well as premiums associated with the implementation of a new dental contract from a large customer that began in the second quarter of 2012. Although we have discontinued selling our LTC product, we continue to collect premiums and administer the existing block of business, contributing to asset growth in the segment. Although policy sales for both auto and homeowners decreased as compared to the prior year, the impact of an increase in the average premium for new policies sold more than offset the decline in policy sales.

Lower severity of property & casualty catastrophe claims in the current year increased operating earnings by $31 million, mainly as a result of severe storm activity in the second and third quarters of 2011, which were greater than the impact of severe storm activity in the fourth quarter of 2012, primarily the result of Superstorm Sandy. While property & casualty non-catastrophe claims experience was relatively flat year over year, an increase in severity of $24 million, was largely offset by lower claims frequency of $20 million. A decrease in claims in our dental, disability and accidental death and dismemberment businesses resulted in a $28 million increase to operating earnings. Lower utilization in our dental business, as well as lower incidence and approvals in our disability business drove this improvement in operating earnings. A decrease in operating earnings of $72 million resulted from less favorable mortality experience in our life businesses, mainly due to very strong mortality experience in the prior year, which was partially offset by the favorable net impact of reserve refinements of $30 million that occurred in both years. The mortality ratio for our life businesses has returned to a more historically representative level of 87.9% in 2012, as adjusted for the aforementioned favorable reserve refinements, from a near record low of 86.1% in the prior year, as adjusted for a prior year charge related to our use of the U.S. Social Security Administration s Death Master File. In our life businesses, the impact of the aforementioned prior year charge contributed $81 million to the increase in operating earnings. The impact of the items discussed above related to the property & casualty business can be seen in the favorable change in the combined ratio, including catastrophes, to 96.5% in 2012 from 101.9% in the prior year, as well as the favorable change in the combined ratio, excluding catastrophes, to 88.7% in 2012 from 90.2% in the prior year.

Current year premiums and deposits, together with growth in the securities lending program, partially offset by a reduction in allocated equity, have resulted in an increase in our average invested assets, contributing $10 million to operating earnings. Consistent with the growth in average invested assets from current year premiums and deposits, primarily in our LTC business, interest credited on long-duration contracts and policyholder account balances increased by $15 million. Current year results include a $50 million impairment charge on an intangible asset, related to a previously acquired dental business, as well as increased expenses associated with the implementation of the new dental contract in the second quarter of 2012, partially offset by lower marketing and sales-related expenses in our LTC business. An increase in the average premium per policy in both our auto and homeowners businesses, as well as an increase in exposures, improved operating earnings by $34 million.

The impact of the low interest rate environment combined with lower returns in the real estate and alternative investment markets resulted in a decline in investment yields on our fixed maturity securities, securities lending program, real estate joint ventures and alternative investments. Unlike in the Retail and Corporate Benefit Funding segments, a change in investment yield does not necessarily drive a corresponding change in the rates credited on certain insurance liabilities. The reduction in investment yield was partially offset by marginally lower crediting rates in the current year, and resulted in a $3 million decrease in operating earnings.

Year Ended December 31, 2011 Compared with the Year Ended December 31, 2010

Unless otherwise stated, all amounts discussed below are net of income tax.

In 2011, strong mortality and morbidity results coupled with the net impact of asset growth in our life and health businesses, as well as additional favorable development of prior year losses in our property & casualty business contributed to the increase in operating earnings. These positive results were significantly offset by the negative impact of severe weather in our property & casualty business, including a record number of tornadoes in the second quarter and Hurricane Irene in the third quarter. In addition, 2011 results for our life business include a charge taken in the third quarter related to the use of the U.S. Social Security Administration s Death Master File. The impacts of the sustained low interest rate environment also depressed operating earnings.

Policy sales in our property & casualty business decreased as the housing and new automobile sales markets remained sluggish. However, average premium per policy increased for both our homeowners and auto policies and we benefited from additional growth in exposures over the prior period. For our life and health businesses, sustained high levels of unemployment and a challenging pricing environment continued to depress growth. Our dental business benefited from higher enrollment and certain pricing actions, but this was more than offset by a decline in revenues from our disability business. This reduction was mainly due to net customer cancellations and lower covered lives. Our LTC revenues were flat period over period, consistent with the discontinuance of the sale of this coverage at the end of 2010.

Although revenues have declined from the prior year, current year premiums and deposits resulted in an increase in our average invested assets, which contributed $74 million to operating earnings. Mirroring the net growth in average invested assets, primarily in our LTC business, interest credited on long-duration contracts and on our PABs increased by $16 million. The increase in average premium per policy in both our homeowners and auto businesses improved operating earnings by $21 million and the net increase in exposures resulted in a $10 million increase in operating earnings as the positive impact from higher premiums exceeded the negative impact from higher claims. Higher commissions, resulting from the aforementioned increase in average premium per policy, coupled with an increase in other volume-related expenses, contributed to a $9 million increase in other expenses, including the net change in DAC. In our dental business, expenses related to the implementation of a large contract decreased operating earnings by $14 million.

Lower claims incidence resulted in very strong life mortality experience, and contributed $71 million to operating earnings. Pricing actions and improved claims experience, mainly the result of stabilizing benefits utilization, drove a $57 million increase in our dental results. Higher closures and lower incidence in 2011 contributed to the $43 million increase in our disability results. In our property & casualty business, additional favorable development of prior year losses contributed $14 million to operating earnings. Partially offsetting these increases to operating earnings, catastrophe-related losses increased $70 million compared to 2010, mainly due to severe storm activity in the U.S. during the second and third quarters of 2011. In addition, current year non-catastrophe claim costs increased $34 million as a result of higher claim frequencies in both our auto and homeowners businesses, due primarily to more severe winter weather in the first quarter of 2011 and to non-catastrophe wind and hail through the remainder of the year. In our life business, an $81 million charge related to our use of the U.S. Social Security Administration s Death Master File, contributed to the decrease in operating earnings during the third quarter of the current year. Lastly, LTC results decreased $10 million resulting from less favorable claims experience in the current period.

The impact of the items discussed above, related to our property & casualty business, can be seen in the unfavorable change in the combined ratio, including catastrophes, to 101.9% in 2011 from 93.8% in 2010. The combined ratio, excluding catastrophes, was 90.2% in 2011 and 90.0% in 2010.

Market factors, specifically the current low interest rate environment, continued to be a challenge during 2011. Investment yields were negatively impacted by lower returns on our fixed maturity securities portfolio, a decrease in the crediting rate on allocated equity as well as lower returns in the equity markets on our private equity investments. The changes in market factors discussed above resulted in a $26 million decrease in operating earnings.

Corporate Benefit Funding

	Years Ended December 31,		
	2012	2011	2010
		(In millions)	
OPERATING REVENUES			
Premiums	$ 3,237	$ 2,848	$ 2,345
Universal life and investment-type product policy fees	225	232	226
Net investment income	5,703	5,506	5,280
Other revenues	259	249	247
Total operating revenues	9,424	8,835	8,098
OPERATING EXPENSES			
Policyholder benefits and claims and policyholder dividends	5,704	5,287	4,677
Interest credited to policyholder account balances	1,358	1,323	1,447
Capitalization of DAC	(29)	(25)	(18)
Amortization of DAC and VOBA	22	17	16
Interest expense on debt	8	9	8
Other expenses	478	513	494
Total operating expenses	7,541	7,124	6,624
Provision for income tax expense (benefit)	659	599	516
Operating earnings	$ 1,224	$ 1,112	$ 958

Year Ended December 31, 2012 Compared with the Year Ended December 31, 2011

Unless otherwise stated, all amounts discussed below are net of income tax.

The sustained low interest rate environment has resulted in underfunded pension plans, which limits our customers ability to engage in full pension plan closeout terminations. However, we expect that customers may choose to close out portions of pension plans over time, at costs reflecting current interest rates and availability of capital. During 2012, the conversion of an existing contract involving the transfer of funds from the separate account to the general account resulted in a significant increase in premiums in our domestic closeout business. Structured settlement sales have decreased $463 million, before income tax, reflecting a more competitive market and a decrease in demand due to the low interest rate environment. Changes in premiums for these businesses were almost entirely offset by the related changes in policyholder benefits. The impact of current year premiums, deposits, funding agreement issuances, and increased participation in the securities lending program, contributed to an increase in invested assets, resulting in an increase of $179 million in operating earnings. The growth in premiums, deposits and funding agreement issuances generally result in a corresponding increase in interest credited on certain insurance liabilities; this decreased operating earnings by $158 million in 2012 as compared to 2011.

Expenses declined largely as a result of disciplined spending and a decrease in sales volume-related costs, such as commissions and premium taxes. A decrease in structured settlement commissions was partially offset by an increase in commissions from sales of funding agreements, which improved operating earnings by $23 million.

The low interest rate environment continued to impact our investment returns, as well as interest credited on certain insurance liabilities. Lower investment returns on our fixed maturity securities and securities lending program were partially offset by increased earnings on interest rate derivatives and on private equity investments from improved equity markets. Many of our funding agreement and guaranteed interest contract liabilities have interest credited rates that are contractually tied to external indices and, as a result, we set lower interest credited rates on new business, as well as on existing business with terms that can fluctuate. The positive impact of lower interest credited rates was partially offset by an increase in interest credited expense resulting from the impact of derivatives that are used to hedge certain liabilities. The net impact of lower interest credited expense and lower investment returns resulted in an increase in operating earnings of $43 million.

The net impact of insurance liability refinements in the current and prior year coupled with a prior year charge in connection with our use of the U.S. Social Security Administration s Death Master File in our post-retirement benefit business increased operating earnings by $31 million. This increase was partially offset by unfavorable mortality experience in the pension closeout businesses which resulted in an $8 million decrease in operating earnings.

Year Ended December 31, 2011 Compared with the Year Ended December 31, 2010

Unless otherwise stated, all amounts discussed below are net of income tax.

Corporate Benefit Funding had strong pension closeout sales in the United Kingdom (U.K.), and strong sales of structured settlements. Although the combination of poor equity returns and the low interest rate environment has resulted in underfunded pension plans, which reduces our customers flexibility to engage in transactions such as pension closeouts, sales in the U.K. remained strong as we continue to penetrate that market. Sales in our structured settlement business were strong as we remain very competitive in the marketplace. Premiums for these businesses were almost entirely offset by the related change in policyholder benefits. However, current year premiums, deposits, funding agreement issuances, an increase in allocated equity, and the expansion of our securities lending program, all contributed to the growth of our average invested assets, which led to an increase in net investment income. This growth in premiums, deposits and funding agreement issuances also increased the interest credited on future policyholder liabilities and policyholder account balances. The net result of these increases contributed $114 million to operating earnings.

Market factors, including the current low interest rate environment, have negatively impacted our investment returns. However, the low interest rate environment also decreased interest credited to policyholders and the interest credited expense associated with insurance liabilities. Many of our funding agreement and guaranteed interest contract liabilities are tied to market indices. Interest rates on new business were set lower, as were the rates on existing business with terms that can fluctuate. The lower investment returns were more than offset by the decrease in interest credited expense, resulting in an increase in operating earnings of $75 million. The lower investment returns also includes the impact of returns on invested economic capital, and the decrease in interest credited is impacted by derivatives that are used to hedge certain liabilities in our funding agreement business.

The Company s use of the U.S. Social Security Administration s Death Master File in connection with our post-retirement benefit business resulted in a charge in the third quarter of the current year of $8 million. Other insurance liability refinements and mortality results negatively impacted our year-over-year operating earnings by $34 million.

Latin America

	Years Ended December 31,		
	2012	2011	2010
		(In millions)	
OPERATING REVENUES			
Premiums	$ 2,578	$ 2,514	$ 1,969
Universal life and investment-type product policy fees	785	757	630
Net investment income	1,198	1,025	927
Other revenues	16	15	12
Total operating revenues	4,577	4,311	3,538
OPERATING EXPENSES			
Policyholder benefits and claims and policyholder dividends	2,231	2,064	1,829
Interest credited to policyholder account balances	393	371	370
Capitalization of DAC	(353)	(295)	(221)
Amortization of DAC and VOBA	224	207	144
Amortization of negative VOBA	(5)	(6)	(1)
Interest expense on debt	(1)	1	1
Other expenses	1,375	1,305	901
Total operating expenses	3,864	3,647	3,023
Provision for income tax expense (benefit)	130	150	92
Operating earnings	$ 583	$ 514	$ 423

Year Ended December 31, 2012 Compared with the Year Ended December 31, 2011

Unless otherwise stated, all amounts discussed below are net of income tax.

Operating earnings increased by $69 million over the prior year. The impact of changes in foreign currency exchange rates reduced operating earnings by $30 million for 2012 compared to 2011.

Latin America experienced strong sales growth primarily driven by retirement products in Mexico, Chile and Brazil and by accident and health products in Argentina and Chile. Changes in premiums for these products were almost entirely offset by the related changes in policyholder benefits and unfavorable claims experience. The growth in our businesses drove an increase in average invested assets, which generated higher net investment income and higher policy fee income, partially offset by an increase in interest credited to policyholders. The increase in sales also generated higher commission expense, which was partially offset by a corresponding increase in DAC capitalization. The items discussed above, coupled with a change in allocated equity, were the primary drivers of a $41 million improvement in operating earnings.

Market factors increased operating earnings by $15 million. An increase in investment yields primarily reflects higher returns on fixed maturities from a repositioning of the portfolio in Argentina and higher returns on variable rate investments in Brazil, partially offset by a corresponding increase in interest credited expense. A decrease in net investment income from lower inflation in the prior year was substantially offset by a corresponding decrease in policyholder benefits.

Current year results include various favorable income tax items of $38 million in Argentina, Mexico and Chile. In addition, the current year results benefited from liability refinements of $22 million in Chile and Mexico which were partially offset by an unfavorable DAC capitalization adjustment in Chile and a write-off of capitalized software in Mexico.

Year Ended December 31, 2011 Compared with the Year Ended December 31, 2010

Unless otherwise stated, all amounts discussed below are net of income tax.

Operating earnings increased by $91 million over 2010 primarily as a result of the inclusion of a full year of results of ALICO s operations for 2011 compared to one month of results for 2010, which contributed $36 million to the operating earnings increase for the segment. The positive impact of changes in foreign currency exchange rates improved reported earnings by $15 million for 2011 compared to the prior year.

Latin America experienced strong sales growth driven primarily by accident & health products. In addition, sales of retirement products in Mexico as well as immediate annuity products in Chile increased over the prior year. Net investment income increased due to increased average invested assets and higher fee income on universal life products, primarily in Mexico, also favorably impacted operating earnings. Commissions and compensation expenses were higher in Mexico and Brazil due to business growth, which is offset by DAC capitalization. Other expenses also increased over the prior year due to growth in the businesses. Growth in our businesses contributed $144 million to operating earnings. As a result of the ALICO Acquisition and growth in the business, Latin America s results reflect higher corporate expenses of $18 million, which decreased operating earnings.

Changes in market factors negatively impacted investment yields, which resulted in a $63 million decrease to operating earnings. Beginning in the fourth quarter of 2010, investment earnings and interest credited related to contractholder-directed unit-linked investments were excluded from operating revenues and operating expenses, as the contractholder, and not the Company, directs the investment of the funds. This change in presentation had no impact on operating earnings in the current period; however, it resulted in a decrease in net investment income in Brazil in 2011, when compared to 2010, as positive returns were experienced in 2010 from recovering equity markets. A corresponding decrease is reflected in interest credited expense.

Operating earnings were also adversely impacted by a tax refund in the prior period which reduced operating earnings by $23 million.

Asia

	Years Ended December 31,		
	2012	2011	2010
		(In millions)	
OPERATING REVENUES			
Premiums	$ 8,344	$ 7,716	$ 1,716
Universal life and investment-type product policy fees	1,491	1,343	502
Net investment income	2,895	2,475	497
Other revenues	26	36	14
Total operating revenues	12,756	11,570	2,729
OPERATING EXPENSES			
Policyholder benefits and claims and policyholder dividends	5,819	5,239	1,351
Interest credited to policyholder account balances	1,784	1,607	183
Capitalization of DAC	(2,288)	(2,045)	(459)
Amortization of DAC and VOBA	1,563	1,486	290
Amortization of negative VOBA	(456)	(560)	(49)
Interest expense on debt	5		1
Other expenses	4,738	4,522	1,142
Total operating expenses	11,165	10,249	2,459
Provision for income tax expense (benefit)	554	441	46
Operating earnings	$ 1,037	$ 880	$ 224

Year Ended December 31, 2012 Compared with the Year Ended December 31, 2011

Unless otherwise stated, all amounts discussed below are net of income tax.

Operating earnings increased by $157 million over the prior period. The impact of changes in foreign currency exchange rates reduced operating earnings by $3 million for 2012 compared to the prior year.

Asia experienced sales growth in ordinary and universal life products in Japan, resulting in higher premiums and universal life fees, and variable life and accident & health products in Korea, which drove higher fees over the prior period. Changes in premiums for these businesses were partially offset by related changes in policyholder benefits. In addition, average invested assets increased over the prior year, reflecting positive cash flows from our annuity business in Japan generating increases in both net investment income and policy fee income, partially offset by an increase in interest credited to policyholders. The increase in sales also generated higher commissions and other sales-related expenses, which were partially offset by an increase in related DAC capitalization. The combined impact of the items discussed above improved operating earnings by $99 million.

The repositioning of the Japan investment portfolio to longer duration and higher yielding investments in addition to improved results on our private equity investments, contributed to an increase in investment yields. In addition, yields improved as a result of growth in the Australian and U.S. dollar annuity businesses, reflecting a higher yielding and more diversified portfolio of Australian and U.S. dollar investments. These improvements in investment yields increased operating earnings by $132 million.

On an annual basis, we review and update our long-term assumptions used in our calculation of certain insurance-related liabilities and DAC, which resulted in a $51 million net decrease to operating earnings. This adjustment was primarily related to changes in Japan that assumed the continuation of the current lower interest rates and reflected the trend of lower long-term lapses resulting in a decrease in operating earnings of $44 million. In addition, in Korea more policyholders chose to annuitize rather than receive a lump sum payment at maturity; this trend, combined with changes in future expected persistency, expenses and lapses, resulted in a decrease in operating earnings of $9 million in Korea.

Unfavorable claims experience in the current year decreased operating earnings by $38 million. Prior year results in Japan included $39 million of insurance claims and operating expenses related to the March 2011 earthquake and tsunami. In addition, a prior period tax benefit in Korea and Australia, combined with current year tax expense related to net operating loss carryforwards in Hong Kong, resulted in a $21 million net decrease in operating earnings.

Year Ended December 31, 2011 Compared with the Year Ended December 31, 2010

Unless otherwise stated, all amounts discussed below are net of income tax.

Operating earnings increased by $656 million over 2010 as a result of the inclusion of a full year of results of ALICO s operations for 2011 compared to one month of results for 2010, which contributed $796 million to the operating earnings increase for the segment. The positive impact of changes in foreign currency exchange rates improved reported earnings by $6 million for 2011 compared to the prior year.

The Japanese economy, to which we face substantial exposure given our operations there, was significantly negatively impacted by the March 2011 earthquake and tsunami. During 2011, the Company incurred $39 million of incremental insurance claims and operating expenses related to the March 2011 earthquake and tsunami, which is included in the aforementioned ALICO results.

Sales results continued to show steady growth and improvement, with increases over 2010 in essentially all of our businesses. Strong variable universal life sales and the launch of new accident & health products in Korea drove higher premiums and universal life fees over the prior year. Premiums were lower compared to the prior year in Hong Kong due to a decline in life sales, and in Australia despite growth in group sales. An increase in average invested assets generated higher net investment income and policy fees. Operating expenses increased primarily driven by higher commissions and compensation expenses in Korea due to business growth, partially offset by an increase in DAC capitalization. DAC amortization also increased due to business growth. As a result of the ALICO Acquisition and growth in the business, Asia s results reflect higher corporate expenses of $77 million, which decreased operating earnings.

Investment yields were negatively impacted by lower returns on allocated equity and a decrease in the results of our operating joint venture in China. Beginning in the fourth quarter of 2010, investment earnings and interest credited related to contractholder-directed unit-linked investments were excluded from operating revenues and operating expenses, as the contractholder, and not the Company, directs the investment of the funds. This change in presentation had no impact on operating earnings in the current period; however, it resulted in a decrease in net investment income in Hong Kong in 2011, when compared to 2010, as positive returns were experienced in 2010 from recovering equity markets. A corresponding decrease is reflected in interest credited expense.

The impact of the sale of our operating joint venture in Japan on April 1, 2011 decreased operating results by $28 million, as no earnings were recognized in 2011.

Unfavorable claims experience resulted in a $16 million decline in operating earnings over the prior period.

EMEA

	Years Ended December 31,		
	2012	2011	2010
		(In millions)	
OPERATING REVENUES			
Premiums	$ 2,370	$ 2,477	$ 439
Universal life and investment-type product policy fees	333	315	50
Net investment income	535	562	155
Other revenues	121	123	9
Total operating revenues	3,359	3,477	653
OPERATING EXPENSES			
Policyholder benefits and claims and policyholder dividends	1,196	1,290	137
Interest credited to policyholder account balances	126	166	124
Capitalization of DAC	(723)	(669)	(116)
Amortization of DAC and VOBA	626	613	87
Amortization of negative VOBA	(94)	(53)	(7)
Interest expense on debt	1		1
Other expenses	1,810	1,723	434
Total operating expenses	2,942	3,070	660
Provision for income tax expense (benefit)	146	156	
Operating earnings	$ 271	$ 251	$ (7)

Year Ended December 31, 2012 Compared with the Year Ended December 31, 2011

Unless otherwise stated, all amounts discussed below are net of income tax.

Operating earnings increased by $20 million over 2011. The impact of changes in foreign currency exchange rates reduced operating earnings by $23 million for 2012 compared to 2011 and resulted in significant variances in the financial statement line items. The fourth quarter 2011 purchase of a Turkish life insurance and pension company and the third quarter 2012 acquisition of life insurance businesses in the Czech Republic, Hungary and Romania from the members of the Aviva Plc group increased operating earnings by $15 million.

The segment continued to experience business growth; however, certain European countries in the region continued to be affected by the challenging economic environment. Sales for all major product lines increased when compared to 2011 across all geographic regions. Retirement sales were generated primarily by strong sales of variable annuity products in western Europe. Accident and health sales increased primarily due to the establishment of a new direct marketing channel in the Middle East. Life insurance sales increased primarily due to variable life sales in the Middle East. Credit life sales increased primarily due to sales in the Middle East and eastern and southern Europe resulting in higher premiums and policyholder benefits. Operating expenses increased across all regions due to business growth, including higher lease expenses and payroll costs due to business expansion in western Europe. The increased sales generated an increase in commissions, which was largely offset by related DAC capitalization. Fee income increased largely due to higher sales of variable life products in central and western Europe. The combined impact of the items discussed above reduced operating earnings by $24 million.

Operating earnings were negatively affected by lower net investment income of $56 million, primarily due to the disposal of certain closed blocks of business in the U.K. and lower average invested assets as a result of dividends paid to MetLife, Inc. at the end of 2011.

Operating earnings increased $74 million reflecting higher investment yields. The increase in yields reflects higher returns on certain securities, primarily in Poland, and higher returns on mutual fund investments, primarily in Greece (both driven by improving equity markets), as well as invested asset growth in higher yielding markets including Egypt and the Ukraine.

Operating earnings benefited by $13 million primarily due to a release of negative VOBA associated with the conversion of certain policies, partially offset by an adjustment related to additional liabilities for annuitants. In addition, income tax was lower in 2012 by $18 million primarily due to permanently reinvested earnings in Poland.

Year Ended December 31, 2011 Compared with the Year Ended December 31, 2010

Unless otherwise stated, all amounts discussed below are net of income tax.

Operating earnings increased by $258 million over 2010 as a result of the inclusion of a full year of results of ALICO s operations for 2011 compared to one month of results for 2010, which contributed $295 million to the operating earnings increase for the segment. Changes in foreign currency exchange rates had a slightly positive impact on 2011 results compared to the prior year.

In 2011, EMEA experienced strong variable life and annuity sales, which drove higher premiums and a corresponding increase in policyholder benefits. Operating expenses increased primarily due to higher commissions and compensation expenses in Ireland due to business growth, which is partially offset by DAC capitalization. Growth in our businesses, combined with growth in average invested assets, contributed $11 million to operating earnings. As a result of the ALICO Acquisition and growth in the business, EMEA s results reflect higher corporate expenses of $44 million, which decreased operating earnings.

Market factors had a slight negative impact to operating earnings. Beginning in the fourth quarter of 2010, investment earnings and interest credited related to contractholder-directed unit-linked investments were excluded from operating revenues and operating expenses, as the contractholder, and not the Company, directs the investment of the funds. This change in presentation had no impact on operating earnings in the current period; however, it resulted in a decrease in net investment income in Ireland in 2011, when compared to 2010, as positive returns were experienced in 2010 from recovering equity markets. A corresponding decrease is reflected in interest credited expense.

Unfavorable claims experience, primarily in the U.K., resulted in a $7 million decline in operating earnings from the prior year.

Corporate & Other

	Years Ended December 31,		
	2012	2011	2010
		(In millions)	
OPERATING REVENUES			
Premiums	$ 56	$ 54	$ 11
Universal life and investment-type product policy fees	155	155	138
Net investment income	703	888	650
Other revenues	33	60	109
Total operating revenues	947	1,157	908
OPERATING EXPENSES			
Policyholder benefits and claims and policyholder dividends	119	126	33
Interest credited to policyholder account balances	39		
Amortization of DAC and VOBA	2	1	1
Interest expense on debt	1,176	1,293	1,124
Other expenses	559	505	379
Total operating expenses	1,895	1,925	1,537
Provision for income tax expense (benefit)	(679)	(584)	(402)
Operating earnings	(269)	(184)	(227)
Less: Preferred stock dividends	122	122	122
Operating earnings available to common shareholders	$ (391)	$ (306)	$ (349)

Year Ended December 31, 2012 Compared with the Year Ended December 31, 2011

Unless otherwise stated, all amounts discussed below are net of income tax.

Operating earnings available to common shareholders and operating earnings each decreased $85 million, primarily due to lower net investment income, higher expenses and lower earnings on invested assets that were funded using the Federal Home Loan Bank (FHLB) advances. These decreases were partially offset by lower interest expense on debt and higher tax credits.

In 2012, the Company incurred $103 million of employee-related costs associated with its enterprise-wide strategic initiative. In the first quarter of 2012, the Company also incurred a $26 million charge representing a multi state examination payment related to unclaimed property and MetLife s use of the U.S. Social Security Administration s Death Master File. In addition, advertising costs were $10 million higher compared to the prior year. Partially offsetting these charges were $40 million of expenses incurred in the prior year related to the liquidation plan filed by the Department of Financial Services for ELNY. In addition, the current year included $15 million of lower rent expense and $12 million of lower internal resource costs for associates committed to the ALICO Acquisition.

Net investment income decreased $31 million, excluding the FHLB which is discussed below and the divested MetLife Bank operations, driven by an increase in the amount credited to the segments due to growth in the economic capital managed by Corporate & Other on their behalf and lower returns from our alternative investments, partially offset by higher returns on real estate joint ventures.

Operating earnings on invested assets that were funded using the FHLB advances decreased $35 million, reflected by decreases in net investment income and interest expense on debt, due to the transfer of $3.8 billion of FHLB advances and underlying assets from MetLife Bank to Corporate Benefit Funding in April 2012.

Corporate & Other benefits from the impact of certain permanent tax differences, including non-taxable investment income and tax credits for investments in low income housing. As a result, our effective tax rates differ from the U.S. statutory rate of 35%. In 2012, we benefited primarily from higher utilization of tax preferenced investments which improved operating earnings by $32 million from the prior year.

Interest expense on debt, excluding the FHLB which is discussed above, decreased $25 million primarily due to maturity of $750 million in long-term debt in December 2011.

Year Ended December 31, 2011 Compared with the Year Ended December 31, 2010

Unless otherwise stated, all amounts discussed below are net of income tax.

MetLife, Inc. completed four debt financings in August 2010 in connection with the ALICO Acquisition, issuing $1.0 billion of 2.375% senior notes, $1.0 billion of 4.75% senior notes, $750 million of 5.875% senior notes, and $250 million of floating rate senior notes. MetLife, Inc. also issued debt securities in November 2010, which are part of the $3.0 billion stated value of common equity units. The proceeds from these debt issuances were used to finance the ALICO Acquisition.

Operating earnings available to common shareholders and operating earnings each increased $43 million, primarily due to higher net investment income, higher operating earnings on invested assets that were funded using the FHLB advances and higher tax credits. These increases were partially offset by an increase in interest expense on debt of $81 million, primarily resulting from the 2010 debt issuances and an increase in other expenses. Lower earnings from the assumed reinsurance of a variable annuity business and the resolutions of certain legal matters in 2010 also decreased operating earnings.

Net investment income, excluding the FHLB and assumed reinsurance which are discussed below and the divested MetLife Bank operations, increased $105 million reflecting an increase of $125 million from higher yields, partially offset by a $20 million decrease from a decline in average invested assets. Yields were primarily impacted by the decline in interest rates, resulting in lower crediting rates on the economic capital invested on the segment s behalf, partially offset by lower returns on our private equity and alternative investments. Our investments primarily include structured securities, investment grade corporate fixed maturity securities, mortgage loans and U.S. Treasury and agency securities. In addition, our investment portfolio includes the excess capital not allocated to the segments. Accordingly, it includes a higher allocation to certain other invested asset classes to provide additional diversification and opportunity for long term yield enhancement, including leveraged leases, other limited partnership interests, real estate, real estate joint ventures, FVO and trading securities and equity securities.

Operating earnings on invested assets that were funded using FHLB advances increased $20 million, reflected by increases in net investment income and interest expense on debt, due to growth in long-term FHLB borrowings, primarily associated with growth in mortgages.

Corporate & Other benefits from the impact of certain permanent tax differences, including non-taxable investment income and tax credits for investments in low income housing. As a result, our effective tax rates differ from the U.S. statutory rate of 35%. Corporate & Other benefited in 2011 from higher tax credits of $133 million over 2010 primarily due to $75 million of charges in 2010 related to the Health Care Act and higher utilization of tax preferenced investments in 2011.

The Company incurred $40 million of expenses related to a liquidation plan filed by the Department of Financial Services for ELNY in the third quarter of 2011. In addition, the Company had higher advertising costs of $15 million and internal resources costs for associates committed to the ALICO Acquisition increased by $13 million. Minor fluctuations in various other expense categories, such as interest on uncertain tax positions, and discretionary spending, such as consulting and postemployment related costs, offset each other and resulted in a small increase to earnings. Additionally, the resolutions of certain legal matters in the prior period resulted in $39 million of lower operating earnings for 2011.

The earnings associated with the assumed reinsurance of certain variable annuity products from our former operating joint venture in Japan decreased $35 million. This was primarily due to an increase in benefit liabilities resulting from lower returns in the underlying funds and lower net investment income, partially offset by higher fee income due to business growth.

Effects of Inflation

Management believes that inflation has not had a material effect on the Company s consolidated results of operations, except insofar as inflation may affect interest rates.

An increase in inflation could affect our business in several ways. During inflationary periods, the value of fixed income investments falls which could increase realized and unrealized losses. Inflation also increases expenses for labor and other materials, potentially putting pressure on profitability if such costs cannot be passed through in our product prices. Inflation could also lead to increased costs for losses and loss adjustment expenses in certain of our businesses, which could require us to adjust our pricing to reflect our expectations for future inflation. Prolonged and elevated inflation could adversely affect the financial markets and the economy generally, and dispelling it may require governments to pursue a restrictive fiscal and monetary policy, which could constrain overall economic activity, inhibit revenue growth and reduce the number of attractive investment opportunities.

Investments

Investment Risks

Our primary investment objective is to optimize, net of income tax, risk-adjusted investment income and risk-adjusted total return while ensuring that assets and liabilities are managed on a cash flow and duration basis. We are exposed to the following primary sources of investment risk:

credit risk, relating to the uncertainty associated with the continued ability of a given obligor to make timely payments of principal and interest;

interest rate risk, relating to the market price and cash flow variability associated with changes in market interest rates. Changes in market interest rates can result from governmental monetary policies, domestic and international economic and political conditions, and other factors beyond our control, and will impact the net unrealized gain or loss position of our fixed income investment portfolio and the rates of return we receive on both new funds invested and reinvestment of existing funds.

liquidity risk, relating to the diminished ability to sell certain investments, in times of strained market conditions;

market valuation risk, relating to the variability in the estimated fair value of investments associated with changes in market factors such as credit spreads. A widening of credit spreads will adversely impact the net unrealized gain (loss) position of the fixed income investment portfolio, will increase losses associated with credit-based non-qualifying derivatives where we assume credit exposure, and, if credit spreads widen significantly or for an extended period of time, will likely result in higher other-than-temporary impairments (OTTI). Credit spread tightening will reduce net investment income associated with purchases of fixed maturity securities and will favorably impact the net unrealized gain (loss) position of the fixed income investment portfolio.

currency risk, relating to the variability in currency exchange rates for foreign denominated investments. This risk relates to potential decreases in estimated fair value and income resulting from a strengthening or weakening in currency exchange rates versus the U.S. dollar. In general, the weakening of foreign currencies versus the U.S. dollar will adversely affect the estimated fair value of our foreign denominated investments; and

real estate risk, relating to commercial and agricultural real estate, and stemming from factors, which include, but are not limited to, market conditions including the demand and supply of leasable commercial space, creditworthiness of tenants and partners, capital markets volatility and the inherent interest rate movement.

We manage investment risk through in-house fundamental credit analysis of the underlying obligors, issuers, transaction structures and real estate properties. We also manage credit risk, market valuation risk and liquidity risk through industry and issuer diversification and asset allocation. For commercial real estate and agricultural assets, we manage credit risk and market valuation risk through geographic, property type and product type diversification and asset allocation. We manage interest rate risk as part of our asset and liability management strategies. These strategies include maintaining an investment portfolio with diversified maturities that has a weighted average duration that is approximately equal to the duration of our estimated liability cash flow profile through product design, such as the use of market value adjustment features and surrender charges. We also manage interest rate risk through proactive monitoring and management of certain non-guaranteed elements of its products, such as the resetting of credited interest and dividend rates for policies that permit such adjustments. In addition to hedging with foreign currency derivatives, we manage currency risk by matching much of our foreign currency liabilities in our foreign subsidiaries with their respective foreign currency assets, thereby reducing our risk to foreign currency exchange rate fluctuation. We also use certain derivatives in the management of credit, interest rate, and equity market risks.

We use purchased credit default swaps to mitigate credit risk in our investment portfolio. Generally, we purchase credit protection by entering into credit default swaps referencing the issuers of specific assets we own. In certain cases, basis risk exists between these credit default swaps and the specific assets we own. For example, we may purchase credit protection on a macro basis to reduce exposure to specific industries or other portfolio concentrations. In such instances, the referenced entities and obligations under the credit default swaps may not be identical to the individual obligors or securities in our investment portfolio. In addition, our purchased credit default swaps may have shorter tenors than the underlying investments they are hedging. However, we dynamically hedge this risk through the rebalancing and rollover of its credit default swaps at their most liquid tenors. We believe that our purchased credit default swaps serve as effective legal and economic hedges of our credit exposure.

We generally enter into market standard purchased and written credit default swap contracts. Payout under such contracts is triggered by certain credit events experienced by the referenced entities. For credit default swaps covering North American corporate issuers, credit events typically include bankruptcy and failure to pay on borrowed money. For European corporate issuers, credit events typically also include involuntary restructuring. With respect to credit default contracts on Western European sovereign debt, credit events typically include 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 deems that a credit event has occurred.

Current Environment

The global economy and markets continue to be affected by significant stress and volatility, which has adversely affected the financial services sector in particular and global capital markets. As a company with significant operations in the U.S., we are affected by the monetary policy of the Federal Reserve. The Federal Reserve Board has taken a number of policy actions in recent years to spur economic activity, by keeping interest rates low and, more recently, through its asset purchase programs. See Industry Trends Impact of Sustained Low Interest Rate Environment for information on actions taken by the Federal Reserve Board and central banks around the world to support the economic recovery. See Industry Trends Financial and Economic Environment for information on actions taken by Japan s central government and the Bank of Japan to end deflation and achieve sustainable economic growth in Japan. The Federal Reserve may take further actions to influence interest rates in the future, which may have an impact on the pricing levels of risk-bearing investments and may adversely impact the level of product sales.

Europe s Perimeter Region. During 2012, concerns about the economic conditions, capital markets and the solvency of certain European Union member states, including Europe s perimeter region and of financial institutions that have significant direct or indirect exposure to their sovereign debt continued to create market volatility. This market volatility will likely continue to affect the performance of various asset classes in 2013, and perhaps longer, until there is an ultimate resolution of these European Union sovereign debt-related concerns. As a result of concerns about the ability of Europe s perimeter region, to service its sovereign debt, certain countries have experienced credit ratings downgrades. Despite official financial support programs for the most stressed governments in Europe s perimeter region, including the March 2012 exchange of 177 billion of Greece domestic law sovereign debt with private sector holders in exchange for a package of four new securities issued by Greece and the public sector supported European Financial Stability Facility, concerns about sovereign debt sustainability has expanded to other European Union member states. As a result, in late 2011 and early 2012, several other European Union member states have experienced credit ratings downgrades or have had their credit ratings outlook changed to negative. As summarized below, at December 31, 2012 and 2011, we did not have significant exposure to the sovereign debt of Europe s perimeter region. Accordingly, we do not expect such investments to have a material adverse effect on our results of operations or financial condition. The par value, amortized cost and estimated fair value of holdings in sovereign debt of Europe s perimeter region were $234 million, $62 million and $73 million at December 31, 2012, respectively, and $874 million, $254 million and $264 million at December 31, 2011, respectively. We recorded non-cash impairment charges of $0 and $405 million on our holdings of Greece s sovereign debt during the years ended December 31, 2012 and 2011, respectively.

European Region Investments. Outside of Europe s perimeter region, our holdings of sovereign debt, corporate debt and perpetual hybrid securities in certain European Union member states and other countries in the region that are not members of the European Union (collectively, the European Region) were concentrated in the U.K., Germany, France, the Netherlands, Poland, Norway and Sweden, the sovereign debt of which continues to maintain the highest credit ratings from all major rating agencies. In the European Region, we have proactively mitigated risk in both direct and indirect exposures by investing in a diversified portfolio of high quality investments with a focus on the higher-rated countries, reducing our holdings through sales of financial services securities during 2010 and 2011 and sales of Europe s perimeter region sovereign debt in 2011, and by purchasing certain single name credit default protection in 2010 and 2011. Our sales of financial services securities were focused on institutions with exposure to Europe s perimeter region, lower preference capital structure instruments, and larger positions. Sovereign debt issued by countries outside of Europe s perimeter region comprised $8.9 billion, or 99% of European Region sovereign fixed maturity securities, at estimated fair value at December 31, 2012. The European Region corporate securities (fixed maturity and perpetual hybrid securities classified as non-redeemable preferred stock) are invested in a diversified portfolio of primarily non-financial services securities, which comprised $25.0 billion, or 75% of European Region total corporate securities, at estimated fair value at December 31, 2012. Of these European Region sovereign fixed maturity and corporate securities, 91% were investment grade and, for the 9% that were below investment grade, the majority were non-financial services corporate securities at December 31, 2012. European Region financial services corporate securities at estimated fair value were $8.2 billion, including $6.2 billion within the banking sector, with 93% invested in investment grade rated corporate securities, at December 31, 2012.

Select European Countries Investment Exposures. Due to the current level of economic, fiscal and political strain in Europe s perimeter region and Cyprus, we continually monitor and adjust our level of investment exposure in these countries. We manage direct and indirect investment exposure in these countries through fundamental credit analysis. The following table presents a summary of investments by invested asset class and related purchased credit default protection across Europe s perimeter region, by country, and Cyprus. We have not written any credit default swaps with an underlying risk related to any of these countries. The information below is presented on a country of risk basis (e.g. the country where the issuer primarily conducts business).

Summary of Select European Country Investment Exposure at December 31, 2012

	Fixed maturity securities (1)									
	Sovereign	**Financial Services**	**Non-Financial Services**	**Total**	**All Other General Account Investment Exposure (2)**	**Total Exposure (3)**	**%**	**Purchased Credit Default Protection (4)**	**Net Exposure**	**%**
					(In millions)					
Europe s perimeter region:										
Portugal	$	$	$ 55	$ 55	$ 8	$ 63	2%	$	$ 63	2%
Italy	4	81	727	812	73	885	25	(3)	882	25
Ireland		18	218	236	1,383	1,619	45		1,619	45
Greece	69			69	160	229	6		229	6
Spain		95	527	622	43	665	19		665	19
Total Europe s perimeter region	73	194	1,527	1,794	1,667	3,461	97	(3)	3,458	97
Cyprus	75			75	21	96	3		96	3
Total	$ 148	$ 194	$ 1,527	$ 1,869	$ 1,688	$ 3,557	100%	$ (3)	$ 3,554	100%
As percent of total cash and invested assets	0.0%	0.0%	0.3%	0.3%	0.3%	0.6%		0.0%	0.6%	
Investment grade percent	3%	94%	90%	84%						
Non investment grade percent	97%	6%	10%	16%						

(1) Presented at estimated fair value. The par value and amortized cost of the fixed maturity securities were $2.1 billion and $1.8 billion, respectively, at December 31, 2012.

(2) Comprised of equity securities, FVO general account securities, real estate and real estate joint ventures, other limited partnership interests, cash, cash equivalents and short-term investments, and other invested assets at carrying value. See Note 1 of the Notes to the Consolidated Financial Statements for an explanation of the carrying value for these invested asset classes. Excludes FVO contractholder-directed unit-linked investments of $730 million, which support unit-linked variable annuity type liabilities and do not qualify for separate account summary total assets and liabilities. The contractholder, and not the Company, directs the investment of these funds. The related variable annuity type liability is satisfied from the contractholder s account balance and not from our general account investments.

(3) For Greece, the Company had $1 million of commitments to fund partnership investments at December 31, 2012.

(4) Purchased credit default protection is stated at the estimated fair value of the swap. For Italy, the purchased credit default protection relates to financial services corporate securities and these swaps had a notional amount of $80 million and an estimated fair value of $3 million at December 31, 2012. The counterparties to these swaps are financial institutions with Standard & Poor s Ratings Services (S&P) credit ratings ranging from A+ to A as of December 31, 2012.

Rating Actions U.S. Treasury Securities. As a result of a special Congressional committee failing to agree on certain deficit-reduction measures in August 2011, S&P downgraded the AAA rating on U.S. Treasury securities to AA+. We continue to closely evaluate the implications on our investment portfolio of further rating agency downgrades of U.S. Treasury securities and believe our investment portfolio is well positioned.

Current Environment - Summary. All of these factors have had and could continue to have an adverse effect on the financial results of companies in the financial services industry, including MetLife. Such global economic conditions, as well as the global financial markets, continue to impact our net investment income, net investment gains (losses) and net derivative gains (losses), level of unrealized gains and (losses) within the various asset classes within our investment portfolio and our allocation to lower yielding cash equivalents and short-term investments. See Industry Trends and Risk Factors Economic Environment and Capital Markets-Related Risks If Difficult Conditions in the Global Capital Markets and the Economy Generally Persist, They May Materially Adversely Affect Our Business and Results of Operations in the 2012 Form 10-K.

Investment Portfolio Results

The following yield table presents the yield and investment income (loss) for our investment portfolio for the periods indicated. As described in the footnotes below, this table reflects certain differences from the presentation of net investment income presented in the GAAP consolidated statements of operations. This yield table presentation is consistent with how we measure our investment performance for management purposes, and we believe it enhances understanding of our investment portfolio results.

	For the Years Ended December 31,					
	2012		2011		2010	
	Yield% (1)	Amount (In millions)	Yield% (1)	Amount (In millions)	Yield% (1)	Amount (In millions)
Fixed maturity securities (2) (3)	4.85%	$ 15,243	4.94%	$ 15,016	5.54%	$ 12,567
Mortgage loans (3)	5.64%	3,190	5.53%	3,162	5.51%	2,821
Real estate and real estate joint ventures	4.59%	401	3.76%	307	1.10%	77
Policy loans	5.25%	626	5.43%	641	6.38%	649
Equity securities	4.60%	133	4.44%	141	4.40%	128
Other limited partnerships	12.76%	845	10.58%	681	14.99%	879
Cash and short-term investments	0.69%	143	1.04%	155	0.61%	81
Other invested assets		595		439		481
Total before investment fees and expenses	4.96%	21,176	5.00%	20,542	5.51%	17,683
Investment fees and expenses	(0.13)	(554)	(0.13)	(546)	(0.14)	(465)
Net investment income including Divested Businesses	4.83%	20,622	4.87%	19,996	5.37%	17,218
Less: net investment income from Divested Businesses (4)		(150)		(358)		(365)
Net investment income (5)		$ 20,472		$ 19,638		$ 16,853

(1) Yields are calculated as investment income as a percent of average quarterly asset carrying values. Investment income excludes recognized gains and losses and reflects GAAP adjustments presented in footnote (5) below. Asset carrying values exclude unrealized gains (losses), collateral received in connection with our securities lending program, freestanding derivative assets, collateral received from derivative counterparties, the effects of consolidating under GAAP certain variable interest entities (VIEs) that are treated as consolidated securitization entities (CSEs), contractholder-directed unit-linked investments and securitized reverse residential mortgage loans. A yield is not presented for other invested assets, as it is not considered a meaningful measure of performance for this asset class.

(2) Investment income (loss) includes amounts for FVO and trading securities of $88 million, $31 million and $234 million for the years ended December 31, 2012, 2011 and 2010, respectively.

(3) Investment income from fixed maturity securities and mortgage loans includes prepayment fees.

(4) Yield calculations include the net investment income and ending carrying values of the Divested Businesses. The net investment income adjustment for the Divested Businesses for the year ended December 31, 2012 of $150 million excludes $177 million of securitized reverse residential mortgage loans that were included in the Divested Businesses adjustment of $327 million presented below. For further information on Divested Businesses, see Note 2 of the Notes to the Consolidated Financial Statements.

(5) Net investment income presented in the yield table varies from the most directly comparable measure presented in the GAAP consolidated statements of operations due to certain reclassifications and excludes the effects of consolidating under GAAP certain VIEs that are treated as CSEs and contractholder-directed unit-linked investments. Such reclassifications are presented in the table below.

	Years Ended December 31,		
	2012	2011	2010
		(In millions)	
Net investment income in the above yield table	$ 20,472	$ 19,638	$ 16,853
Real estate discontinued operations	(3)	(10)	(9)
Scheduled periodic settlement payments on derivatives not qualifying for hedge accounting	(448)	(249)	(208)
Equity method operating joint ventures		(23)	(130)
Net investment income on contractholder-directed unit-linked investments reported within FVO and trading securities	1,473	(453)	211
Divested Businesses	327	358	365

Incremental net investment income from CSEs	163	324	411
Net investment income GAAP consolidated statements of operations	$ 21,984	$ 19,585	$ 17,493

See Results of Operations Year Ended December 31, 2012 Compared with the Year Ended December 31, 2011 and Year Ended December 31, 2011 Compared with the Year Ended December 31, 2010, for analyses of the year over year changes in net investment income.

Fixed Maturity and Equity Securities AFS

Fixed maturity securities AFS, which consisted principally of publicly traded and privately placed fixed maturity securities and redeemable preferred stock, were $374.3 billion and $350.3 billion at estimated fair value, or 70% and 67% of total cash and invested assets, at December 31, 2012 and 2011, respectively. Publicly-traded fixed maturity securities represented $323.8 billion and $303.6 billion of total fixed maturity securities at estimated fair value at December 31, 2012 and 2011, respectively, or 87% of total fixed maturity securities, at both December 31, 2012 and 2011. Privately placed fixed maturity securities represented $50.5 billion and $46.7 billion, at December 31, 2012 and 2011, respectively, or 13% of total fixed maturity securities at estimated fair value, at both December 31, 2012 and 2011.

Equity securities AFS, which consisted principally of publicly traded and privately held common and non-redeemable preferred stocks, including certain perpetual hybrid securities and mutual fund interests, were $2.9 billion and $3.0 billion at estimated fair value, or 0.5% and 0.6% of total cash and invested assets, at December 31, 2012 and 2011, respectively. Publicly-traded equity securities represented $1.8 billion and $1.7 billion at estimated fair value, or 62% and 57% of total equity securities, at December 31, 2012 and 2011, respectively. Privately-held equity securities represented $1.1 billion and $1.3 billion at estimated fair value, or 38% and 43% of total equity securities, at December 31, 2012 and 2011, respectively.

Included within fixed maturity and equity securities were $1.3 billion and $1.5 billion of perpetual securities, at estimated fair value, at December 31, 2012 and 2011, respectively. Upon acquisition, we classify perpetual securities that have attributes of both debt and equity as fixed maturity securities if the securities have an interest rate step-up feature which, when combined with other qualitative factors, indicates that the securities have more debt-like characteristics; while those with more equity-like characteristics are classified as equity securities. Many of such securities, commonly referred to as perpetual hybrid securities have been issued by non-U.S. financial institutions that are accorded the highest two capital treatment categories by their respective regulatory bodies (i.e. core capital, or Tier 1 capital and perpetual deferrable securities, or Upper Tier 2 capital).

Included within fixed maturity securities were $1.6 billion and $1.9 billion of redeemable preferred stock at estimated fair value at December 31, 2012 and 2011, respectively. These securities, which have stated maturity dates and cumulative interest deferral features, are commonly referred to as capital securities, and are primarily issued by U.S. financial institutions.

Valuation of Securities. We are responsible for the determination of estimated fair value of our investments. We determine the estimated fair value of publicly-traded securities after considering one of three primary sources of information: quoted market prices in active markets, independent pricing services, or independent broker quotations; whereas for privately placed securities, estimated fair value is determined after considering one of three primary sources of information: market standard internal matrix pricing, market standard internal discounted cash flow techniques, or independent pricing services after we determine their use of available observable market data. For publicly-traded securities, the number of quotations obtained varies by instrument and depends on the liquidity of the particular instrument. Generally, we obtain prices from multiple pricing services to cover all asset classes and obtain multiple prices for certain securities, but ultimately utilize the price with the highest placement in the fair value hierarchy. Independent pricing services that value these instruments use market standard valuation methodologies based on data about market transactions and inputs from multiple pricing sources that are market observable or can be derived principally from or corroborated by observable market data. See Note 10 of the Notes to the Consolidated Financial Statements for a discussion of the types of market standard valuation methodologies utilized and key assumptions and observable inputs used in applying these standard valuation methodologies. When a price is not available in the active market or through an independent pricing service, management will value the security primarily using market standard internal matrix pricing or discounted cash flow techniques, and non-binding quotations from independent brokers who are knowledgeable about these securities. Independent non-binding broker quotations utilize inputs that may be difficult to corroborate with observable market data. As shown in the following section, less than 1% of our fixed maturity securities were valued using non-binding quotations from independent brokers at December 31, 2012.

Senior management, independent of the trading and investing functions, is responsible for the oversight of control systems and valuation policies, including reviewing and approving new transaction types and markets, for ensuring that observable market prices and market-based parameters are used for valuation, wherever possible, and for determining that judgmental valuation adjustments, when applied, are based upon established policies and are applied consistently over time. We review our valuation methodologies on an ongoing basis and revise when necessary based on changing market conditions. We gain assurance on the overall reasonableness and consistent application of input assumptions, valuation methodologies and compliance with accounting standards for fair value determination through our controls designed to ensure that the financial assets and financial liabilities are appropriately valued and represent an exit price. We utilize several controls, 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 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 pricing sources, when available, reviewing independent auditor reports regarding the controls over valuation of securities employed by independent pricing services, and ongoing due diligence to confirm that independent pricing services use market-based parameters for valuation. We determine 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.

We also apply a formal process to challenge any prices received from independent pricing services that are not considered representative of estimated fair value. If we conclude that prices received from independent pricing services are not reflective of market activity or representative of estimated fair value, we will seek independent non-binding broker quotes or use an internally developed valuation to override these prices. Our internally developed valuations of current estimated fair value, which reflect our estimates of liquidity and nonperformance risks, compared with pricing received from the independent pricing services, did not produce material differences for the vast majority of our fixed maturity securities portfolio. This is, in part, because our 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. As a result, we generally use the price provided by the independent pricing service under our normal pricing protocol.

We have reviewed the significance and observability of inputs used in the valuation methodologies to determine the appropriate fair value hierarchy level for each of its securities. Based on the results of this review and investment class analyses, each instrument is categorized as Level 1, 2 or 3 based on the lowest level significant input to its valuation. See Note 10 of the Notes to the Consolidated Financial Statements for information regarding the valuation techniques and inputs by level within the three level fair value hierarchy by major classes of invested assets.

Fair Value of Fixed Maturity and Equity Securities AFS. Fixed maturity and equity securities AFS measured at estimated fair value on a recurring basis and their corresponding fair value pricing sources are as follows:

	December 31, 2012			
	Fixed Maturity Securities		Equity Securities	
	(In millions)			
Level 1:				
Quoted prices in active markets for identical assets	$ 27,441	7.3%	$ 932	32.2%
Level 2:				
Independent pricing source	285,873	76.4	413	14.3
Internal matrix pricing or discounted cash flow techniques	38,532	10.3	937	32.4
Significant other observable inputs	324,405	86.7	1,350	46.7
Level 3:				
Independent pricing source	8,294	2.2	492	17.0
Internal matrix pricing or discounted cash flow techniques	12,167	3.3	104	3.6
Independent broker quotations	1,959	0.5	13	0.5
Significant unobservable inputs	22,420	6.0	609	21.1
Total estimated fair value	$ 374,266	100.0%	$ 2,891	100.0%

See Note 10 of the Notes to the Consolidated Financial Statements for the fixed maturity securities and equity securities AFS fair value hierarchy.

The composition of fair value pricing sources for and significant changes in Level 3 securities at December 31, 2012 are as follows:

The majority of the Level 3 fixed maturity and equity securities AFS (92%) were concentrated in five sectors: U.S. and foreign corporate securities, asset-backed securities (ABS), residential mortgage-backed securities (RMBS), and foreign government securities.

Level 3 fixed maturity securities are priced principally through market standard valuation methodologies, independent pricing services and, to a much lesser extent, independent non-binding broker quotations using inputs that are not market observable or cannot be derived principally from or corroborated by observable market data. Level 3 fixed maturity securities consist of less liquid securities with very limited trading activity or where less price transparency exists around the inputs to the valuation methodologies. Level 3 fixed maturity securities include: alternative residential mortgage loan (Alt-A) and sub-prime RMBS; certain below investment grade private securities and less liquid investment grade corporate securities (included in U.S. and foreign corporate securities); less liquid ABS and foreign government securities.

During the year ended December 31, 2012, Level 3 fixed maturity securities increased by $4.7 billion, or 26%. The increase was driven by net purchases in excess of sales and an increase in estimated fair value recognized in other comprehensive income (loss) (OCI). The net purchases in excess of sales of fixed maturity securities was concentrated in ABS and foreign corporate securities, and the increase in estimated fair value recognized in OCI for fixed maturity securities was concentrated in U.S. and foreign corporate securities and RMBS.

See Note 10 of the Notes to the Consolidated Financial Statements for a rollforward of the fair value measurements for fixed maturity securities and equity securities AFS measured at estimated fair value on a recurring basis using significant unobservable (Level 3) inputs. Total gains and losses in earnings and OCI are calculated assuming transfers into or out of Level 3 occurred at the beginning of the period. Items transferred into and out of Level 3 during the same period are excluded from the rollforward. Total gains (losses) for fixed maturity securities included in OCI subsequent to their transfer into Level 3 was $9 million for the year ended December 31, 2012. There were no gains (losses) included in earnings for fixed maturity securities subsequent to their transfer into Level 3 for the year ended December 31, 2012.

An analysis of transfers into and/or out of Level 3 for the year ended December 31, 2012 is presented in Note 10 of the Notes to Consolidated Financial Statements.

See Summary of Critical Accounting Estimates Estimated Fair Value of Investments for further information on the estimates and assumptions that affect the amounts reported above. See Note 10 of the Notes to the Consolidated Financial Statements for further information about the valuation techniques and inputs by level by major classes of invested assets that affect the amounts reported above.

Fixed Maturity Securities AFS. See Notes 1 and 8 of the Notes to the Consolidated Financial Statements for further information about fixed maturity securities AFS.

Fixed Maturity Securities Credit Quality Ratings. The Securities Valuation Office of the NAIC evaluates the fixed maturity security investments of insurers for regulatory reporting and capital assessment purposes and assigns securities to one of six credit quality categories called NAIC designations. If no rating is available from the NAIC, then as permitted by the NAIC, an internally developed rating is used. The NAIC ratings are generally similar to the credit quality designations of the Nationally Recognized Statistical Ratings Organizations (NRSRO) for marketable fixed maturity securities, called rating agency designations, except for certain structured securities as described below. Rating agency designations are based on availability of applicable ratings from rating agencies on the NAIC credit rating provider list, including Moody s, S&P, Fitch Ratings (Fitch), Dominion Bond Rating Service, A.M. Best Company, Kroll Bond Rating Agency and Realpoint, LLC. If no rating is available from a rating agency, then an internally developed rating is used.

The NAIC has adopted revised rating methodologies for certain structured securities comprised of non-agency RMBS, commercial mortgage-backed securities (CMBS) and ABS. The NAIC s objective with the revised rating methodologies for these structured securities was to increase the accuracy in assessing expected losses, and to use the improved assessment to determine a more appropriate capital requirement for such structured securities. The revised methodologies reduce regulatory reliance on rating agencies and allow for greater regulatory input into the assumptions used to estimate expected losses from structured securities. We apply the revised NAIC rating methodologies to structured securities held by MetLife, Inc. s insurance subsidiaries that maintain the NAIC statutory basis of accounting. The NAIC s present methodology is to evaluate structured securities held by insurers using the revised NAIC rating methodologies on an annual basis. If such insurance subsidiaries of our acquired structured securities that have not been previously evaluated by the NAIC, but are expected to be evaluated by the NAIC in the upcoming annual review, an internally developed rating is used until a final rating becomes available.

The following table presents total fixed maturity securities by NRSRO designation and the equivalent designations of the NAIC, except for certain structured securities, which are presented as described above, as well as the percentage, based on estimated fair value that each designation is comprised of at:

		December 31,							
		2012				2011			
				Estimated				Estimated	
NAIC Rating	Rating Agency Designation	Amortized Cost	Unrealized Gain (Loss)	Fair Value	% of Total	Amortized Cost	Unrealized Gain (Loss)	Fair Value	% of Total
			(In millions)				(In millions)		
1	Aaa/Aa/A	$ 234,371	$ 24,197	$ 258,568	69.1%	$ 230,195	$ 16,591	$ 246,786	70.5%
2	Baa	81,530	8,663	90,193	24.1	73,352	5,179	78,531	22.4
	Subtotal investment grade	315,901	32,860	348,761	93.2	303,547	21,770	325,317	92.9
3	Ba	13,882	552	14,434	3.8	14,604	(229)	14,375	4.1
4	B	9,470	137	9,607	2.6	9,437	(588)	8,849	2.5
5	Caa and lower	1,543	(164)	1,379	0.4	2,142	(474)	1,668	0.5
6	In or near default	74	11	85		81	(19)	62	
	Subtotal below investment grade	24,969	536	25,505	6.8	26,264	(1,310)	24,954	7.1
	Total fixed maturity securities	$ 340,870	$ 33,396	$ 374,266	100.0%	$ 329,811	$ 20,460	$ 350,271	100.0%

The following tables present total fixed maturity securities, based on estimated fair value, by sector classification and by NRSRO designation and the equivalent designations of the NAIC, except for certain structured securities, which are presented as described above:

	Fixed Maturity Securities	by Sector & Credit Quality Rating					
NAIC Rating:	1	2	3	4	5	6	Total Estimated Fair Value
Rating Agency Designation:	Aaa/Aa/A	Baa	Ba	B	Caa and Lower	In or Near Default	
				(In millions)			
December 31, 2012:							
U.S. corporate	$ 51,648	$ 48,622	$ 8,597	$ 4,831	$ 380	$ 48	$ 114,126
Foreign corporate	31,937	30,509	3,249	1,418	66	5	67,184
Foreign government	46,314	8,501	933	1,504	84		57,336
U.S. Treasury and agency	47,967						47,967
RMBS	32,377	894	1,582	1,809	790	27	37,479
CMBS	18,843	193	43	11	39		19,129
ABS	15,247	673	18	34	20	5	15,997
State and political subdivision	14,235	801	12				15,048
Total fixed maturity securities	$ 258,568	$ 90,193	$ 14,434	$ 9,607	$ 1,379	$ 85	$ 374,266
Percentage of total	69.1%	24.1%	3.8%	2.6%	0.4%	%	100.0%
December 31, 2011:							
U.S. corporate	$ 51,045	$ 41,533	$ 8,677	$ 4,257	$ 271	$ 2	$ 105,785
Foreign corporate	33,403	26,383	2,915	1,173	140	4	64,018
Foreign government	42,360	7,553	1,146	1,281	196		52,536
U.S. Treasury and agency	40,012						40,012
RMBS	36,699	1,477	1,450	2,026	933	52	42,637
CMBS	18,403	388	125	57	96		19,069
ABS	12,507	355	39	50	24	4	12,979
State and political subdivision	12,357	842	23	5	8		13,235
Total fixed maturity securities	$ 246,786	$ 78,531	$ 14,375	$ 8,849	$ 1,668	$ 62	$ 350,271

Percentage of total	70.5%	22.4%	4.1%	2.5%	0.5%	%	100.0%

U.S. and Foreign Corporate Fixed Maturity Securities. We maintain a diversified portfolio of corporate fixed maturity securities across industries and issuers. This portfolio does not have an exposure to any single issuer in excess of 1% of total investments and the top ten holdings comprise 2% of total investments at both December 31, 2012 and 2011. The tables below present information for U.S. and foreign corporate securities at:

	December 31,			
	2012		2011	
	Estimated Fair Value (In millions)	% of Total	Estimated Fair Value (In millions)	% of Total
Corporate fixed maturity securities by sector:				
Foreign corporate(1)	$ 67,184	37.1%	$ 64,018	37.7%
U.S. corporate fixed maturity securities by industry:				
Consumer	29,852	16.4	26,739	15.7
Industrial	29,324	16.2	26,962	15.9
Finance	21,857	12.1	20,854	12.3
Utility	20,216	11.1	19,508	11.5
Communications	9,084	5.0	8,178	4.8
Other	3,793	2.1	3,544	2.1
Total	$ 181,310	100.0%	$ 169,803	100.0%

(1) Includes both U.S. dollar and foreign denominated securities.

Structured Securities. We held $72.6 billion and $74.7 billion of structured securities, at estimated fair value, at December 31, 2012 and 2011, respectively, as presented in the RMBS, CMBS and ABS sections below.

RMBS. The table below presents information about RMBS at:

	December 31,					
	2012			2011		
	Estimated Fair Value (In millions)	% of Total	Net Unrealized Gains (Losses) (In millions)	Estimated Fair Value (In millions)	% of Total	Net Unrealized Gains (Losses) (In millions)
By security type:						
Collateralized mortgage obligations	$ 20,567	54.9%	$ 889	$ 23,392	54.9%	$ (341)
Pass-through securities	16,912	45.1	924	19,245	45.1	886
Total RMBS	$ 37,479	100.0%	$ 1,813	$ 42,637	100.0%	$ 545
By risk profile:						
Agency	$ 26,369	70.4%	$ 1,944	$ 31,055	72.8%	$ 2,074
Prime	4,206	11.2	101	5,959	14.0	(310)
Alt-A	4,950	13.2	(154)	4,648	10.9	(872)
Sub-prime	1,954	5.2	(78)	975	2.3	(347)
Total RMBS	$ 37,479	100.0%	$ 1,813	$ 42,637	100.0%	$ 545
Ratings profile:						
Rated Aaa/AAA	$ 26,555	70.9%		$ 31,690	74.3%	
Rated NAIC 1	$ 32,377	86.4%		$ 36,699	86.1%	

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

The majority of RMBS we hold are Agency RMBS. The majority of our RMBS holdings were rated Aaa/AAA by Moody s, S&P or Fitch; and were rated NAIC 1 by the NAIC at December 31, 2012 and 2011. Agency RMBS were guaranteed or otherwise supported by Federal National Mortgage Association, Federal Home Loan Mortgage Corporation or GNMA. Non-agency RMBS include prime, Alt-A and sub-prime RMBS. Prime residential mortgage lending includes the origination of residential mortgage loans to the most creditworthy borrowers with high quality credit profiles. Alt-A is a classification of mortgage loans where the risk profile of the borrower falls between prime and sub-prime. Sub-prime mortgage lending is the origination of residential mortgage loans to borrowers with weak credit profiles. Included within prime and Alt-A RMBS are resecuritization of real estate mortgage investment conduit (Re-REMIC) securities. Re-REMIC RMBS involve the pooling of previous issues of prime and Alt-A RMBS and restructuring the combined pools to create new senior and subordinated securities. The credit enhancement on the senior tranches is improved through the resecuritization.

At December 31, 2012 and 2011, our Alt-A securities portfolio had no exposure to option adjustable rate mortgages (ARMs) and a minimal exposure to hybrid ARMs. Our Alt-A securities portfolio was comprised primarily of fixed rate mortgages (94% and 93% at December 31, 2012 and 2011, respectively) which have performed better than both option ARMs and hybrid ARMs in the overall Alt-A market.

Table of Contents

Historically, we have managed our exposure to sub-prime RMBS holdings by reducing our overall exposure, stress testing the portfolio with severe loss assumptions and closely monitoring the performance of the portfolio. At December 31, 2012 and 2011, approximately 53% and 79%, respectively, of our sub-prime RMBS holdings were in a vintage year of 2005 or prior. These older vintage years benefit from better underwriting, improved credit enhancement levels and higher residential property price appreciation. In 2012, we increased our exposure to sub-prime RMBS by purchasing sub-prime RMBS at significant discounts to the expected principal recovery value of these securities. The 2012 sub-prime RMBS purchases are performing within our expectations and were in an unrealized gain position of $59 million at December 31, 2012.

CMBS. The following tables present our CMBS holdings by rating agency designation and by vintage year at:

	December 31, 2012											
	Aaa		Aa		A		Baa		Below Investment Grade		Total	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
	(In millions)											
2003	$ 2,957	$ 2,997	$ 113	$ 114	$ 82	$ 82	$ 37	$ 36	$ 33	$ 33	$ 3,222	$ 3,262
2004	3,466	3,606	380	401	97	99	52	51	21	9	4,016	4,166
2005	3,348	3,636	303	329	275	296	144	142			4,070	4,403
2006	2,283	2,484	263	284	44	44	47	50	38	36	2,675	2,898
2007	1,070	1,143	112	117	87	95	194	187	20	21	1,483	1,563
2008 - 2010	2	3					56	60	26	24	84	87
2011	598	650	12	11	108	112			7	6	725	779
2012	524	559	403	417	939	956			36	39	1,902	1,971
Total	$ 14,248	$ 15,078	$ 1,586	$ 1,673	$ 1,632	$ 1,684	$ 530	$ 526	$ 181	$ 168	$ 18,177	$ 19,129
Ratings Distribution		78.8%		8.7%		8.8%		2.8%		0.9%		100.0%

	December 31, 2011											
	Aaa		Aa		A		Baa		Below Investment Grade		Total	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
	(In millions)											
2003	$ 5,574	$ 5,677	$ 176	$ 176	$ 91	$ 88	$ 54	$ 52	$ 29	$ 27	$ 5,924	$ 6,020
2004	3,586	3,730	430	440	135	129	83	80	32	25	4,266	4,404
2005	3,081	3,318	427	432	277	269	184	175	31	28	4,000	4,222
2006	1,712	1,835	245	237	89	83	118	110	123	106	2,287	2,371
2007	643	665	395	332	163	138	67	71	94	88	1,362	1,294
2008 - 2010	3	3					60	66	25	27	88	96
2011	536	557	1	1	92	96			9	8	638	662
Total	$ 15,135	$ 15,785	$ 1,674	$ 1,618	$ 847	$ 803	$ 566	$ 554	$ 343	$ 309	$ 18,565	$ 19,069
Ratings Distribution		82.8%		8.5%		4.2%		2.9%		1.6%		100.0%

The tables above reflect rating agency designations assigned by nationally recognized rating agencies including Moody s, S&P, Fitch and Realpoint, LLC. CMBS rated NAIC 1 were 98.5% and 96.5% of total CMBS at December 31, 2012 and 2011, respectively.

ABS. Our ABS are diversified both by collateral type and by issuer. The following table presents information about our ABS holdings at:

	December 31,					
	2012			2011		
	Estimated Fair Value	% of Total	Net Unrealized Gains (Losses)	Estimated Fair Value	% of Total	Net Unrealized Gains (Losses)
	(In millions)		(In millions)	(In millions)		(In millions)
By collateral type:						
Foreign residential loans	$ 3,811	23.8%	$ 88	$ 1,771	13.7%	$ (31)
Credit card loans	2,640	16.5	106	4,038	31.1	141
Student loans	2,480	15.5	14	2,434	18.8	(30)
Automobile loans	2,454	15.4	28	977	7.5	5
Collateralized debt obligations	2,453	15.3	(68)	2,575	19.8	(163)
Equipment loans	597	3.7	22	330	2.5	31
Other loans	1,562	9.8	45	854	6.6	8
Total	$ 15,997	100.0%	$ 235	$ 12,979	100.0%	$ (39)
Ratings profile:						
Rated Aaa/AAA	$ 10,405	65.0%		$ 8,223	63.4%	
Rated NAIC 1	$ 15,247	95.3%		$ 12,507	96.4%	

Evaluation of AFS Securities for OTTI and Evaluating Temporarily Impaired AFS Securities. See Notes 1 and 8 of the Notes to the Consolidated Financial Statements for information about the evaluation of fixed maturity securities and equity securities AFS for OTTI and evaluation of temporarily impaired AFS securities.

OTTI Losses on Fixed Maturity and Equity Securities AFS Recognized in Earnings

See Note 8 of the Notes to the Consolidated Financial Statements for information about OTTI losses and gross gains and gross losses on AFS securities sold.

Overview of Fixed Maturity and Equity Security OTTI Losses Recognized in Earnings. Impairments of fixed maturity and equity securities were $351 million, $1.0 billion and $484 million for the years ended December 31, 2012, 2011 and 2010, respectively. Impairments of fixed maturity securities were $317 million, $955 million and $470 million for the years ended December 31, 2012, 2011 and 2010, respectively. Impairments of equity securities were $34 million, $60 million and $14 million for the years ended December 31, 2012, 2011 and 2010, respectively.

Credit-related impairments of fixed maturity securities were $223 million, $645 million and $423 million for the years ended December 31, 2012, 2011 and 2010, respectively.

Explanations of changes in fixed maturity and equity securities impairments are as follows:

> *Year Ended December 31, 2012 compared to the Year Ended December 31, 2011* Overall OTTI losses recognized in earnings on fixed maturity and equity securities were $351 million for the current year as compared to $1.0 billion in the prior year. The most significant decrease in the current period, as compared to the prior period, was in foreign government securities primarily attributable to prior year impairments on Greece sovereign debt securities of $405 million as a result of the reduction in the expected recoverable amount (see Investments Current Environment) and intent-to-sell fixed maturity security OTTI on other sovereign debt securities due to the repositioning of the acquired ALICO portfolio into longer duration and higher yielding investments, resulting in total sovereign debt securities impairments of $486 million recognized in 2011. In addition, intent-to-sell OTTI related to the Divested Businesses of $154 million were recognized in 2011 primarily concentrated in the RMBS sector, while utility industry impairments within U.S. and foreign corporate securities increased $51 million in the current year.
>
> *Year Ended December 31, 2011 compared to the Year Ended December 31, 2010* Overall OTTI losses recognized in earnings on fixed maturity and equity securities were $1.0 billion for the current year as compared to $484 million in the prior year. The increase in OTTI losses on fixed maturity and equity securities primarily reflects impairments on Greece sovereign debt securities, repositioning of the acquired ALICO portfolio, and impairments related to Divested Businesses, as discussed above. These increased impairments were partially offset by decreased impairments in the CMBS, ABS and corporate sectors, reflecting improving economic fundamentals.

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

FVO and Trading Securities

FVO and trading securities are primarily comprised of securities for which the FVO has been elected (FVO Securities). FVO Securities include certain fixed maturity and equity securities held for investment by the general account to support asset and liability matching strategies for certain insurance products. FVO Securities are primarily comprised of contractholder-directed investments supporting unit-linked variable annuity type liabilities which do not qualify for presentation as separate account summary total assets and liabilities. These investments are primarily mutual funds and, to a lesser extent, fixed maturity and equity securities, short-term investments and cash and cash equivalents. The investment returns on these investments inure to contractholders and are offset by a corresponding change in PABs through interest credited to policyholder account balances. FVO Securities also include securities held by CSEs (former qualifying special purpose entities). We have a trading securities portfolio, principally invested in fixed maturity securities, to support investment strategies that involve the active and frequent purchase and sale of actively traded securities and the execution of short sale agreements. FVO and trading securities were $16.3 billion and $18.3 billion at estimated fair value, or 3.1% and 3.5% of total cash and invested assets, at December 31, 2012 and 2011, respectively. See Note 10 of the Notes to the Consolidated Financial Statements for the FVO and trading securities fair value hierarchy and a rollforward of the fair value measurements for FVO and trading securities measured at estimated fair value on a recurring basis using significant unobservable (Level 3) inputs.

Table of Contents

Securities Lending

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

See Liquidity and Capital Resources The Company Liquidity and Capital Uses Securities Lending and Note 8 of the Notes to the Consolidated Financial Statements for financial information regarding our securities lending program.

Mortgage Loans

Our mortgage loans are principally collateralized by commercial real estate, agricultural real estate and residential properties. The carrying value of mortgage loans was $57.0 billion and $72.1 billion, or 10.7% and 13.8% of total cash and invested assets, at December 31, 2012 and 2011, respectively. See Note 8 of the Notes to the Consolidated Financial Statements for a table that presents our mortgage loans held-for-investment of $56.6 billion and $56.9 billion by portfolio segment at December 31, 2012 and 2011, respectively, as well as the components of the mortgage loans held-for-sale of $414 million and $15.2 billion at December 31, 2012 and 2011, respectively. We originated $9.6 billion and $11.1 billion of commercial mortgage loans during the years ended December 31, 2012 and 2011, respectively. We originated $3.0 billion and $2.8 billion of agricultural mortgage loans during the years ended December 31, 2012 and 2011, respectively. The information presented below excludes the effects of consolidating certain VIEs that are treated as CSEs and securitized reverse residential mortgage loans. Such amounts are presented in the aforementioned table.

We diversify our mortgage loan portfolio by both geographic region and property type to reduce the risk of concentration. Of our commercial and agricultural mortgage loans, 89% are collateralized by properties located in the U.S., with the remaining 11% collateralized by properties located outside the U.S., calculated as a percent of the total mortgage loans held-for-investment (excluding commercial mortgage loans held by CSEs) at December 31, 2012. The carrying value of our commercial and agricultural mortgage loans located in California, New York and Texas were 19%, 11% and 7%, respectively, of total mortgage loans held for investment (excluding commercial mortgage loans held by CSEs) at December 31, 2012. Additionally, we manage risk when originating commercial and agricultural mortgage loans by generally lending only up to 75% of the estimated fair value of the underlying real estate collateral.

Commercial Mortgage Loans by Geographic Region and Property Type. Commercial mortgage loans are the largest component of the mortgage loan invested asset class, as it represented approximately 75% of total mortgage loans held-for-investment (excluding the effects of consolidating certain VIEs that are treated as CSEs) at both December 31, 2012 and 2011. The tables below present the diversification across geographic regions and property types of commercial mortgage loans held-for-investment:

	December 31,			
	2012		2011	
	Amount (In millions)	% of Total	Amount (In millions)	% of Total
Region:				
South Atlantic	$ 7,969	19.7%	$ 9,022	22.3%
Pacific	7,932	19.6	8,209	20.3
Middle Atlantic	6,780	16.7	6,370	15.8
International	5,567	13.8	4,713	11.7
West South Central	3,436	8.5	3,220	8.0
East North Central	3,026	7.5	2,984	7.3
New England	1,489	3.7	1,563	3.9
Mountain	906	2.2	746	1.8
East South Central	457	1.1	487	1.2
West North Central	288	0.7	365	0.9
Multi-Region and Other	2,622	6.5	2,761	6.8
Total recorded investment	40,472	100.0%	40,440	100.0%
Less: valuation allowances	293		398	
Carrying value, net of valuation allowances	$ 40,179		$ 40,042	

Property Type:				
Office	$ 18,012	44.5%	$ 18,582	45.9%
Retail	9,445	23.3	9,524	23.6
Apartment	3,944	9.8	4,011	9.9
Hotel	3,355	8.3	3,114	7.7
Industrial	3,159	7.8	3,102	7.7
Other	2,557	6.3	2,107	5.2
Total recorded investment	40,472	100.0%	40,440	100.0%
Less: valuation allowances	293		398	
Carrying value, net of valuation allowances	$ 40,179		$ 40,042	

Mortgage Loan Credit Quality Restructured, Potentially Delinquent, Delinquent or Under Foreclosure. We monitor our mortgage loan investments on an ongoing basis, including reviewing loans that are restructured, potentially delinquent, and delinquent or under foreclosure. These loan classifications are consistent with those used in industry practice.

We define restructured mortgage loans as loans in which we, for economic or legal reasons related to the debtor s financial difficulties, grant a concession to the debtor that we would not otherwise consider. We define potentially delinquent loans as loans that, in management s opinion, have a high probability of becoming delinquent in the near term. We define delinquent mortgage loans consistent with industry practice, when interest and principal payments are past due as follows: commercial and residential 60 days or more and agricultural 90 days or more. We define mortgage loans under foreclosure as loans in which foreclosure proceedings have formally commenced.

The following table presents the recorded investment and valuation allowance for all mortgage loans held-for-investment distributed by the above stated loan classifications:

	December 31,							
	2012				**2011**			
	Recorded Investment (In millions)	**% of Total**	**Valuation Allowance (In millions)**	**% of Recorded Investment**	**Recorded Investment (In millions)**	**% of Total**	**Valuation Allowance (In millions)**	**% of Recorded Investment**
Commercial:								
Performing	$ 40,064	99.0%	$ 214	0.5%	$ 40,106	99.1%	$ 339	0.8%
Restructured(1)	406	1.0	79	19.5%	248	0.6	44	17.7%
Potentially delinquent				%	23	0.1	15	65.2%
Delinquent or under foreclosure	2			%	63	0.2		%
Total	$ 40,472	100.0%	$ 293	0.7%	$ 40,440	100.0%	$ 398	1.0%
Agricultural:								
Performing	$ 12,657	98.6%	$ 31	0.2%	$ 12,899	98.3%	$ 41	0.3%
Restructured(2)	64	0.5	8	12.5%	58	0.4	7	12.1%
Potentially delinquent	6			%	25	0.2	4	16.0%
Delinquent or under foreclosure(2)	116	0.9	13	11.2%	147	1.1	29	19.7%
Total	$ 12,843	100.0%	$ 52	0.4%	$ 13,129	100.0%	$ 81	0.6%
Residential:								
Performing	$ 929	97.0%	$	%	$ 664	96.4%	$ 1	0.2%
Delinquent or under foreclosure(3)	29	3.0	2	6.9%	25	3.6	1	4.0%
Total	$ 958	100.0%	$ 2	0.2%	$ 689	100.0%	$ 2	0.3%

(1) As of December 31, 2012 and 2011, restructured commercial mortgage loans were comprised of nine and 10 restructured loans, respectively, all of which were performing.

(2) As of December 31, 2012 and 2011, restructured agricultural mortgage loans were comprised of 15 and 11 restructured loans, respectively, all of which were performing. There were no restructured agricultural mortgage loans classified as delinquent or under foreclosure as of December 31, 2012. Additionally, as of December 31, 2011, delinquent or under foreclosure agricultural mortgage loans included four restructured loans with a recorded investment of $13 million, which were not performing.

(3) There were no restructured residential mortgage loans at December 31, 2012 and 2011.

See also Note 8 of the Notes to the Consolidated Financial Statements for tables that present, by portfolio segment, mortgage loans by credit quality indicator, impaired mortgage loans, past due and nonaccrual mortgage loans, as well as loans modified through troubled debt restructurings.

Mortgage Loan Credit Quality Monitoring Process Commercial and Agricultural Mortgage Loans. We review all commercial mortgage loans on an ongoing basis. These reviews may include an analysis of the property financial statements and rent roll, lease rollover analysis, property inspections, market analysis, estimated valuations of the underlying collateral, loan-to-value ratios, debt service coverage ratios, and tenant creditworthiness. The monitoring process focuses on higher risk loans, which include those that are classified as restructured, potentially delinquent, delinquent or in foreclosure, as well as loans with higher loan-to-value ratios and lower debt service coverage ratios. The monitoring process for agricultural mortgage loans is generally similar, with a focus on higher risk loans, such as loans with higher loan-to-value ratios, including reviews on a geographic and property type basis.

Loan-to-value ratios and debt service coverage ratios are common measures in the assessment of the quality of commercial mortgage loans. Loan-to-value ratios are a common measure in the assessment of the quality of agricultural mortgage loans. Loan-to-value ratios compare the amount of the loan to the estimated fair value of the underlying collateral. A loan-to-value ratio greater than 100% indicates that the loan amount is greater than the collateral value. A loan-to-value ratio of less than 100% indicates an excess of collateral value over the loan amount. Generally, the higher the loan-to-value ratio, the higher the risk of experiencing a credit loss. The debt service coverage ratio compares a property s net operating income to amounts needed to service the principal and interest due under the loan. Generally, the lower the debt service coverage ratio, the higher the risk of experiencing a credit loss. For our commercial mortgage loans, our average loan-to-value ratio was 57% and 61% at December 31, 2012 and 2011, respectively, and our average debt service coverage ratio was 2.2x at December 31, 2012, as compared to 2.1x at December 31, 2011. The commercial mortgage loan debt service coverage ratio and loan-to-value ratio, as well as the values utilized in calculating these ratios, are updated annually, on a rolling basis, with a portion of the commercial mortgage loan portfolio updated each quarter. For our agricultural mortgage loans, our average loan-to-value ratio was 46% and 48% at December 31, 2012 and 2011, respectively. The values utilized in calculating the agricultural mortgage loan loan-to-value ratio are developed in connection with the ongoing review of the agricultural loan portfolio and are routinely updated.

Mortgage Loan Valuation Allowances. Our valuation allowances are established both on a loan specific basis for those loans considered impaired where a property specific or market specific risk has been identified that could likely result in a future loss, as well as for pools of loans with similar risk characteristics where a property specific or market specific risk has not been identified, but for which we expect to incur a loss. Accordingly, a valuation allowance is provided to absorb these estimated probable credit losses.

The determination of the amount of, and additions or decreases to, valuation allowances is based upon our periodic evaluation and assessment of known and inherent risks associated with its loan portfolios. Such evaluations and assessments are based upon several factors, including our experience for loan losses, defaults and loss severity, and loss expectations for loans with similar risk characteristics. These evaluations and assessments are revised as conditions change and new information becomes available. We update our evaluations regularly, which can cause the valuation allowances to increase or decrease over time as such evaluations are revised. Negative credit migration, including an actual or expected increase in the level of problem loans, will result in an increase in the valuation allowance. Positive credit migration, including an actual or expected decrease in the level of problem loans, will result in a decrease in the valuation allowance.

See Notes 1, 8 and 10 of the Notes to the Consolidated Financial Statements for information about how valuation allowances are established and monitored, activity in and balances of the valuation allowance, and the estimated fair value of impaired mortgage loans and related impairments included within net investment gains (losses) as of and for the years ended December 31, 2012, 2011 and 2010.

Real Estate and Real Estate Joint Ventures

We diversify our real estate investments by both geographic region and property type to reduce risk of concentration. Of our real estate investments, 83% were located in the United States, with the remaining 17% located outside the United States, at December 31, 2012. The three locations with the largest real estate investments were California, Japan and Florida at 20%, 14%, and 11%, respectively, at December 31, 2012.

Real estate investments by type consisted of the following:

	December 31,			
	2012		2011	
	Carrying Value (In millions)	% of Total	Carrying Value (In millions)	% of Total
Traditional	$ 8,488	85.6%	$ 5,836	68.2%
Real estate joint ventures and funds	941	9.5	2,340	27.3
Subtotal	9,429	95.1	8,176	95.5
Foreclosed (commercial, agricultural and residential)	488	4.9	264	3.1
Real estate held-for-investment	9,917	100.0	8,440	98.6
Real estate held-for-sale	1		123	1.4
Total real estate and real estate joint ventures	$ 9,918	100.0%	$ 8,563	100.0%

We classify within traditional real estate our investment in income-producing real estate, which is comprised primarily of wholly-owned real estate and, to a much lesser extent, joint ventures with interests in single property income-producing real estate. The estimated fair value of the traditional real estate investment portfolio was $10.7 billion and $7.6 billion at December 31, 2012 and 2011, respectively. We classify within real estate joint ventures and funds, our investments in joint ventures with interests in multi-property projects with varying strategies ranging from the development of properties to the operation of income-producing properties, as well as our investments in real estate private equity funds. From time to time, we transfer investments from these joint ventures to traditional real estate, if we retain an interest in the joint venture after a completed property commences operations and we intend to retain an interest in the property.

Real estate and real estate joint venture investments by property type are categorized by sector as follows:

	December 31,			
	2012		2011	
	Carrying Value (In millions)	% of Total	Carrying Value (In millions)	% of Total
Office	$ 5,789	58.4%	$ 5,089	59.4%
Apartment	1,717	17.3	1,610	18.8
Industrial	598	6.0	427	5.0
Real estate investment funds	451	4.6	562	6.6
Retail	416	4.2	332	3.9
Hotel	372	3.7	218	2.5
Land	265	2.7	126	1.5
Agriculture	8	0.1	14	0.2

Other	302	3.0	185	2.1
Total real estate and real estate joint ventures	$ 9,918	100.0%	$ 8,563	100.0%

We committed to acquire $2.9 billion and $1.1 billion of equity real estate during the years ended December 31, 2012 and 2011, respectively. Impairments recognized on real estate and real estate joint ventures were $20 million, $2 million and $49 million for the years ended December 31, 2012, 2011 and 2010, respectively. Depreciation expense on real estate investments was $168 million, $164 million and $151 million for the years ended December 31, 2012, 2011 and 2010, respectively. Real estate investments are net of accumulated depreciation of $1.3 billion at both December 31, 2012 and 2011.

Other Limited Partnership Interests

The carrying value of other limited partnership interests was $6.7 billion and $6.4 billion at December 31, 2012 and 2011 respectively, which included $1.4 billion and $1.1 billion of hedge funds, at December 31, 2012 and 2011, respectively.

Other Invested Assets

The following table presents the carrying value of our other invested assets by type:

	December 31,			
	2012		2011	
	Carrying Value (In millions)	% of Total	Carrying Value (In millions)	% of Total
Freestanding derivatives with positive estimated fair values	$ 13,777	65.2%	$ 16,200	68.7%
Tax credit partnerships	2,268	10.7	1,531	6.5
Leveraged leases, net of non-recourse debt	1,998	9.4	2,248	9.5
Funds withheld	641	3.0	608	2.6
Joint venture investments	180	0.9	171	0.7
MSRs			666	2.8
Other	2,281	10.8	2,157	9.2
Total	$ 21,145	100.0%	$ 23,581	100.0%

Leveraged lease impairments were $203 million and $4 million for the years ended December 31, 2012 and 2011, respectively.

See Notes 8 and 9 of the Notes to the Consolidated Financial Statements for information regarding leveraged leases and the freestanding derivatives with positive estimated fair values, respectively. Tax credit partnerships are established for the purpose of investing in low-income housing and other social causes, where the primary return on investment is in the form of income tax credits, and are accounted for under the equity method or under the effective yield method. See Note 10 of the Notes to the Consolidated Financial Statements for activity rollforwards for MSRs. Funds withheld represent amounts contractually withheld by ceding companies in accordance with reinsurance agreements. Joint venture investments are accounted for under the equity method and represent our investment in insurance underwriting joint ventures in Chile, China and Korea.

Our private placement unit originated $8.1 billion and $8.8 billion of private investments, comprised primarily of certain privately placed fixed maturity securities, tax credit partnerships and lease investments, during the years ended December 31, 2012 and 2011, respectively. The carrying value of such private investments included within our consolidated balance sheets was $52.9 billion and $49.1 billion at December 31, 2012 and 2011, respectively.

Short-term Investments and Cash Equivalents

The carrying value of short-term investments, which approximates estimated fair value, was $16.9 billion and $17.3 billion, or 3.2% and 3.3% of total cash and invested assets, at December 31, 2012 and 2011, respectively. The carrying value of cash equivalents, which approximates estimated fair value, was $6.1 billion and $5.0 billion, or 1.1% and 1.0% of total cash and invested assets, at December 31, 2012 and 2011, respectively.

Derivatives

Derivatives. We are exposed to various risks relating to its ongoing business operations, including interest rate, foreign currency exchange rate, credit, and equity market. We use a variety of strategies to manage these risks, including the use of derivatives. See Note 9 of the Notes to Consolidated Financial Statements for:

A comprehensive description of the nature of our derivatives, including the strategies for which derivatives are used in managing various risks.

Information about the notional amount, estimated fair value, and primary underlying risk exposure of our derivatives by type of hedge designation, excluding embedded derivatives held at December 31, 2012 and 2011.

The statement of operations effects of derivatives in cash flow, fair value, or non-qualifying hedge relationships for the years ended December 31, 2012, 2011, and 2010.

See Quantitative and Qualitative Disclosures About Market Risk Management of Market Risk Exposures Hedging Activities for more information about our use of derivatives by major hedge program.

Fair Value Hierarchy. See Note 10 of the Notes to the Consolidated Financial Statements for derivatives measured at estimated fair value on a recurring basis and their corresponding fair value hierarchy.

The valuation of Level 3 derivatives involves the use of significant unobservable inputs and generally requires a higher degree of management judgment or estimation than the valuations of Level 1 and Level 2 derivatives. Although Level 3 inputs are unobservable, management believes they are consistent with what other market participants would use when pricing such instruments and are considered appropriate given the circumstances. The use of different inputs or methodologies could have a material effect on the estimated fair value of Level 3 derivatives and could materially affect net income.

Derivatives categorized as Level 3 at December 31, 2012 include: interest rate swaps and interest rate forwards with maturities which extend beyond the observable portion of the yield curve; cancellable foreign currency swaps with unobservable currency correlation inputs; foreign currency swaps and forwards with certain unobservable inputs, including unobservable portion of the yield curve; credit default swaps priced using unobservable credit spreads, or that are priced through independent broker quotations; equity variance swaps with unobservable volatility inputs; and equity options with unobservable correlation inputs or that are priced through independent broker quotations. At December 31, 2012 and 2011, less than 1% and 5%, respectively, of the net derivative estimated fair value was priced through independent broker quotations.

See Note 10 of the Notes to the Consolidated Financial Statements for a rollforward of the fair value measurements for derivatives measured at estimated fair value on a recurring basis using significant unobservable (Level 3) inputs.

Level 3 derivatives had a ($571) million gain/(loss) recognized in net income (loss) for the year ended December 31, 2012. This loss primarily relates to certain purchased equity options that are valued using models dependent on an unobservable market correlation input and equity variance swaps that are valued using observable equity volatility data plus an unobservable equity variance spread. The unobservable equity variance spread is calculated from a comparison between broker offered variance swap volatility and observable plain vanilla equity option volatility. Other significant inputs, which are observable, include equity index levels, equity volatility and the swap yield curve. We validate the reasonableness of these inputs by valuing the positions using internal models and comparing the results to broker quotations. The primary drivers of the loss during the year ended December 31, 2012 were significant decreases in equity volatility, both historical and implied, and increases in equity index levels, which in total accounted for approximately 79% of the loss. Changes in the unobservable inputs accounted for approximately 21% of the loss.

See Summary of Critical Accounting Estimates Derivatives for further information on the estimates and assumptions that affect derivatives.

Credit Risk. See Note 9 of the Notes to Consolidated Financial Statements for information about how we manage credit risk related to its freestanding derivatives, including the use of master netting agreements and collateral arrangements.

Our policy is not to offset the fair value amounts recognized for derivatives executed with the same counterparty under the same master netting agreement. This policy applies to the recognition of derivatives in the consolidated balance sheets, and does not affect our legal right of offset. The estimated fair value of our net derivative assets and net derivative liabilities after the application of master netting agreements and collateral were as follows at December 31, 2012:

	December 31, 2012	
	Net Derivative Assets	Net Derivative Liabilities
	(In millions)	
Estimated Fair Value of OTC Derivatives After Application of Master Netting Agreements(1)	$ 9,486	$ 918
Cash collateral on OTC Derivatives	(5,960)	(1)
Estimated Fair Value of OTC Derivatives After Application of Master Netting Agreements and Cash Collateral(1)	3,526	917
Securities Collateral on OTC Derivatives(2)	(3,687)	(875)
Estimated Fair Value of OTC Derivatives After Application of Master Netting Agreements and Cash and Securities Collateral(1)	(161)	42
Estimated Fair Value of Exchange-Traded Derivatives		151
Total Estimated Fair Value of Derivatives After Application of Master Netting Agreements and Cash and Securities Collateral(1), (3)	$ (161)	$ 193

(1) Includes income accruals on derivatives.

(2) The collateral is held in separate custodial accounts and is not recorded on our consolidated balance sheets.

(3) The negative asset value is due to the customary delay in the timing of collateral movements.

Credit Derivatives. See Note 9 of the Notes to Consolidated Financial Statements for information about the estimated fair value and maximum amount at risk related to our written credit default swaps.

Embedded Derivatives. See Note 10 of the Notes to the Consolidated Financial Statements for information about embedded derivatives measured at estimated fair value on a recurring basis and their corresponding fair value hierarchy.

See Note 10 of the Notes to the Consolidated Financial Statements for a rollforward of the fair value measurements for net embedded derivatives measured at estimated fair value on a recurring basis using significant unobservable (Level 3) inputs.

See Note 9 of the Notes to the Consolidated Financial Statements for information about the nonperformance risk adjustment included in the valuation of guaranteed minimum benefits accounted for as embedded derivatives.

See Summary of Critical Accounting Estimates Derivatives for further information on the estimates and assumptions that affect embedded derivatives.

Off-Balance Sheet Arrangements

Credit and Committed Facilities

We maintain unsecured credit facilities and committed facilities with various financial institutions. See Liquidity and Capital Resources The Company Liquidity and Capital Sources Credit and Committed Facilities for further descriptions of such arrangements.

Collateral for Securities Lending, Repurchase Program and Derivatives

We participate in a securities lending program in the normal course of business for the purpose of enhancing the total return on our investment portfolio. We have non-cash collateral for securities lending from counterparties on deposit from customers, which cannot be sold or repledged, and which has not been recorded on our consolidated balance sheets. The amount of this collateral was $104 million and $371 million at estimated fair value at December 31, 2012 and 2011, respectively. See Investments Securities Lending and Securities Lending in Note 1 of the Notes to the Consolidated Financial Statements for discussion of our securities lending program and the classification of revenues and expenses and the nature of the secured financing arrangement and associated liability.

We also participate in a third-party custodian administered repurchase program for the purpose of enhancing the total return on our investment portfolio. We loan certain of our fixed maturity securities to financial institutions and, in exchange, non-cash collateral is put on deposit by the financial institutions on our behalf with the third-party custodian. The estimated fair value of securities loaned in connection with these transactions was $729 million and $506 million at December 31, 2012 and 2011, respectively. Non-cash collateral on deposit with the third-party custodian on our behalf was $785 million and $551 million at December 31, 2012 and 2011, respectively, which cannot be sold or repledged, and which has not been recorded on our consolidated balance sheets.

We enter into derivatives to manage various risks relating to our ongoing business operations. We have non-cash collateral from counterparties for derivatives, which can be sold or repledged subject to certain constraints, and which has not been recorded on our consolidated balance sheets. The amount of this collateral was $3.7 billion and $2.5 billion at December 31, 2012 and 2011, respectively. See Liquidity and Capital Resources The Company Liquidity and Capital Uses Pledged Collateral and Derivatives in Note 9 of the Notes to the Consolidated Financial Statements for information on the earned income on and the gross notional amount, estimated fair value of assets and liabilities and primary underlying risk exposure of our derivatives.

Lease Commitments

As lessee, we have entered into various lease and sublease agreements for office space, information technology and other equipment. Our commitments under such lease agreements are included within the contractual obligations table. See Liquidity and Capital Resources The Company Contractual Obligations and Note 21 of the Notes to the Consolidated Financial Statements.

Guarantees

See Guarantees in Note 21 of the Notes to the Consolidated Financial Statements.

Other

Additionally, we have the following commitments in the normal course of business for the purpose of enhancing the total return on our investment portfolio: commitments to fund partnership investments; mortgage loan commitments; and commitments to fund bank credit facilities, bridge loans and private corporate bond investments.

See Net Investment Income and Net Investment Gains (Losses) in Note 8 of the Notes to the Consolidated Financial Statements for information on the investment income, investment expense, gains and losses from such investments. See also Fixed Maturity and Equity Securities Available-for-Sale, Mortgage Loans, Real Estate and Real Estate Joint Ventures, and Other Limited Partnerships in Note 8 of the Notes to the Consolidated Financial Statements for information on our investments in fixed maturity securities, mortgage loans and partnership investments.

Other than the commitments disclosed in Note 21 of the Notes to the Consolidated Financial Statements, there are no other material obligations or liabilities arising from the commitments to fund partnership investments, mortgage loans, bank credit facilities, bridge loans, and private corporate bond investments. For further information on commitments to fund partnership investments, mortgage loans, bank credit facilities, bridge loans and private corporate bond investments. See Liquidity and Capital Resources The Company Contractual Obligations.

In addition, see Primary Risks Managed by Derivatives and Non-Derivatives in Note 9 of the Notes to the Consolidated Financial Statements for further information on interest rate lock commitments.

Insolvency Assessments

See Note 21 of the Notes to the Consolidated Financial Statements.

Policyholder Liabilities

We establish, and carry as liabilities, actuarially determined amounts that are calculated to meet policy obligations or to provide for future annuity payments. Amounts for actuarial liabilities are computed and reported in the consolidated financial statements in conformity with GAAP. For more details on Policyholder Liabilities, see Summary of Critical Accounting Estimates.

Due to the nature of the underlying risks and the high degree of uncertainty associated with the determination of actuarial liabilities, we cannot precisely determine the amounts that will ultimately be paid with respect to these actuarial liabilities, and the ultimate amounts may vary from the estimated amounts, particularly when payments may not occur until well into the future.

Our actuarial liabilities for future benefits are adequate to cover the ultimate benefits required to be paid to policyholders. We periodically review our estimates of actuarial liabilities for future benefits and compare them with our actual experience. We revise estimates, to the extent permitted or required under GAAP, if we determine that future expected experience differs from assumptions used in the development of actuarial liabilities. We charge or credit changes in our liabilities to expenses in the period the liabilities are established or re-estimated. If the liabilities originally established for future benefit payments prove inadequate, we must increase them. Such an increase could adversely affect our earnings and have a material adverse effect on our business, results of operations and financial condition.

Insurance regulators in many of the non-U.S. countries in which we operate require certain MetLife entities to prepare a sufficiency analysis of the reserves presented in the locally required regulatory financial statements, and to submit that analysis to the regulatory authorities. See Business International Regulation in the 2012 Form 10-K.

We have experienced, and will likely in the future experience, catastrophe losses and possibly acts of terrorism, as well as turbulent financial markets that may have an adverse impact on our business, results of operations, and financial condition. Due to their nature, we cannot predict the incidence, timing, severity or amount of losses from catastrophes and acts of terrorism, but we make broad use of catastrophic and non-catastrophic reinsurance to manage risk from these perils.

Future Policy Benefits

We establish liabilities for amounts payable under insurance policies. See Notes 1 and 4 of the Notes to the Consolidated Financial Statements for additional information. See also Industry Trends Interest Rate Stress Scenario and Variable Annuity Guarantees. A discussion of future policy benefits by segment follows.

Retail. For the Retail Life & Other business, future policy benefits are comprised mainly of liabilities for traditional life and for universal and variable life insurance contracts. In order to manage risk, we have often reinsured a portion of the mortality risk on new individual life insurance policies. The reinsurance programs are routinely evaluated and this may result in increases or decreases to existing coverage. We have entered into various derivative positions, primarily interest rate swaps and swaptions, to mitigate the risk that investment of premiums received and reinvestment of maturing assets over the life of the policy will be at rates below those assumed in the original pricing of these contracts. For the Retail Annuities business, future policy benefits are comprised mainly of liabilities for life-contingent income annuities, and liabilities for the variable annuity guaranteed minimum benefits accounted for as insurance.

Group, Voluntary & Worksite Benefits. With the exception of our property & casualty products, future policy benefits for our Group and Voluntary & Worksite businesses are comprised mainly of liabilities for disabled lives under disability waiver of premium policy provisions, liabilities for survivor income benefit insurance, LTC policies, active life policies and premium stabilization and other contingency liabilities held under life insurance contracts. For our property & casualty products, future policy benefits include unearned premium reserves and liabilities for unpaid claims and claim expenses and represent the amount estimated for claims that have been reported but not settled and claims incurred but not reported. Liabilities for unpaid claims are estimated based upon assumptions such as rates of claim frequencies, levels of severities, inflation, judicial trends, legislative changes or regulatory decisions. Assumptions are based upon our historical experience and analyses of historical development patterns of the relationship of loss adjustment expenses to losses for each line of business, and consider the effects of current developments, anticipated trends and risk management programs, reduced for anticipated salvage and subrogation.

Corporate Benefit Funding. Liabilities for this segment are primarily related to payout annuities, including pension closeouts and structured settlement annuities. There is no interest rate crediting flexibility on these liabilities. As a result, a sustained low interest rate environment could negatively impact earnings; however, we have employed various ALM strategies, including the use of various derivative positions, primarily interest rate floors and interest rate swaps, to mitigate the risks associated with such a scenario.

Latin America. Future policy benefits for this segment are held primarily for immediate annuities in Chile, Argentina and Mexico and traditional life contracts mainly in Brazil and Mexico. There are also reserves held for total return pass-through provisions included in certain universal life and savings products in Mexico. Factors impacting these liabilities include sustained periods of lower yields than rates established at policy issuance, lower than expected asset reinvestment rates, and mortality and lapses different than expected. We mitigate our risks by implementing an ALM policy and through the development of periodic experience studies.

Asia. Future policy benefits for this segment are held primarily for traditional life, endowment, annuity and accident & health contracts. They are also held for total return pass-through provisions included in certain universal life and savings products. They include certain liabilities for variable annuity and variable life guarantees of minimum death benefits, and longevity guarantees. Factors impacting these liabilities include sustained periods of lower yields than rates established at policy issuance, lower than expected asset reinvestment rates, market volatility, actual lapses resulting in lower than expected income, and actual mortality or morbidity resulting in higher than expected benefit payments. We mitigate our risks by implementing an ALM policy and through the development of periodic experience studies.

EMEA. Future policy benefits for this segment include unearned premium reserves for group life and credit insurance contracts. Future policy benefits are also held for traditional life, endowment and annuity contracts with significant mortality risk and accident & health contracts. Factors impacting these liabilities include sustained periods of lower yields than rates established at issue, lower than expected asset reinvestment rates, market volatility, actual lapses resulting in lower than expected income, and actual mortality or morbidity resulting in higher than expected benefit payments. We mitigate our risks by having premiums which are adjustable or cancellable in some cases, implementing an asset/liability matching policy and through the development of periodic experience studies.

Corporate & Other. Future policy benefits primarily include liabilities for quota-share reinsurance agreements for certain run-off LTC and workers compensation business written by MetLife Insurance Company of Connecticut (MICC). Additionally, future policy benefits includes liabilities for variable annuity guaranteed minimum benefits assumed from a former operating joint venture in Japan that are accounted for as insurance.

Policyholder Account Balances

PABs are generally equal to the account value, which includes accrued interest credited, but excludes the impact of any applicable surrender charge that may be incurred upon surrender. See Industry Trends Interest Rate Stress Scenario and Variable Annuity Guarantees. See also Notes 1 and 4 of the Notes to the Consolidated Financial Statements for additional information.

Retail. Life & Other PABs are held for retained asset accounts, universal life policies and the fixed account of variable life insurance policies. For Annuities, PABs are held for fixed deferred annuities, the fixed account portion of variable annuities, and non-life contingent income annuities. PABs are credited interest at a rate set by us, which is influenced by current market rates. A sustained low interest rate environment could negatively impact earnings as a result of the minimum credited rate guarantees present in most of these PABs. We have various derivative positions, primarily interest rate floors, to partially mitigate the risks associated with such a scenario. Additionally, PABs are held for variable annuity guaranteed minimum living benefits that are accounted for as embedded derivatives.

The table below presents the breakdown of account value subject to minimum guaranteed crediting rates for Retail:

	December 31, 2012	
Guaranteed Minimum Crediting Rate	Account Value(1)	Account Value at Guarantee(1)
	(In millions)	
Life & Other:		
Greater than 0% but less than 2%	$ 70	$ 70
Equal to 2% but less than 4%	$ 10,761	$ 4,658
Equal to or greater than 4%	$ 10,860	$ 6,577
Annuities:		
Greater than 0% but less than 2%	$ 3,646	$ 2,023
Equal to 2% but less than 4%	$ 34,145	$ 26,157
Equal to or greater than 4%	$ 2,946	$ 2,852

(1) The table above is not adjusted for policy loans.

As a result of acquisitions, we establish additional liabilities known as excess interest reserves for policies with credited rates in excess of market rates as of the applicable acquisition dates. At December 31, 2012, excess interest reserves were $146 million and $386 million for Life & Other and Annuities, respectively.

Group, Voluntary & Worksite Benefits. PABs in this segment are held for retained asset accounts, universal life policies, the fixed account of variable life insurance policies and specialized life insurance products for benefit programs. PABs are credited interest at a rate set by us, which are influenced by current market rates. A sustained low interest rate environment could negatively impact earnings as a result of the minimum credited rate guarantees present in most of these PABs. We have various derivative positions, primarily interest rate floors, to partially mitigate the risks associated with such a scenario.

The table below presents the breakdown of account value subject to minimum guaranteed crediting rates for Group, Voluntary & Worksite Benefits:

	December 31, 2012	
Guaranteed Minimum Crediting Rate	Account Value(1)	Account Value at Guarantee(1)
	(In millions)	
Greater than 0% but less than 2%	$ 5,305	$ 5,305
Equal to 2% but less than 4%	$ 2,387	$ 2,374
Equal to or greater than 4%	$ 596	$ 568

(1) The table above is not adjusted for policy loans.

Corporate Benefit Funding. PABs in this segment are comprised of funding agreements. Interest crediting rates vary by type of contract, and can be fixed or variable. Variable interest crediting rates are generally tied to an external index, most commonly (1-month or 3-month) London Inter-Bank Offer Rate (LIBOR). We are exposed to interest rate risks, as well as foreign currency exchange rate risk when guaranteeing payment of interest and return of principal at the contractual maturity date. We may invest in floating rate assets or enter into receive-floating interest rate swaps, also tied to external indices, as well as caps, to mitigate the impact of changes in market interest rates. We also mitigate risks by implementing an ALM policy and seek to hedge all foreign currency exchange rate risk through the use of foreign currency hedges, including cross currency swaps.

Latin America. PABs in this segment are held largely for deferred annuities mainly in Mexico and Brazil, and for universal life products mainly in Mexico. Some of the deferred annuities in Brazil are unit-linked-type funds that do not meet the GAAP definition of separate accounts. The rest of the deferred annuities have minimum credited rate guarantees, and these liabilities and the universal life liabilities are generally impacted by sustained periods of low interest rates. Liabilities for unit-linked-type funds are impacted by changes in the fair value of the associated investments, as the return on assets is generally passed directly to the policyholder.

Asia. PABs in this segment are held largely for fixed income retirement and savings plans, fixed deferred annuities, interest sensitive whole life products, universal life and, to a lesser degree, amounts for unit-linked-type funds that do not meet the GAAP definition of separate accounts. Also included are certain liabilities for retirement and savings products sold in certain countries in Asia that generally are sold with minimum credited rate guarantees. Liabilities for guarantees on certain variable annuities in Asia are accounted for as embedded derivatives and recorded at estimated fair value and are also included within PABs. These liabilities are generally impacted by sustained periods of low interest rates, where there are interest rate guarantees. We mitigate risks by implementing an ALM policy and with reinsurance. Liabilities for unit-linked-type funds are impacted by changes in the fair value of the associated underlying investments, as the return on assets is generally passed directly to the policyholder.

The table below presents the breakdown of account value subject to minimum guaranteed crediting rates for Asia:

	December 31, 2012	
Guaranteed Minimum Crediting Rate(1)	Account Value (2)	Account Value at Guarantee (2)
	(In millions)	
Annuities:		
Greater than 0% but less than 2%	$ 33,542	$ 1,222
Equal to 2% but less than 4%	$ 621	$ 24
Equal to or greater than 4%	$ 5	$ 2
Life & Other:		
Greater than 0% but less than 2%	$ 6,254	$ 4,968
Equal to 2% but less than 4%	$ 16,543	$ 9,666
Equal to or greater than 4%	$ 258	$

(1) The table above excludes negative VOBA liabilities of $2.9 billion at December 31, 2012, primarily held in Japan. These liabilities were established in instances where the estimated fair value of contract obligations exceeded the book value of assumed insurance policy liabilities in the ALICO Acquisition. These negative liabilities were established primarily for decreased market interest rates subsequent to the issuance of the policy contracts.

(2) The table above is not adjusted for policy loans.

EMEA. PABs in this segment are held mostly for universal life, deferred annuity, pension products, and unit-linked-type funds that do not meet the GAAP definition of separate accounts. They are also held for endowment products without significant mortality risk. Where there are interest rate guarantees, these liabilities are generally impacted by sustained periods of low interest rates. We mitigate risks by implementing an asset/liability matching policy. Liabilities for unit-linked-type funds are impacted by changes in the fair value of the associated investments, as the return on assets is generally passed directly to the policyholder.

Corporate & Other. PABs in Corporate & Other are held for variable annuity guaranteed minimum benefits assumed from a former operating joint venture in Japan that are accounted for as embedded derivatives.

Variable Annuity Guarantees

We issue, directly and through assumed reinsurance, certain variable annuity products with guaranteed minimum benefits that provide the policyholder a minimum return based on their initial deposit (i.e., the benefit base) less withdrawals. In some cases, the benefit base may be increased by additional deposits, bonus amounts, accruals or optional market value resets. See Notes 1 and 4 of the Notes to the Consolidated Financial Statements for additional information.

Certain guarantees, including portions thereof, have insurance liabilities established that are included in future policy benefits. Guarantees accounted for in this manner include GMDB, the life-contingent portion of certain guaranteed minimum withdrawal benefits (GMWB), and the portion of guaranteed minimum income benefits (GMIB) that requires annuitization. These liabilities are accrued over the life of the contract in proportion to actual and future expected policy assessments based on the level of guaranteed minimum benefits generated using multiple scenarios of separate account returns. The scenarios are based on best estimate assumptions consistent with those used to amortize DAC. When current estimates of future benefits exceed those previously projected or when current estimates of future assessments are lower than those previously projected, liabilities will increase, resulting in a current period charge to net income. The opposite result occurs when the current estimates of future benefits are lower than that previously projected or when current estimates of future assessments exceed those previously projected. At each reporting period, we update the actual amount of business remaining in-force, which impacts expected future assessments and the projection of estimated future benefits resulting in a current period charge or increase to earnings.

Certain guarantees, including portions thereof, accounted for as embedded derivatives, are recorded at estimated fair value and included in PABs. Guarantees accounted for as embedded derivatives include guaranteed minimum accumulation benefits (GMAB), the non life-contingent portion of GMWB and the portion of certain GMIB that do not require annuitization. The estimated fair values of guarantees accounted for as embedded derivatives are determined based on the present value of projected future benefits minus the present value of projected future fees. The projections of future benefits and future fees require capital market and actuarial assumptions including expectations concerning policyholder behavior. A risk neutral valuation methodology is used to project the cash flows from the guarantees under multiple capital market scenarios to determine an economic liability. The reported estimated fair value is then determined by taking the present value of these risk-free generated cash flows using a discount rate that incorporates a spread over the risk free rate to reflect our nonperformance risk and adding a risk margin. For more information on the determination of estimated fair value, see Note 10 of the Notes to the Consolidated Financial Statements.

The table below contains the carrying value for guarantees at:

	Future Policy Benefits		Policyholder Account Balances	
	December 31,		December 31,	
	2012	2011	2012	2011
	(In millions)			
Americas:				
GMDB	$ 343	$ 249	$	$
GMIB	1,432	723	200	988
GMAB			23	52
GMWB	30	19	428	710
Asia:				
GMDB	54	58		
GMAB			11	11
GMWB	183	141	190	175
EMEA:				
GMDB	6	4		
GMAB			28	168
GMWB	20	17	43	
Corporate & Other:				
GMDB	39	72		
GMAB			387	515
GMWB	95	30	2,195	1,825
Total	$ 2,202	$ 1,313	$ 3,505	$ 4,444

The carrying amounts for guarantees included in PABs above include nonperformance risk adjustments of $1.2 billion and $2.9 billion at December 31, 2012 and December 31, 2011, respectively. These nonperformance risk adjustments represent the impact of including a credit spread when discounting the underlying risk neutral cash flows to determine the estimated fair values. Therefore, the amount of the nonperformance risk adjustment is a function of both the size of the economic liability and credit spreads. In certain periods, changes in the nonperformance risk adjustment can be a significant driver of net derivative gains (losses). Additionally, changes in the underlying cash flows can have a greater impact on the nonperformance risk adjustment than changes in credit spreads. The nonperformance risk adjustment does not have an economic impact on us as it cannot be monetized given the nature of these policyholder liabilities. The change in valuation arising from the nonperformance risk adjustment is not hedged.

The carrying values of these guarantees can change significantly during periods of sizable and sustained shifts in equity market performance, equity volatility, interest rates or foreign currency exchange rates. Carrying values are also impacted by our assumptions around mortality, separate account returns and policyholder behavior including lapse rates.

The above mentioned actuarial assumptions are updated periodically as credible experience emerges which shows variances from the current assumptions. Where appropriate, these assumptions are consistent with those used in DAC amortization. See Summary of Critical Accounting Estimates Deferred Policy Acquisition Costs and Value of Business Acquired. The significant impacts to variable annuity guarantees from this year s update were primarily related to the inputs for policyholder behavior and separate account returns. For policyholder behavior, the most significant update was to our lapse assumptions which included an update to reflect how policyholder surrender behavior has responded to in-the-moneyness of the guarantees. Actual experience for this update has only begun to emerge as surrender charge periods have recently started to expire. With respect to separate account returns, which only impact liabilities included in future policy benefits, in our Retail segment we have lowered our long-term return assumptions from 7.5% to 7.25% to reflect the impact of the sustained low interest rate environment on the fixed income portion of the separate accounts. The effect of an increase (decrease) by 100 basis points in the assumed future rate of separate account returns in our Retail segment is reasonably likely to result in a decrease (increase) in future policy benefits of approximately $300 million.

As discussed below, we use a combination of product design, reinsurance, hedging strategies, and other risk management actions to mitigate the risks related to these benefits. Within each type of guarantee, there is a range of product offerings reflecting the changing nature of these products over time. Changes in product features and terms are in part driven by customer demand but, more importantly, reflect our risk management practices of continuously evaluating the guaranteed benefits and their associated asset-liability matching.

The sections below provide further detail by total contract account value for certain of our most popular guarantees. Total contract account values include amounts not reported in the consolidated balance sheets from assumed reinsurance, contractholder-directed investments which do not qualify for presentation as separate account assets, and amounts included in our general account.

GMDB

We offer a range of GMDB to our contractholders. The table below presents GMDB, by benefit type, at December 31, 2012:

	Total Contract Account Value (1)	
	Americas	**Corporate & Other**
	(In millions)	
Return of premium or five to seven year step-up	$ 94,334	$ 17,300
Annual step-up	28,590	
Roll-up and step-up combination	35,135	
Total	$ 158,059	$ 17,300

(1) Total contract account value above excludes $2.3 billion for contracts with no GMDB and approximately $11 billion of total contract account value in the EMEA and Asia regions.

Based on total contract account value, less than 40% of our GMDB included enhanced death benefits such as the annual step-up or roll-up and step-up combination products. We expect the above GMDB risk profile to be relatively consistent for the foreseeable future.

As part of our risk management of the GMDB business, we have been opportunistically reinsuring in-force blocks, taking advantage of favorable capital market conditions. Our approach for such treaties has been to seek coverage for the enhanced GMDB, such as the annual step-up and the roll-up and step-up combination. These treaties tend to cover long periods until claims start running off, and are written either on a first dollar basis or with a deductible.

Living Benefit Guarantees

The table below presents our living benefit guarantees based on total contract account values at December 31, 2012:

	Total Contract Account Value (1)	
	Americas	**Corporate & Other**
	(In millions)	
GMIB	$ 87,530	$
GMWB - non-life contingent	7,157	4,079
GMWB - life-contingent	15,705	10,735
GMAB	443	2,486
	$ 110,835	$ 17,300

(1) Total contract account value above excludes $49.5 billion for contracts with no living benefit guarantees and approximately $8 billion of total contract account value in the EMEA and Asia regions.

In terms of total contract account value, GMIB is our most significant living benefit guarantee. Our primary risk management strategy for our GMIB products is our derivatives hedging program as discussed below. Additionally, we have engaged in certain reinsurance treaties covering some of our GMIB business. As part of our overall risk management approach for living benefit guarantees, we continually monitor the reinsurance markets for the right opportunity to purchase additional coverage for our GMIB business.

The table below presents our GMIB, by their guaranteed payout basis, at December 31, 2012:

	Total Contract Account Value (In millions)
7-year setback, 2.5% interest rate	$ 34,072
7-year setback, 1.5% interest rate	5,568
10-year setback, 1.5% interest rate	18,774
10-year mortality projection, 10-year setback, 1.0% interest rate	26,860
10-year mortality projection, 10-year setback, 0.5% interest rate	2,256
	$ 87,530

The annuitization interest rates on GMIB have been decreased from 2.5% to 0.5% over time, partially in response to the low interest rate environment, accompanied by an increase in the setback period from seven years to 10 years and the recent introduction of the 10-year mortality projection. We expect new contracts to have comparable guarantee features for the foreseeable future.

Additionally, 27% of the $87.5 billion of GMIB total contract account value has been invested in managed volatility funds as of December 31, 2012. These funds seek to manage volatility by adjusting the fund holdings within certain guidelines based on capital market movements. Such activity reduces the overall risk of the underlying funds while maintaining their growth opportunities. These risk mitigation techniques translate to a reduction or elimination of the need for us to manage the funds volatility through hedging or reinsurance. We expect the proportion of total contract account value invested in these funds to increase for the foreseeable future, as new contracts with GMIB are required to invest in these funds.

Our GMIB products typically have a waiting period of 10 years to be eligible for annuitization. As of December 31, 2012, only 2.4% of our contracts with GMIB were eligible for annuitization. The remaining contracts are not eligible for annuitization for an average of 6.4 years.

Once eligible for annuitization, contractholders would only be expected to annuitize if their contracts were in-the-money. We calculate in-the-moneyness with respect to GMIB consistent with net amount at risk as discussed in Note 4 of the Notes to the Consolidated Financial Statements, by comparing the contractholders income benefits based on total contract account values and current annuity rates versus the guaranteed income benefits. For those contracts with GMIB, the table below presents details of contracts that are in-the-money and out-of-the money at December 31, 2012:

	In-the-Moneyness	Total Contract Account Value (In millions)	% of Total
In-the-money	30% +	$ 3,779	4.3%
	20% to 30%	3,868	4.4%
	10% to 20%	6,290	7.2%
	0% to 10%	8,161	9.3%
		22,098	
Out-of-the-money	-10% to 0%	12,482	14.3%
	-20% to -10%	6,323	7.2%
	-20% +	46,627	53.3%
		65,432	
Total GMIB		$ 87,530	

Derivatives Hedging Variable Annuity Guarantees

In addition to reinsurance and our risk mitigating steps described above, we have a hedging strategy that uses various over the counter and exchanged traded derivatives. The table below presents the estimated fair value of the derivatives hedging our variable annuity guarantees:

		December 31,					
		2012			2011		
Primary Underlying		**Notional**	**Estimated Fair Value**		**Notional**	**Estimated Fair Value**	
Risk Exposure	**Instrument Type**	**Amount**	**Assets**	**Liabilities**	**Amount**	**Assets**	**Liabilities**
				(In millions)			
Interest rate	Interest rate swaps	$ 24,041	$ 1,973	$ 614	$ 22,719	$ 1,869	$ 598
	Interest rate futures	8,913	1	25	11,126	17	16
	Interest rate options	11,440	303	58	11,372	567	6
Foreign currency exchange rate	Foreign currency forwards	2,281	1	177	2,311	41	4
	Foreign currency futures	518	4		178		
Equity market	Equity futures	6,993	14	132	6,942	22	10
	Equity options	21,759	2,824	356	16,756	3,260	177
	Variance swaps	19,830	122	310	18,801	397	75
	Total rate of return swaps	3,092	5	103	1,644	10	34
	Total	$ 98,867	$ 5,247	$ 1,775	$ 91,849	$ 6,183	$ 920

The change in estimated fair values of our derivatives is recorded in policyholder benefits and claims if they are hedging guarantees included in future policy benefits, and in net derivative gains (losses) if they are hedging guarantees included in PABs.

Our hedging strategy involves the significant use of static longer-term derivative instruments to avoid the need to execute transactions during periods of market disruption or higher volatility. We continually monitor the capital markets for opportunities to adjust our liability coverage, as appropriate. Futures are also used to dynamically adjust the daily coverage levels as markets and liability exposures fluctuate.

We remain liable for the guaranteed benefits in the event that reinsurers or derivative counterparties are unable or unwilling to pay. Certain of our reinsurance agreements and most derivative positions are collateralized and derivatives positions are subject to master netting agreements, both of which significantly reduce the exposure to counterparty risk. In addition, we are subject to the risk that hedging and other risk management actions prove ineffective or that unanticipated policyholder behavior or mortality, combined with adverse market events, produces economic losses beyond the scope of the risk management techniques employed.

Liquidity and Capital Resources

Overview

Our business and results of operations are materially affected by conditions in the global capital markets and the economy generally. Stressed conditions, volatility and disruptions in global capital markets, particular markets, or financial asset classes can have an adverse effect on us, in part because we have a large investment portfolio and our insurance liabilities are sensitive to changing market factors. The global markets and economy continue to experience significant volatility that may affect our financing costs and market interest for our debt or equity securities. For further information regarding market factors that could affect our ability to meet liquidity and capital needs, see Industry Trends and Investments Current Environment.

Liquidity Management

Based upon the strength of our franchise, diversification of our businesses, strong financial fundamentals and the substantial funding sources available to us as described herein, we continue to believe we have access to ample liquidity to meet business requirements under current market conditions and unlikely but reasonably possible stress scenarios.

Short-term Liquidity. We maintain a substantial short-term liquidity position, which was $24.1 billion and $16.2 billion at December 31, 2012 and 2011, respectively. Short-term liquidity includes cash and cash equivalents and short-term investments, excluding: (i) cash collateral received under our securities lending program, and (ii) cash collateral received from counterparties in connection with derivatives. We continuously monitor and adjust our liquidity and capital plans for MetLife, Inc. and its subsidiaries in light of changing needs and opportunities.

Liquid Assets. An integral part of our liquidity management includes managing our level of liquid assets, which was $292.2 billion and $258.9 billion at December 31, 2012 and 2011, respectively. Liquid assets include cash and cash equivalents, short-term investments and publicly-traded securities, excluding: (i) cash collateral received under our securities lending program that has been reinvested; (ii) cash collateral received from counterparties in connection with derivatives; (iii) cash and cash equivalents, short-term investments and securities on deposit with regulatory agencies; and (iv) securities held in trust in support of collateral financing arrangements and pledged in support of debt and funding agreements, derivatives and short sale agreements.

Capital Management

We have established several senior management committees as part of our capital management process. These committees, including the Capital Management Committee and the Enterprise Risk Committee, regularly review actual and projected capital levels (under a variety of scenarios including stress scenarios) and our capital plan in accordance with our capital policy. The Capital Management Committee is comprised of members of senior management, including MetLife, Inc. s Chief Financial Officer, Treasurer and Chief Risk Officer. The Enterprise Risk Committee is also comprised of members of senior management, including MetLife, Inc. s Chief Financial Officer, Chief Risk Officer and Chief Investment Officer.

Our Board and senior management are directly involved in the development and maintenance of our capital policy. The capital policy sets forth, among other things, minimum and target capital levels and the governance of the capital management process. All capital actions, including proposed changes to the capital plan, capital targets or capital policy, are reviewed by the Finance and Risk Committee of the Board prior to obtaining full Board approval. The Board approves the capital policy and the annual capital plan and authorizes capital actions, as required.

See Risk Factors Capital-Related Risks We Have Been, and May Continue to be, Prevented from Repurchasing Our Stock and Paying Dividends at the Level We Wish as a Result of Regulatory Restrictions and Restrictions Under the Terms of Certain of Our Securities in the Form 10-K and Note 16 of the Notes to the Consolidated Financial Statements for information regarding restrictions on payment of dividends and stock repurchases.

The Company

Liquidity

Liquidity refers to a company s ability to generate adequate amounts of cash to meet its needs. We determine our liquidity needs based on a rolling six-month forecast by portfolio of invested assets which we monitor daily. We adjust the asset mix and asset maturities based on this forecast. To support this forecast, we conduct cash flow and stress testing, which include various scenarios of the potential risk of early contractholder and policyholder withdrawal. We include provisions limiting withdrawal rights on many of our products, including general account pension products sold to employee benefit plan sponsors. Certain of these provisions prevent the customer from making withdrawals prior to the maturity date of the product. In the event of significant cash requirements beyond anticipated liquidity needs, we have various alternatives available depending on market conditions and the amount and timing of the liquidity need. These options include cash flows from operations, the sale of liquid assets, global funding sources and various credit facilities.

Under certain stressful market and economic conditions, our access to liquidity may deteriorate, or the cost to access liquidity may increase. If we require significant amounts of cash on short notice in excess of anticipated cash requirements or if we are required to post or return cash collateral in connection with derivatives or our securities lending program, we may have difficulty selling investment assets in a timely manner, be forced to sell them for less than we otherwise would have been able to realize, or both. In addition, in the event of such forced sale, accounting guidance requires the recognition of a loss for certain securities in an unrealized loss position and may require the impairment of other securities if there is a need to sell such securities, which may negatively impact our financial condition. See Risk Factors Investment-Related Risks Should the Need Arise, We May Have Difficulty Selling Certain Holdings in Our Investment Portfolio or Our Securities Lending Program in a Timely Manner and Realizing Full Value Given Their Illiquid Nature in the 2012 Form 10-K.

In extreme circumstances, all general account assets within a particular legal entity other than those which may have been pledged to a specific purpose are available to fund obligations of the general account of that legal entity.

Capital

We manage our capital position to maintain our financial strength and credit ratings. Our capital position is supported by our ability to generate strong cash flows within our operating companies and borrow funds at competitive rates, as well as by our demonstrated ability to raise additional capital to meet operating and growth needs despite adverse market and economic conditions.

Rating Agencies. Rating agencies assign insurer financial strength ratings to MetLife, Inc. s domestic life insurance subsidiaries and credit ratings to MetLife, Inc. and certain of its subsidiaries. Financial strength ratings indicate the rating agency s opinion regarding an insurance company s ability to meet contractholder and policyholder obligations. Credit ratings indicate the rating agency s opinion regarding a debt issuer s ability to meet the terms of debt obligations in a timely manner. They are important factors in our overall funding profile and ability to access certain types of liquidity. The level and composition of regulatory capital at the subsidiary level and our equity capital are among the many factors considered in determining our insurer financial strength and credit ratings. Each agency has its own capital adequacy evaluation methodology, and assessments are generally based on a combination of factors. In addition to heightening the level of scrutiny that they apply to insurance companies, rating agencies have increased and may continue to increase the frequency and scope of their credit reviews, may request additional information from the companies that they rate and may adjust upward the capital and other requirements employed in the rating agency models for maintenance of certain ratings levels.

Downgrades in our financial strength ratings could have a material adverse effect on our financial condition and results of operations in many ways, including:

- reducing new sales of insurance products, annuities and other investment products;
- adversely affecting our relationships with our sales force and independent sales intermediaries;
- materially increasing the number or amount of policy surrenders and withdrawals by contractholders and policyholders;
- requiring us to post additional collateral under certain of our financing transactions;
- requiring us to reduce prices for many of our products and services to remain competitive; and
- adversely affecting our ability to obtain reinsurance at reasonable prices or at all.

A downgrade in the credit or insurer financial strength ratings of MetLife, Inc. or its subsidiaries would likely (i) impact our ability to generate cash flows from the sale of funding agreements and other capital market products offered by our Corporate Benefit Funding segment, (ii) impact the cost and availability of financing for MetLife, Inc. and its subsidiaries and (iii) result in additional collateral requirements or other required payments under certain agreements, which are eligible to be satisfied in cash or by posting securities held by the subsidiaries subject to the agreements. See Liquidity and Capital Uses Pledged Collateral.

Statutory Capital and Dividends. Our insurance subsidiaries have statutory surplus well above levels to meet current regulatory requirements.

Except for American Life, risk-based capital (RBC) requirements are used as minimum capital requirements by the NAIC and the state insurance departments to identify companies that merit regulatory action. RBC is based on a formula calculated by applying factors to various asset, premium and statutory reserve items. The formula takes into account the risk characteristics of the insurer, including asset risk, insurance risk, interest rate risk and business risk and is calculated on an annual basis. The formula is used as an early warning regulatory tool to identify possible inadequately capitalized insurers for purposes of initiating regulatory action, and not as a means to rank insurers generally. These rules apply to each of our domestic insurance subsidiaries. State insurance laws grant insurance regulators the authority to require various actions by, or take various actions against, insurers whose total adjusted capital does not meet or exceed certain RBC levels. At the date of the most recent annual statutory financial statements filed with insurance regulators, the total adjusted capital of each of these subsidiaries was in excess of each of those RBC levels.

American Life does not conduct insurance business in Delaware or any other domestic state and, as such, is exempt from RBC requirements by Delaware law. In addition to Delaware, American Life operations are regulated by applicable authorities of the countries in which it operates and is subject to capital and solvency requirements in those countries.

The amount of dividends that our insurance subsidiaries can pay to MetLife, Inc. or to other parent entities is constrained by the amount of surplus we hold to maintain our ratings and provides an additional margin for risk protection and investment in our businesses. We proactively take actions to maintain capital consistent with these ratings objectives, which may include adjusting dividend amounts and deploying financial resources from internal or external sources of capital. Certain of these activities may require regulatory approval. Furthermore, the payment of dividends and other distributions to MetLife, Inc. and other parent entities by their respective insurance subsidiaries is governed by insurance laws and regulations. See Business U.S. Regulation Insurance Regulation, and Business International Regulation, in the Form 10-K. See also MetLife, Inc. Liquidity and Capital Sources Dividends from Subsidiaries and Note 16 of the Notes to the Consolidated Financial Statements.

Summary of Primary Sources and Uses of Liquidity and Capital

Our primary sources and uses of liquidity and capital are summarized as follows:

	Years Ended December 31,		
	2012	2011	2010
		(In millions)	
Sources:			
Net cash provided by operating activities	$ 17,160	$ 10,273	$ 7,985
Net cash provided by changes in policyholder account balances	4,290	4,321	4,557
Net cash provided by changes in payables for collateral under securities loaned and other transactions		6,444	3,076
Net cash provided by changes in bank deposits		96	
Net cash provided by short-term debt issuances		380	
Long-term debt issued	750	1,346	5,090
Cash received in connection with collateral financing arrangements, net		37	
Net change in liability for securitized reverse residential mortgage loans	1,198		
Common stock issued, net of issuance costs	1,000	2,950	3,529
Cash provided by other, net	609	212	
Effect of change in foreign currency exchange rates on cash and cash equivalents balances	11		
Total sources	25,018	26,059	24,237
Uses:			
Net cash used in investing activities	11,929	22,218	18,303
Net cash used for changes in payables for collateral under securities loaned and other transactions	29		
Net cash used for changes in bank deposits	4,169		32
Net cash used for short-term debt repayments	586		606
Long-term debt repaid	1,702	2,042	1,061
Collateral financing arrangements repaid	349	502	
Cash paid in connection with collateral financing arrangements, net	44		
Redemption of convertible preferred stock		2,805	
Preferred stock redemption premium		146	
Dividends on preferred stock	122	122	122
Dividends on common stock	811	787	784
Cash used in other, net			266
Effect of change in foreign currency exchange rates on cash and cash equivalents balances		22	129
Total uses	19,741	28,644	21,303
Net increase (decrease) in cash and cash equivalents	$ 5,277	$ (2,585)	$ 2,934

Cash Flows from Operations. The principal cash inflows from our insurance activities come from insurance premiums, annuity considerations and deposit funds. The principal cash outflows relate to the liabilities associated with various life insurance, property & casualty, annuity and group pension products, operating expenses and income tax, as well as interest on outstanding debt obligations. A primary liquidity concern with respect to these cash flows is the risk of early contractholder and policyholder withdrawal.

Cash Flows from Investments. The principal cash inflows from our investment activities come from repayments of principal on invested assets, proceeds from maturities of invested assets, sales of invested assets, settlements of freestanding derivatives and net investment income. The principal cash outflows relate to purchases of investments, issuances of policy loans and settlements of freestanding derivatives. Additional cash outflows include those related to our securities lending activities. We typically have a net cash outflow from investing activities because cash inflows from insurance operations are reinvested in accordance with our ALM discipline to fund insurance liabilities. We closely monitor and manage these risks through our credit risk management process. The primary liquidity concerns with respect to these cash flows are the risk of default by debtors and market disruption.

Financing Cash Flows. The principal cash inflows from our financing activities come from issuances of debt, issuances of MetLife, Inc. s securities, and deposit funds associated with PABs. The principal cash outflows come from repayments of debt, payments of dividends on MetLife, Inc. s securities and withdrawals associated with PABs. A primary liquidity concern with respect to these cash flows is the risk of early contractholder and policyholder withdrawal.

Liquidity and Capital Sources

In addition to the general description of liquidity and capital sources in Summary of Primary Sources and Uses of Liquidity and Capital, the following additional information is provided regarding our primary sources of liquidity and capital:

Global Funding Sources. Liquidity is provided by a variety of short-term instruments, including funding agreements, credit facilities and commercial paper. Capital is provided by a variety of instruments, including short-term and long-term debt, collateral financing arrangements, junior subordinated debt securities, preferred securities and equity and equity-linked securities. The diversity of our funding sources enhances our funding flexibility, limits dependence on any one market or source of funds and generally lowers the cost of funds. Our primary global funding sources include:

Common Stock. In October 2012, MetLife, Inc. issued 28,231,956 shares of its common stock for $1.0 billion in connection with the remarketing of senior debt securities and settlement of stock purchase contracts.

In November 2010, MetLife, Inc. issued to AM Holdings in connection with the financing of the ALICO Acquisition 78,239,712 new shares of its common stock at $40.90 per share. In March 2011, AM Holdings sold the 78,239,712 shares of common stock in a public offering concurrent with a public offering by MetLife, Inc. of 68,570,000 new shares of its common stock at a price of $43.25 per share for proceeds of $2.9 billion, net of $16 million of issuance costs.

In August 2010, in connection with the financing of the ALICO Acquisition, MetLife, Inc. issued 86,250,000 new shares of its common stock at a price of $42.00 per share for proceeds of $3.5 billion, net of $94 million of issuance costs.

Commercial Paper, Reported in Short-term Debt. MetLife, Inc. and MetLife Funding, Inc. (MetLife Funding) each have commercial paper programs supported by $4.0 billion in general corporate credit facilities (see Credit and Committed Facilities). MetLife Funding, a subsidiary of Metropolitan Life Insurance Company (MLIC), serves as our centralized finance unit. MetLife Funding raises cash from its commercial paper program and uses the proceeds to extend loans, through MetLife Credit Corp., another subsidiary of MLIC, to MetLife, Inc., MLIC and other affiliates in order to enhance the financial flexibility and liquidity of these companies. Outstanding balances for the commercial paper program fluctuate in line with changes to affiliates financing arrangements.

Federal Home Loan Bank Funding Agreements, Reported in Policyholder Account Balances. Certain of our domestic insurance subsidiaries are members of various FHLB state associations. During the years ended December 31, 2012, 2011 and 2010, we issued $17.4 billion, $8.8 billion and $10.8 billion, respectively, and repaid $14.8 billion, $8.7 billion and $12.0 billion, respectively, under funding agreements with the certain state FHLBs. At December 31, 2012 and 2011, total obligations outstanding under these funding agreements were $15.4 billion and $12.8 billion, respectively. See Note 4 of the Notes to the Consolidated Financial Statements.

Special Purpose Entity Funding Agreements, Reported in Policyholder Account Balances. We issue fixed and floating rate funding agreements, which are denominated in either U.S. dollars or foreign currencies, to certain special purpose entities (SPEs) that have issued either debt securities or commercial paper for which payment of interest and principal is secured by such funding agreements. During the years ended December 31, 2012, 2011 and 2010, we issued $35.1 billion, $39.9 billion and $34.1 billion, respectively, and repaid $31.1 billion, $41.6 billion and $30.9 billion, respectively, under such funding agreements. At December 31, 2012 and 2011, total obligations outstanding under these funding agreements were $30.0 billion and $25.5 billion, respectively. See Note 4 of the Notes to the Consolidated Financial Statements.

Federal Agricultural Mortgage Corporation Funding Agreements, Reported in Policyholder Account Balances. We issue funding agreements to the Federal Agricultural Mortgage Corporation (Farmer Mac), as well as to certain SPEs that have issued debt securities for which payment of interest and principal is secured by such funding agreements; such debt securities are also guaranteed as to payment of interest and principal by Farmer Mac. The obligations under all such funding agreements are secured by a pledge of certain eligible agricultural real estate mortgage loans and may, under certain circumstances, be secured by other qualified collateral. During the years ended December 31, 2012, 2011 and 2010, we issued $0, $1.5 billion and $250 million, respectively, and repaid $0, $1.5 billion and $0, respectively, under such funding agreements. At both December 31, 2012 and 2011, total obligations outstanding under these funding agreements were $2.8 billion. See Note 4 of the Notes to the Consolidated Financial Statements.

Debt Issuances and Other Borrowings. See Note 12 of the Notes to the Consolidated Financial Statements for further information on the following issuances of debt and other borrowings:

In August 2012, MetLife, Inc. issued $750 million of senior notes for general corporate purposes, which may include repayment of certain senior notes due in 2013;

In November 2010, in connection with the financing of the ALICO Acquisition, MetLife, Inc. issued to AM Holdings $3.0 billion of senior debt securities, which constitute a part of the MetLife, Inc. common equity units more fully described in Note 15 of the Notes to the Consolidated Financial Statements;

In August 2010, in anticipation of the ALICO Acquisition, MetLife, Inc. issued $3.0 billion of senior notes;

During the years ended December 31, 2012, 2011 and 2010, MetLife Bank received advances related to long-term borrowings totaling $0, $1.3 billion and $2.1 billion, and short-term borrowings totaling $150 million, $10.1 billion and $12.5 billion, respectively, from the FHLB of New York (FHLB of NY).

Remarketing of Senior Debt Securities and Settlement of Stock Purchase Contracts. In October 2012, MetLife, Inc. closed the successful remarketing of $1.0 billion of senior debt securities underlying the common equity units, which were issued in November 2010 in connection with the ALICO Acquisition. MetLife, Inc. did not receive any proceeds from the remarketing. Common equity unit holders used the remarketing proceeds to settle their payment obligations under the applicable stock purchase contracts. The subsequent settlement of the stock purchase contracts occurred in October 2012, providing proceeds to MetLife, Inc. of $1.0 billion in exchange for shares of MetLife, Inc. s common stock. MetLife, Inc. delivered 28,231,956 shares of its newly issued common stock to settle the stock purchase contracts. See Note 15 of the Notes to the Consolidated Financial Statements for additional information.

Credit and Committed Facilities. We maintain unsecured credit facilities and committed facilities, which aggregated $4.0 billion and $12.4 billion, respectively, at December 31, 2012. When drawn upon, these facilities bear interest at varying rates in accordance with the respective agreements.

The unsecured credit facilities are used for general corporate purposes, to support the borrowers commercial paper programs and for the issuance of letters of credit. At December 31, 2012, we had outstanding $2.6 billion in letters of credit and no drawdowns against these facilities. Remaining unused commitments were $1.4 billion at December 31, 2012.

The committed facilities are used for collateral for certain of our affiliated reinsurance liabilities. At December 31, 2012, $5.5 billion in letters of credit and $2.8 billion in aggregate drawdowns were outstanding against these facilities. Remaining unused commitments were $4.1 billion at December 31, 2012.

See Note 12 of the Notes to the Consolidated Financial Statements for further discussion of these facilities.

We have no reason to believe that our lending counterparties will be unable to fulfill their respective contractual obligations under these facilities. As commitments associated with letters of credit and financing arrangements may expire unused, these amounts do not necessarily reflect our actual future cash funding requirements.

Outstanding Debt Under Global Funding Sources. The following table summarizes our outstanding debt at:

	December 31,	
	2012	2011
	(In millions)	
Short-term debt (1)	$ 100	$ 686
Long-term debt (2)	$ 16,535	$ 20,624
Collateral financing arrangements (3)	$ 4,196	$ 4,647
Junior subordinated debt securities (3)	$ 3,192	$ 3,192

(1) For more information regarding issuances of short-term debt, see Global Funding Sources and Note 12 of the Notes to the Consolidated Financial Statements.
(2) Excludes $2.5 billion and $3.1 billion at December 31, 2012 and 2011, respectively, of long-term debt relating to CSEs (see Note 8 of the Notes to the Consolidated Financial Statements). For more information regarding long-term debt, see Note 12 of the Notes to the Consolidated Financial Statements.
(3) For information regarding prior issuances of collateral financing arrangements and junior subordinated debt securities, see Notes 13 and 14 of the Notes to the Consolidated Financial Statements, respectively.

Dispositions. Cash proceeds from dispositions during the years ended December 31, 2012, 2011 and 2010 were $605 million, $449 million and $0, respectively. See Note 3 of the Notes to the Consolidated Financial Statements for information regarding certain of these dispositions.

Liquidity and Capital Uses

In addition to the general description of liquidity and capital uses in Summary of Primary Sources and Uses of Liquidity and Capital and Contractual Obligations, the following additional information is provided regarding our primary uses of liquidity and capital:

Convertible Preferred Stock Repurchases. In March 2011, MetLife, Inc. repurchased for $2.9 billion and canceled all of the convertible preferred stock issued in November 2010 in connection with the ALICO Acquisition. See Note 16 of the Notes to the Consolidated Financial Statements.

Common Stock Repurchases. At December 31, 2012, MetLife, Inc. had $1.3 billion remaining under its common stock repurchase program authorizations. See Market for Registrant s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities in the 2012 Form 10-K for further information relating to such authorizations. During the years ended December 31, 2012, 2011 and 2010, we did not repurchase any shares of common stock under the repurchase program.

Under the aforementioned authorizations, MetLife, Inc. may purchase its common stock from the MetLife Policyholder Trust, in the open market (including pursuant to the terms of a pre-set trading plan meeting the requirements of Rule 10b5-1 under the Securities Exchange Act of 1934) and in privately negotiated transactions. Any future common stock repurchases will be dependent upon several factors, including our capital position, liquidity, financial strength and credit ratings, general market conditions, the market price of MetLife, Inc. s common stock compared to management s assessment of the stock s underlying value and applicable regulatory approvals, as well as other legal and accounting factors. See Business U.S. Regulation Potential Regulation as a Non-Bank SIFI, and Risk Factors Capital-Related Risks We Have Been, and May Continue to be, Prevented from Repurchasing Our Stock and Paying Dividends at the Level We Wish as a Result of Regulatory Restrictions and Restrictions Under the Terms of Certain of Our Securities in the 2012 Form 10-K and Note 16 of the Notes to the Consolidated Financial Statements.

Dividends. During the years ended December 31, 2012, 2011 and 2010, MetLife, Inc. paid dividends on its common stock of $811 million, $787 million and $784 million, respectively, which was calculated based upon $0.74 per common share. During each of the years ended December 31, 2012, 2011 and 2010, MetLife, Inc. paid dividends on its preferred stock of $122 million. See Note 16 of the Notes to the Consolidated Financial Statements for information regarding the calculation and timing of these dividends.

The declaration and payment of dividends is subject to the discretion of our Board of Directors, and will depend on MetLife, Inc. s financial condition, results of operations, cash requirements, future prospects, regulatory restrictions on the payment of dividends by MetLife, Inc. s other insurance subsidiaries and other factors deemed relevant by the board. In January 2013, MetLife, Inc. transitioned to paying common stock dividends quarterly. On January 4, 2013, MetLife, Inc. announced a first quarter 2013 common stock dividend of $0.185 per share. The dividends will be payable on March 13, 2013 to shareholders of record as of February 6, 2013.

Preferred stock dividends are paid quarterly in accordance with the terms of MetLife, Inc. s Floating Rate Non-Cumulative Preferred Stock, Series A, and 6.50% Non-Cumulative Preferred Stock, Series B. The payment of dividends and other distributions by MetLife, Inc. to its security holders may be subject to the Federal Reserve, if, in the future, MetLife, Inc. is designated as a non-bank SIFI. See Business U.S. Regulation Potential Regulation as a Non-Bank SIFI in the 2012 Form 10-K. The payment of dividends is also subject to restrictions under the terms of our preferred stock and junior subordinated debentures in situations where we may be experiencing financial stress. See Risk Factors Capital-

Related Risks We Have Been, and May Continue to be, Prevented from Repurchasing Our Stock and Paying Dividends at the Level We Wish as a Result of Regulatory Restrictions and Restrictions Under the Terms of Certain of Our Securities in the 2012 Form 10-K and Note 16 of the Notes to the Consolidated Financial Statements.

Debt Repayments. See Notes 12 and 13 of the Notes to the Consolidated Financial Statements for further information on long-term and short-term debt and collateral financing arrangements, respectively, including:

In June and December 2012, MetLife, Inc. repaid at maturity its $397 million and $400 million senior notes, respectively;

In December 2011, MetLife, Inc. repaid at maturity its $750 million senior note;

During the years ended December 31, 2012, 2011 and 2010, MetLife Bank made to the FHLB of NY long-term repayments of $374 million, $750 million and $349 million, and short-term debt repayments of $735 million, $9.7 billion and $12.9 billion, respectively; and

In June 2012 and December 2011, following regulatory approval, MetLife Reinsurance Company of Charleston, a wholly-owned subsidiary of MetLife, Inc., repurchased and canceled $451 million and $650 million, respectively, in aggregate principal amounts of surplus notes.

Debt and Facility Covenants. Certain of our debt instruments, credit facilities and committed facilities contain various administrative, reporting, legal and financial covenants. We believe we were in compliance with all such covenants at December 31, 2012.

Debt Repurchases. We may from time to time seek to retire or purchase our outstanding debt through cash purchases and/or exchanges for other securities, in open market purchases, privately negotiated transactions or otherwise. Any such repurchases or exchanges will be dependent upon several factors, including our liquidity requirements, contractual restrictions, general market conditions, and applicable regulatory, legal and accounting factors. Whether or not to repurchase any debt and the size and timing of any such repurchases is determined at our discretion.

Support Agreements. MetLife, Inc. and several of its subsidiaries (each, an Obligor) are parties to various capital support commitments, guarantees and contingent reinsurance agreements with certain subsidiaries of MetLife, Inc. Under these arrangements, each Obligor, with respect to the applicable entity, has agreed to cause such entity to meet specified capital and surplus levels, has guaranteed certain contractual obligations or has agreed to provide, upon the occurrence of certain contingencies, reinsurance for such entity s insurance liabilities. We anticipate that in the event that these arrangements place demands upon us, there will be sufficient liquidity and capital to enable us to meet anticipated demands.

In July 2012, in connection with an operating agreement with the OCC governing MetLife Bank s operations during its wind-down process, MetLife Bank and MetLife, Inc. entered into a capital support agreement with the OCC and MetLife, Inc. and MetLife Bank entered into an indemnification and capital maintenance agreement under which agreements MetLife, Inc. will provide financial and other support to MetLife Bank to ensure that MetLife Bank can wind down its operations in a safe and sound manner.

See MetLife, Inc. Liquidity and Capital Uses Support Agreements.

Insurance Liabilities. Liabilities arising from our insurance activities primarily relate to benefit payments under various life insurance, property & casualty, annuity and group pension products, as well as payments for policy surrenders, withdrawals and loans. For annuity or deposit type products, surrender or lapse product behavior differs somewhat by segment. In the Retail segment, which includes individual annuities, lapses and surrenders tend to occur in the normal course of business. During the years ended December 31, 2012 and 2011, general account surrenders and withdrawals from annuity products were $4.3 billion and $4.1 billion, respectively. In the Corporate Benefit Funding segment, which includes pension closeouts, bank-owned life insurance and other fixed annuity contracts, as well as funding agreements and other capital market products, most of the products offered have fixed maturities or fairly predictable surrenders or withdrawals. With regard to the Corporate Benefit Funding segment liabilities that provide customers with limited rights to accelerate payments, there were $3.2 billion at December 31, 2012 of funding agreements and other capital market products that could be put back to the Company after a period of notice. Of these liabilities, $535 million were subject to a notice period of 90 days. The remaining liabilities are subject to a notice period of five months or greater. See Contractual Obligations.

Pledged Collateral. We pledge collateral to, and have collateral pledged to us by, counterparties in connection with our derivatives. At December 31, 2012 and 2011, we were obligated to return cash collateral under our control of $6.0 billion and $9.5 billion, respectively. See Investments Derivatives Credit Risk. With respect to derivatives with credit ratings downgrade triggers, a two-notch downgrade would have increased our derivative collateral requirements by $53 million at December 31, 2012. In addition, we have pledged collateral and have had collateral pledged to us, and may be required from time to time to pledge additional collateral or be entitled to have additional collateral pledged to us, in connection with collateral financing arrangements related to the reinsurance of closed block liabilities and universal life secondary guarantee liabilities. See Note 13 of the Notes to the Consolidated Financial Statements.

Securities Lending. We participate in a securities lending program whereby blocks of securities are loaned to third parties, primarily brokerage firms and commercial banks. We obtain collateral, usually cash, from the borrower, which must be returned to the borrower when the loaned securities are returned to us. Under our securities lending program, we were liable for cash collateral under our control of $27.7 billion and $24.2 billion at December 31, 2012 and 2011, respectively. Of these amounts, $5.0 billion and $2.7 billion at December 31, 2012 and 2011, respectively, were on open, meaning that the related loaned security could be returned to us on the next business day requiring the immediate return of cash collateral we hold. The estimated fair value of the securities on loan related to the cash collateral on open at December 31, 2012 was $4.8 billion, of which $4.6 billion were U.S. Treasury and agency securities which, if put to us, can be immediately sold to satisfy the cash requirements to immediately return the cash collateral. See Investments Securities Lending for further information.

Litigation. Putative or certified class action litigation and other litigation, and claims and assessments against us, in addition to those discussed elsewhere herein and those otherwise provided for in the consolidated financial statements, have arisen in the course of our business, including, but not limited to, in connection with our activities as an insurer, mortgage lending bank, employer, investor, investment advisor and taxpayer. Further, state insurance regulatory authorities and other federal and state authorities regularly make inquiries and conduct investigations concerning our compliance with applicable insurance and other laws and regulations. See Note 21 of the Notes to the Consolidated Financial Statements.

We establish liabilities for litigation and regulatory loss contingencies when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated. For material matters where a loss is believed to be reasonably possible but not probable, no accrual is made but we disclose the nature of the contingency and an aggregate estimate of the reasonably possible range of loss in excess of amounts accrued, when such an estimate can be made. It is not possible to predict or determine the ultimate outcome of all pending investigations and legal proceedings. In some of the matters referred to herein, very large and/or indeterminate amounts, including punitive and treble damages, are sought. Although in light of these considerations, it is possible that an adverse outcome in certain cases could have a material adverse effect upon our financial position, based on information currently known by us, in our opinion, the outcome of such pending investigations and legal proceedings are not likely to have such an effect. However, given the large and/or indeterminate amounts sought in certain of these matters and the inherent unpredictability of litigation, it is possible that an adverse outcome in certain matters could, from time to time, have a material adverse effect on our consolidated net income or cash flows in particular quarterly or annual periods.

Acquisitions. Cash outflows for acquisitions during the years ended December 31, 2012, 2011 and 2010 were $49 million, $233 million and $7.2 billion, respectively. See Note 3 of the Notes to the Consolidated Financial Statements for information regarding certain of these acquisitions.

Contractual Obligations

The following table summarizes our major contractual obligations at December 31, 2012:

	Total (1)	One Year or Less (1)	More than One Year to Three Years (1)	More than Three Years to Five Years (1)	More than Five Years (1)
			(In millions)		
Insurance liabilities and other policy-related balances	$ 342,309	$ 15,643	$ 13,350	$ 14,848	$ 298,468
Policyholder account balances	315,468	36,804	51,109	33,927	193,628
Payables for collateral under securities loaned and other transactions	33,687	33,687			
Bank deposits	6,463	5,693	679	91	
Debt	40,878	1,983	4,662	3,615	30,618
Investment commitments	7,650	7,493	155		2
Operating leases	1,846	278	396	286	886
Other	16,438	15,986	24		428
Total	$ 764,739	$ 117,567	$ 70,375	$ 52,767	$ 524,030

(1) The contractual obligations have not been adjusted for businesses divested in 2013. Such amounts are categorized according to the future timing of such contractual obligations as of December 31, 2012 prior to giving effect to pending divestitures. The contractual obligations at December 31, 2012 do not include the obligation for an acquisition announced in February 2013. See MetLife, Inc. Capital and Notes 3 and 23 of the Notes to the Consolidated Financial Statements.

Insurance Liabilities. Insurance liabilities include future policy benefits, other policy-related balances, policyholder dividends payable and the policyholder dividend obligation, which are all reported on the consolidated balance sheet and are more fully described in Notes 1 and 4 of the Notes to the Consolidated Financial Statements. The amounts presented in the table reflect future estimated cash payments to be made to policyholders and others and (i) are based on mortality, morbidity, lapse and other assumptions comparable with our experience and expectations of future payment patterns; and (ii) consider future premium receipts on current policies in-force. All estimated cash payments presented in the table are undiscounted as to interest, net of estimated future premiums on in-force policies and gross of any reinsurance recoverable. Amounts related to other policy-related balances are reported in the one year or less category due to their short-term nature. Amounts related to policyholder dividends left on deposit are projected based on assumptions of policyholder withdrawal activity. Because the exact timing and amount of the ultimate policyholder dividend obligation is subject to significant uncertainty and the amount of the policyholder dividend obligation is based upon a long-term projection of the performance of the closed block, we have reflected the obligation at the amount of the liability, if any, presented in the consolidated balance sheet in the more than five years category. Additionally, the more than five years category includes estimated payments due for periods extending for more than 100 years.

The sum of the estimated cash flows shown for all years in the table of $342.3 billion exceeds the liability amounts of $212.4 billion included on the consolidated balance sheet principally due to (i) the time value of money, which accounts for a substantial portion of the difference; and (ii) differences in assumptions, most significantly mortality, between the date the liabilities were initially established and the current date; and are partially offset by liabilities related to accounting conventions, or which are not contractually due, which are excluded from the table.

Actual cash payments to policyholders may differ significantly from the liabilities as presented in the consolidated balance sheet and the estimated cash payments as presented in the table due to differences between actual experience and the assumptions used in the establishment of these liabilities and the estimation of these cash payments.

For the majority of our insurance operations, estimated contractual obligations for future policy benefits and PABs as presented in the table are derived from the annual asset adequacy analysis used to develop actuarial opinions of statutory reserve adequacy for state regulatory purposes. These cash flows are materially representative of the cash flows under GAAP. See Policyholder Account Balances.

Policyholder Account Balances. See Notes 1 and 4 of the Notes to the Consolidated Financial Statements for a description of the components of PABs. See Insurance Liabilities regarding the source and uncertainties associated with the estimation of the contractual obligations related to future policy benefits and PABs.

Amounts presented in the table represent the estimated cash payments to be made to policyholders undiscounted as to interest and including assumptions related to the receipt of future premiums and deposits; withdrawals, including unscheduled or partial withdrawals; policy lapses; surrender charges; annuitization; mortality; future interest credited; policy loans and other contingent events as appropriate for the respective product type. Such estimated cash payments are also presented net of estimated future premiums on policies currently in-force and gross of any reinsurance recoverable. For obligations denominated in foreign currencies, cash payments have been estimated using current spot foreign currency rates.

The sum of the estimated cash flows shown for all years in the table of $315.5 billion exceeds the liability amount of $225.8 billion included on the consolidated balance sheet principally due to (i) the time value of money, which accounts for a substantial portion of the difference; (ii) differences in assumptions, between the date the liabilities were initially established and the current date; and (iii) liabilities related to accounting conventions, or which are not contractually due, which are excluded from the table.

Payables for Collateral Under Securities Loaned and Other Transactions. We have accepted cash collateral in connection with securities lending and derivatives. As the securities lending transactions expire within the next year or the timing of the return of the collateral is uncertain, the return of the collateral has been included in the one year or less category in the table. We also held non-cash collateral, which is not reflected as a liability in the consolidated balance sheet, of $3.8 billion at December 31, 2012.

Bank Deposits. Bank deposits of $6.5 billion exceed the amount on the balance sheet of $6.4 billion due to the inclusion of estimated interest payments through the stated contractual terms to the depositor, and have not been reduced or otherwise adjusted as a result of the closing of the sale of the depository business on January 11, 2013. See Note 3 of the Notes to the Consolidated Financial Statements. Liquid deposits, including demand deposit accounts, money market accounts and savings accounts, are assumed to mature at carrying value within one year. Certificates of deposit are assumed to pay all interest and principal at maturity.

Debt. Amounts presented in the table for debt include short-term debt, long-term debt, collateral financing arrangements and junior subordinated debt securities, the total of which differs from the total of the corresponding amounts presented on the consolidated balance sheet due to the following: (i) the amounts presented herein do not include premiums or discounts upon issuance or purchase accounting fair value adjustments; (ii) the amounts presented herein include future interest on such obligations for the period from January 1, 2013 through maturity; and (iii) the amounts presented herein do not include $2.5 billion at December 31, 2012 of long-term debt relating to CSEs as such debt does not represent our contractual obligations. Future interest on variable rate debt was computed using prevailing rates at December 31, 2012 and, as such, does not consider the impact of future rate movements. Future interest on fixed rate debt was computed using the stated rate on the obligations for the period from January 1, 2013 through maturity, except with respect to junior subordinated debt which was computed using the stated rates through the scheduled redemption dates as it is our expectation that such obligations will be redeemed at that time. Inclusion of interest payments on junior subordinated debt securities through the final maturity dates would increase the contractual obligation by $7.7 billion. Amounts presented include payments under capital lease obligations of $3 million, $3 million, $1 million and $26 million, in the one year or less, more than one year to three years, more than three years to five years and more than five years categories, respectively. Pursuant to collateral financing arrangements, MetLife, Inc. may be required to deliver cash or pledge collateral to the respective unaffiliated financial institutions. See Note 13 of the Notes to the Consolidated Financial Statements.

Investment Commitments. To enhance the return on our investment portfolio, we commit to lend funds under mortgage loans, bank credit facilities, bridge loans and private corporate bond investments and we commit to fund partnership investments. In the table, the timing of the funding of mortgage loans and private corporate bond investments is based on the expiration dates of the corresponding commitments. As it relates to commitments to fund partnerships and bank credit facilities, we anticipate that these amounts could be invested any time over the next five years; however, as the timing of the fulfillment of the obligation cannot be predicted, such obligations are presented in the one year or less category in the table. Commitments to fund bridge loans are short-term obligations and, as a result, are presented in the one year or less category in the table. See Note 21 of the Notes to the Consolidated Financial Statements and Off-Balance Sheet Arrangements.

Operating Leases. As a lessee, we have various operating leases, primarily for office space. Contractual provisions exist that could increase or accelerate those lease obligations presented, including various leases with early buyouts and/or escalation clauses. However, the impact of any such transactions would not be material to our financial position or results of operations. See Note 21 of the Notes to the Consolidated Financial Statements.

Other. Other obligations presented in the table are principally comprised of amounts due under reinsurance agreements, payables related to securities purchased but not yet settled, securities sold short, accrued interest on debt obligations, estimated fair value of derivative obligations, deferred compensation arrangements, guaranty liabilities, the estimated fair value of forward stock purchase contracts, and general accruals and accounts payable due under contractual obligations, which are all reported in other liabilities on the consolidated balance sheets. If the timing of any of these other obligations is sufficiently uncertain, the amounts are included within the one year or less category. Items reported in other liabilities on the consolidated balance sheets that were excluded from the table represent accounting conventions or are not liabilities due under contractual obligations. Unrecognized tax benefits and related accrued interest of $708 million and $237 million, respectively, was excluded from the table as the timing of payment cannot be reliably determined.

Separate account liabilities are excluded from the table. Generally, the separate account owner, rather than the Company, bears the investment risk of these funds. The separate account assets are legally segregated and are not subject to the claims that arise out of any of our other businesses. Net deposits, net investment income and realized and unrealized capital gains and losses on the separate accounts are fully offset by corresponding amounts credited to contractholders whose liability is reflected with the separate account liabilities. Separate account liabilities are fully funded by cash flows from the corresponding separate account assets and are set equal to the estimated fair value of separate account assets.

We also enter into agreements to purchase goods and services in the normal course of business; however, these purchase obligations were not material to our consolidated results of operations or financial position at December 31, 2012.

Additionally, we have agreements in place for services we conduct, generally at cost, between subsidiaries relating to insurance, reinsurance, loans and capitalization. Intercompany transactions have been eliminated in consolidation. Intercompany transactions among insurance subsidiaries and affiliates have been approved by the appropriate insurance regulators as required.

MetLife, Inc.

Liquidity Management and Capital Management

Liquidity and capital are managed to preserve stable, reliable and cost-effective sources of cash to meet all current and future financial obligations and are provided by a variety of sources, including a portfolio of liquid assets, a diversified mix of short- and long-term funding sources from the wholesale financial markets and the ability to borrow through credit and committed facilities. Liquidity is monitored through the use of internal liquidity risk metrics, including the composition and level of the liquid asset portfolio, timing differences in short-term cash flow obligations, access to the financial markets for capital and debt transactions and exposure to contingent draws on MetLife, Inc. s liquidity. MetLife, Inc. is an active participant in the global financial markets through which it obtains a significant amount of funding. These markets, which serve as cost-effective sources of funds, are critical components of MetLife, Inc. s liquidity and capital management. Decisions to access these markets are based upon relative costs, prospective views of balance sheet growth and a targeted liquidity profile and capital structure. A disruption in the financial markets could limit MetLife, Inc. s access to liquidity.

MetLife, Inc. s ability to maintain regular access to competitively priced wholesale funds is fostered by its current credit ratings from the major credit rating agencies. We view our capital ratios, credit quality, stable and diverse earnings streams, diversity of liquidity sources and our liquidity monitoring procedures as critical to retaining such credit ratings. See The Company Capital Rating Agencies.

Liquid Assets. At December 31, 2012 and 2011, MetLife, Inc. and other MetLife holding companies had $5.7 billion and $4.2 billion, respectively, in liquid assets. Of these amounts, $5.0 billion and $3.8 billion were held by MetLife, Inc. and $0.7 billion and $0.4 billion were held by other MetLife holding companies, at December 31, 2012 and 2011, respectively. Liquid assets include cash and cash equivalents, short-term investments and publicly-traded securities, excluding: (i) cash collateral received under our securities lending program; (ii) cash collateral received from counterparties in connection with derivatives; and (iii) securities held in trust in support of collateral financing arrangements and pledged in support of advances agreements and derivatives.

Liquid assets held in non-U.S. holding companies are generated in part through dividends from non-U.S. insurance operations determined to be available after application of local insurance regulatory requirements, as discussed in MetLife, Inc. Liquidity and Capital Sources Dividends from Subsidiaries. The cumulative earnings of certain active non-U.S. operations have been reinvested indefinitely in such non-U.S. operations, as described in Note 19 of the Notes to the Consolidated Financial Statements. Under current tax laws, should we repatriate such earnings, we may be subject to additional U.S. income taxes and foreign withholding taxes.

Liquidity

For a summary of MetLife, Inc. s liquidity, see The Company Liquidity.

Capital

Potential Restrictions and Limitations on Non-Bank SIFIs. MetLife Bank has terminated its Federal Deposit Insurance Corporation (FDIC) insurance and MetLife, Inc. de-registered as a bank holding company. As a result, MetLife, Inc. is no longer subject to enhanced supervision and prudential standards as a bank holding company with assets of $50 billion or more. However, if, in the future, MetLife, Inc. is designated by the FSOC as a non-bank systemically important financial institution (non-bank SIFI), it could once again be subject to regulation by the Federal Reserve and enhanced supervision and prudential standards. In addition, if MetLife, Inc. is designated as a non-bank SIFI or a G-SII, its ability to pay dividends, repurchase common stock or other securities or engage in other transactions that could affect its capital or need for capital could be reduced by any additional capital requirements that might be imposed. See Business U.S. Regulation Potential Regulation as a Non-Bank SIFI and International Regulation in the 2012 Form 10-K.

Liquidity and Capital Sources

In addition to the description of liquidity and capital sources in The Company Summary of Primary Sources and Uses of Liquidity and Capital, the following additional information is provided regarding MetLife, Inc. s primary sources of liquidity and capital:

Dividends from Subsidiaries. MetLife, Inc. relies in part on dividends from its subsidiaries to meet its cash requirements. MetLife, Inc. s insurance subsidiaries are subject to regulatory restrictions on the payment of dividends imposed by the regulators of their respective domiciles. The dividend limitation for U.S. insurance subsidiaries is generally based on the surplus to policyholders at the end of the immediately preceding calendar year and statutory net gain from operations for the immediately preceding calendar year. Statutory accounting practices, as prescribed by insurance regulators of various states in which we conduct business, differ in certain respects from accounting principles used in financial statements prepared in conformity with GAAP. The significant differences relate to the treatment of DAC, certain deferred income tax, required investment liabilities, statutory reserve calculation assumptions, goodwill and surplus notes.

The table below sets forth the dividends permitted to be paid by the respective insurance subsidiary without insurance regulatory approval and the respective dividends paid:

	2013	2012		2011		2010	
	Permitted w/o Approval (1)		Permitted w/o Approval (3)		Permitted w/o Approval (3)		Permitted w/o Approval (3)
Company		Paid (2)		Paid (2)		Paid (2)	
				(In millions)			
Metropolitan Life Insurance Company	$ 1,428	$ 1,023	$ 1,350	$ 1,321(4)	$ 1,321	$ 631(4)	$ 1,262
American Life Insurance Company	$ 523	$ 1,300(5)	$ 168	$ 661	$ 661	$ (6)	$ 511
MetLife Insurance Company of Connecticut	$ 1,330	$ 706(7)	$ 504	$ 517	$ 517	$ 330	$ 659
Metropolitan Property and Casualty Insurance Company	$ 74	$ 100	$	$ 30	$	$ 260	$
Metropolitan Tower Life Insurance Company	$ 77	$ 82	$ 82	$ 80	$ 80	$ 569(8)	$ 93
MetLife Investors Insurance Company	$ 129	$ 18	$ 18	$	$	$	$
Delaware American Life Insurance Company	$ 7	$	$ 12	$	$	$	$

(1) Reflects dividend amounts that may be paid during 2013 without prior regulatory approval. However, because dividend tests may be based on dividends previously paid over rolling 12-month periods, if paid before a specified date during 2013, some or all of such dividends may require regulatory approval.

(2) Reflects all amounts paid, including those requiring regulatory approval.

(3) Reflects dividend amounts that could have been paid during the relevant year without prior regulatory approval.

(4) Includes securities transferred to MetLife, Inc. of $170 million and $399 million during the years ended December 31, 2011 and 2010, respectively.

(5) During May 2012, American Life received regulatory approval to pay an extraordinary dividend for an amount up to the funds remitted in connection with the restructuring of American Life s business in Japan. Subsequently, $1.5 billion was remitted to American Life. See Note 19 of the Notes to the Consolidated Financial Statements. Of this approved amount, $1.3 billion was paid to MetLife, Inc., as an extraordinary dividend.

(6) No dividends were paid to MetLife, Inc. from the ALICO Acquisition Date through December 31, 2010. See Note 3 of the Notes to the Consolidated Financial Statements.

(7) During June 2012, MICC distributed shares of an affiliate to its shareholders as an in-kind extraordinary dividend of $202 million, as calculated on a statutory basis. Regulatory approval for this extraordinary dividend was obtained due to the timing of payment. During December 2012, MICC paid a dividend to its shareholders in the amount of $504 million, which represented its ordinary dividend capacity at December 31, 2012. Due to the June 2012 in-kind dividend, a portion of this was extraordinary and regulatory approval was obtained.

(8) Reflects shares of an affiliate distributed to MetLife, Inc. as an in-kind dividend of $475 million.

In addition to the amounts presented in the table above, for the years ended December 31, 2012, 2011 and 2010, cash dividends in the aggregate amount of $150 million, $139 million and $0, respectively, were paid to MetLife, Inc. by certain of its other subsidiaries. Additionally, for the years ended December 31, 2012, 2011 and 2010, MetLife, Inc. received cash of $9 million, $771 million and $54 million, respectively, representing returns of capital from certain subsidiaries.

The dividend capacity of our non-U.S. operations is subject to similar restrictions established by the local regulators. The non-U.S. regulatory regimes also commonly limit the dividend payments to the parent to a portion of the prior year s statutory income, as determined by the local accounting principles. The regulators of our non-U.S. operations, including Japan s Financial Services Agency, may also limit or not permit profit repatriations or other transfers of funds to the U.S. if such transfers are deemed to be detrimental to the solvency or financial strength of the non-U.S. operations, or for other reasons. Most of the non-U.S. subsidiaries are second tier subsidiaries which are owned by various non-U.S. holding companies. The capital and rating considerations applicable to the first tier subsidiaries may also impact the dividend flow into MetLife, Inc.

We actively manage target and excess capital levels and dividend flows on a proactive basis and forecast local capital positions as part of the financial planning cycle. The dividend capacity of certain U.S. and non-U.S. subsidiaries is also subject to business targets in excess of the minimum capital necessary to maintain the desired rating or level of financial strength in the relevant market. We cannot provide assurance that MetLife, Inc. s subsidiaries will have statutory earnings to support payment of dividends to MetLife, Inc. in an amount sufficient to fund its cash requirements and pay cash dividends and that the applicable regulators will not disapprove any dividends that such subsidiaries must submit for approval. See Risk Factors Capital-Related Risks As a Holding Company, MetLife, Inc. Depends on the Ability of Its Subsidiaries to Transfer Funds to It to Meet Its Obligations and Pay Dividends in the 2012 Form 10-K and Note 16 of the Notes to the Consolidated Financial Statements.

Short-term Debt. MetLife, Inc. maintains a commercial paper program, proceeds of which can be used to finance the general liquidity needs of MetLife, Inc. and its subsidiaries. MetLife, Inc. had no short-term debt outstanding at both December 31, 2012 and 2011.

Debt Issuances and Other Borrowings. For information on MetLife, Inc. s debt issuances and other borrowings, see The Company Liquidity and Capital Sources Debt Issuances and Other Borrowings.

Collateral Financing Arrangements and Junior Subordinated Debt Securities. For information on MetLife, Inc. s collateral financing arrangements and junior subordinated debt securities, see Notes 13 and 14 of the Notes to the Consolidated Financial Statements, respectively.

Credit and Committed Facilities. At December 31, 2012, MetLife, Inc., along with MetLife Funding, maintained $4.0 billion in unsecured credit facilities, the proceeds of which are available for general corporate purposes, to support our commercial paper programs and for the issuance of letters of credit. At December 31, 2012, MetLife, Inc. had outstanding $2.6 billion in letters of credit and no drawdowns against these facilities. Remaining unused commitments were $1.4 billion at December 31, 2012.

MetLife, Inc. maintains committed facilities with a capacity of $300 million. At December 31, 2012, MetLife, Inc. had outstanding $300 million in letters of credit and no drawdowns against these facilities. There were no remaining unused commitments at December 31, 2012. In addition, MetLife, Inc. is a party to committed facilities of certain of its subsidiaries, which aggregated $12.1 billion at December 31, 2012. The committed facilities are used as collateral for certain of the Company s affiliated reinsurance liabilities.

See Note 12 of the Notes to the Consolidated Financial Statements for further detail on these facilities.

Long-term Debt Outstanding. The following table summarizes the outstanding long-term debt of MetLife, Inc. at:

	December 31,	
	2012	2011
	(In millions)	
Long-term debt unaffiliated	$ 15,669	$ 15,666
Long-term debt affiliated (1), (2), (3)	$ 3,250	$ 500
Collateral financing arrangements	$ 2,797	$ 2,797
Junior subordinated debt securities	$ 1,748	$ 1,748

(1) In September 2012, $750 million of senior notes issued by Exeter Reassurance Company, Ltd. (Exeter), a subsidiary, payable to MLIC, were reassigned to MetLife, Inc. MetLife, Inc. received $750 million of preferred stock of Exeter in exchange for the assumption of this affiliated debt. On September 30, 2012, $250 million of the assumed senior notes matured and subsequently, in October 2012, a new $250 million senior note was issued by MetLife, Inc. to MLIC. The new $250 million senior note matures on October 1, 2019 and bears interest at a fixed rate of 3.57%, payable semi-annually. The remaining $500 million senior note matures on June 30, 2014 and bears interest at a fixed rate of 6.44%, payable semi-annually.

(2) In December 2012, $1.25 billion of Exeter senior notes payable to affiliates, which are comprised of three notes, were reassigned to MetLife, Inc. MetLife, Inc. received $1.25 billion of preferred stock of Exeter in exchange for the assumption of this affiliated debt. A $250 million senior note matures on September 30, 2016 and bears interest at a fixed rate of 7.44%, payable semi-annually. A $500 million senior note matures on July 15, 2021 and bears interest at a fixed rate

of 5.64%, payable semi-annually. A $500 million senior note matures on December 16, 2021 and bears interest at a fixed rate of 5.86%, payable semi-annually.

(3) In December 2012, MetLife, Inc. issued a $750 million senior note to MRD due September 30, 2032. The senior note bears interest at a fixed rate of 4.21%, payable semi-annually. MRD issued a $750 million surplus note to MetLife, Inc. in exchange for the senior note.

Dispositions. During the years ended December 31, 2012 and 2010, there were no cash proceeds from dispositions. Cash proceeds from dispositions during the year ended December 31, 2011 was $180 million. See Note 3 of the Notes to the Consolidated Financial Statements for information regarding certain of these dispositions.

Liquidity and Capital Uses

In addition to the description of liquidity and capital uses in The Company Liquidity and Capital Uses and Contractual Obligations, the following additional information is provided regarding MetLife, Inc. s primary uses of liquidity and capital:

The primary uses of liquidity of MetLife, Inc. include debt service, cash dividends on common and preferred stock, capital contributions to subsidiaries, payment of general operating expenses and acquisitions. Based on our analysis and comparison of our current and future cash inflows from the dividends we receive from subsidiaries that are permitted to be paid without prior insurance regulatory approval, our investment portfolio and other cash flows and anticipated access to the capital markets, we believe there will be sufficient liquidity and capital to enable MetLife, Inc. to make payments on debt, make cash dividend payments on its common and preferred stock, contribute capital to its subsidiaries, pay all general operating expenses and meet its cash needs.

Affiliated Capital Transactions. During the years ended December 31, 2012, 2011 and 2010, MetLife, Inc. invested an aggregate of $3.5 billion, $1.9 billion and $699 million (excluding the ALICO Acquisition), respectively, in various subsidiaries.

MetLife, Inc. lends funds, as necessary, to its subsidiaries and affiliates, some of which are regulated, to meet their capital requirements. In December 2012, MetLife Reinsurance Company of Delaware (MRD) issued a $750 million surplus note to MetLife, Inc. due September 2032. The surplus note bears interest at a fixed rate of 5.13%, payable semi-annually. MetLife, Inc. issued a $750 million senior note to MRD in exchange for the surplus note. MetLife, Inc. had loans to subsidiaries outstanding of $750 million at December 31, 2012. At December 31, 2011, MetLife, Inc. did not have any loans to subsidiaries outstanding.

Debt Repayments. For information on MetLife, Inc. s debt repayments, see The Company Liquidity and Capital Uses Debt Repayments. MetLife, Inc. intends to repay all or refinance in whole or in part the debt that is due in 2013.

Debt and Facility Covenants. Certain of MetLife, Inc. s debt instruments, credit facilities and committed facilities contain various administrative, reporting, legal and financial covenants. MetLife, Inc. believes it was in compliance with all such covenants at December 31, 2012.

Maturities of Senior Notes. The following table summarizes MetLife, Inc. s outstanding senior notes series by year of maturity through 2017 and 2018 to 2045, excluding any premium or discount, at December 31, 2012:

Year of Maturity	Principal (In millions)	Interest Rate
2013	$ 500	5.00%
2013	$ 250	three-month LIBOR + 1.25%
2014	$ 350	5.50%
2014	$ 500	6.44%
2014	$ 1,000	2.38%
2015	$ 1,000	5.00%
2016	$ 250	7.44%
2016	$ 1,250	6.75%
2017	$ 500	1.76%
2018 - 2045	$ 13,023	Ranging from 1.92% - 7.72%

Support Agreements. MetLife, Inc. is party to various capital support commitments and guarantees with certain of its subsidiaries. Under these arrangements, MetLife, Inc. has agreed to cause each such entity to meet specified capital and surplus levels or has guaranteed certain contractual obligations.

In December 2012, MetLife, Inc., in connection with MRD s reinsurance of certain universal life and term life risks, entered into a capital maintenance agreement pursuant to which MetLife, Inc. agreed, without limitation as to amount, to cause the initial protected cell of MRD to maintain total adjusted capital equal to or greater than 200% of such protected cell s company action level RBC, as defined in state insurance statutes.

In July 2012, in connection with an operating agreement with the OCC governing MetLife Bank s operations during its wind-down process, MetLife Bank and MetLife, Inc. entered into a capital support agreement with the OCC and MetLife, Inc. and MetLife Bank entered into an indemnification and capital maintenance agreement under which agreements MetLife, Inc. will provide financial and other support to MetLife Bank to ensure that MetLife Bank can wind down its operations in a safe and sound manner. Pursuant to the agreements, MetLife, Inc. is required to ensure that MetLife Bank meets or exceeds certain minimum capital and liquidity requirements once its FDIC insurance has been terminated and make indemnification payments to MetLife Bank in connection with MetLife Bank s obligation under the April 2011 consent decree between MetLife Bank and the OCC. In February 2013, MetLife Bank s FDIC insurance was terminated. During the year ended December 31, 2012, MetLife, Inc. invested $34 million in cash in MetLife Bank in connection with these agreements. In January 2013, MetLife, Inc. entered into an 18-month agreement with MetLife Bank to lend up to $500 million to MetLife Bank on a revolving basis. In January 2013, MetLife Bank both drew down and repaid $400 million under the agreement, which bore interest at a rate of three-month LIBOR plus 1.75%. In February 2013, the agreement was amended to reduce borrowing capacity to $100 million.

MetLife, Inc. guarantees the obligations of its subsidiary, DelAm, under a stop loss reinsurance agreement with RGA Reinsurance (Barbados) Inc. (RGARe), pursuant to which RGARe retrocedes to DelAm a portion of the whole life medical insurance business that RGARe assumed from American Life on behalf of its Japan operations.

Prior to the sale in April 2011 of its 50% interest in Mitsui Sumitomo MetLife Insurance Co., Ltd. (MSI MetLife) to a third party, MetLife, Inc. guaranteed the obligations of its subsidiary, Exeter, under a reinsurance agreement with MSI MetLife, under which Exeter reinsures variable annuity business written by MSI MetLife. This guarantee will remain in place until such time as the reinsurance agreement between Exeter and MSI MetLife is terminated, notwithstanding the April 2011 disposition of MetLife, Inc. s interest in MSI MetLife as described in Note 3 of the Notes to the Consolidated Financial Statements.

MetLife, Inc. guarantees the obligations of its subsidiary, Missouri Reinsurance, Inc. (MoRe), under a retrocession agreement with RGARe, pursuant to which MoRe retrocedes a portion of the closed block liabilities associated with industrial life and ordinary life insurance policies that it assumed from MLIC.

MetLife, Inc. guarantees the obligations of Exeter in an aggregate amount up to $1.0 billion, under a reinsurance agreement with MetLife Europe Limited (MEL), under which Exeter reinsures the guaranteed living benefits and guaranteed death benefits associated with certain unit-linked annuity contracts issued by MEL.

MetLife, Inc. guarantees the obligations of MoRe, under a retrocession agreement with RGARe, pursuant to which MoRe retrocedes certain group term life insurance liabilities that it assumed from MLIC.

MetLife, Inc., in connection with MetLife Reinsurance Company of Vermont s (MRV) reinsurance of certain universal life and term life insurance risks, committed to the Vermont Department of Banking, Insurance, Securities and Health Care Administration to take necessary action to cause the three protected cells of MRV to maintain total adjusted capital in an amount that is equal to or greater than 200% of each such protected cell s authorized control level RBC, as defined in Vermont state insurance statutes. See The Company Liquidity and Capital Sources Credit and Committed Facilities and Note 12 of the Notes to the Consolidated Financial Statements.

MetLife, Inc., in connection with the collateral financing arrangement associated with MetLife Reinsurance Company of Charleston s (MRC) reinsurance of a portion of the liabilities associated with the closed block, committed to the South Carolina Department of Insurance to make capital contributions, if necessary, to MRC so that MRC may at all times maintain its total adjusted capital in an amount that is equal to or greater than 200% of the company action level RBC, as defined in South Carolina state insurance statutes as in effect on the date of determination or December 31, 2007, whichever calculation produces the greater capital requirement, or as otherwise required by the South Carolina Department of Insurance. See Note 13 of the Notes to the Consolidated Financial Statements.

MetLife, Inc., in connection with the collateral financing arrangement associated with MetLife Reinsurance Company of South Carolina s (MRSC) reinsurance of universal life secondary guarantees, committed to the South Carolina Department of Insurance to take necessary action to cause MRSC to maintain the greater of capital and surplus of $250,000 or total adjusted capital in an amount that is equal to or greater than 100% of authorized control level RBC, as defined in South Carolina state insurance statutes. See Note 13 of the Notes to the Consolidated Financial Statements.

MetLife, Inc. has net worth maintenance agreements with two of its insurance subsidiaries, MetLife Investors Insurance Company and First MetLife Investors Insurance Company. Under these agreements, as amended, MetLife, Inc. agreed, without limitation as to the amount, to cause each of these subsidiaries to have capital and surplus of $10 million, total adjusted capital in an amount that is equal to or greater than 150% of the company action level RBC, as defined by applicable state insurance statutes, and liquidity necessary to enable it to meet its current obligations on a timely basis.

MetLife, Inc. guarantees obligations arising from derivatives of the following subsidiaries: Exeter, MetLife Bank, MetLife International Holdings, Inc. and MetLife Worldwide Holdings, Inc. These subsidiaries are exposed to various risks relating to their ongoing business operations, including interest rate, foreign currency exchange rate, credit and equity market. These subsidiaries use a variety of strategies to manage these risks, including the use of derivatives. Further, all of the subsidiaries derivatives are subject to industry standard netting agreements and collateral agreements that limit the unsecured portion of any open derivative position. On a net counterparty basis at December 31, 2012 and 2011, derivative transactions with positive mark-to-market values (in-the-money) were $3.2 billion and $4.9 billion, respectively, and derivative transactions with negative mark-to-market values (out-of-the-money) were $22 million and $51 million, respectively. To secure the obligations represented by the out of-the-money transactions, the subsidiaries had provided collateral to their counterparties with an estimated fair value of $12 million and $47 million at December 31, 2012 and 2011, respectively. Accordingly, unsecured derivative liabilities guaranteed by MetLife, Inc. were $10 million and $4 million at December 31, 2012 and 2011, respectively.

MetLife, Inc. also guarantees the obligations of certain of its subsidiaries under committed facilities with third-party banks. See Note 12 of the Notes to the Consolidated Financial Statements.

Acquisitions. During the years ended December 31, 2012 and 2011, there were no cash outflows for acquisitions. Cash outflows for acquisitions during the year ended December 31, 2010 were $7.2 billion. See Note 3 of the Notes to the Consolidated Financial Statements for information regarding certain of these acquisitions. See Note 23 of the Notes to the Consolidated Financial Statements for information regarding a pending acquisition.

Adoption of New Accounting Pronouncements

See Note 1 of the Notes to the Consolidated Financial Statements.

Future Adoption of New Accounting Pronouncements

See Note 1 of the Notes to the Consolidated Financial Statements.

Non-GAAP and Other Financial Disclosures

Operating earnings is defined as operating revenues less operating expenses, both net of income tax. Operating earnings available to common shareholders is defined as operating earnings less preferred stock dividends.

Operating revenues and operating expenses exclude results of 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 GMIB 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 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.

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 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 DAC and 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.

Also, operating return on common equity is defined as operating earnings available to common shareholders, divided by average GAAP common equity.

All references to operating earnings per share and operating return on equity should be read as references to operating earnings available to common shareholders per diluted common share and operating return on common equity. Operating premiums, fees and other revenues is defined as GAAP premium, fees and other revenues less the applicable adjustments made to GAAP revenues in calculating operating revenues, as described above. See Selected Financial Data and Management s Discussion and Analysis of Financial Condition and Results of Operations for additional information.

We believe the presentation of operating earnings and operating earnings available to common shareholders as we measure it for management purposes enhances the understanding of our performance by highlighting the results of operations and the underlying profitability drivers of our business. Operating revenues, operating expenses, operating earnings, operating earnings available to common shareholders, and operating return on common equity, should not be viewed as substitutes for the following financial measures calculated in accordance with GAAP: GAAP revenues, GAAP expenses, GAAP income (loss) from continuing operations, net of income tax, GAAP net income (loss) available to MetLife, Inc. s common shareholders, and return on common equity, respectively. Reconciliations of these measures to the most directly comparable GAAP measures are included in Results of Operations.

In this discussion, we sometimes refer to sales activity for various products. These sales statistics do not correspond to revenues under GAAP, but are used as relevant measures of business activity. Additionally, the impact of changes in our foreign currency exchange rates is calculated using the average foreign currency exchange rates for the current year and is applied to each of the comparable years.

In this discussion, we also provide forward-looking guidance on an operating, or non-GAAP, basis. A reconciliation of these non-GAAP measures to the most directly comparable GAAP measures is not accessible on a forward-looking basis because we believe it is not possible to provide other than a range of net investment gains and losses and net derivative gains and losses, which can fluctuate significantly within or outside the range and from period to period and may have a significant impact on GAAP net income.

Subsequent Events

See Note 23 of the Notes to the Consolidated Financial Statements.

As previously announced, Punjab National Bank (PNB) agreed to acquire a 30% stake in MetLife India Insurance Company Limited (MetLife India), subject to regulatory approval and final agreements among PNB and the existing shareholders of MetLife India, and had entered into a separate exclusive 10-year distribution agreement to sell MetLife India s products through PNB s branch network. In January 2013, PNB completed the acquisition of the 30% stake in MetLife India. PNB is the second largest bank in India based on revenues, with approximately 5,700 branches and 70 million customers.

Quantitative and Qualitative Disclosures About Market Risk

Risk Management

We actively manage, measure and monitor the market risk associated with our assets and liabilities. We have developed an integrated process for managing risk, which we conduct through our Global Risk Management Department, Asset/Liability Management Unit, Treasury Department and Investments Department along with the management of our business segments. We have established and implemented comprehensive policies and procedures at both the corporate and business segment level to minimize the effects of potential market volatility.

We regularly analyze our exposure to interest rate, equity market price and foreign currency exchange rate risks. As a result of that analysis, we have determined that the estimated fair values of certain assets and liabilities are materially exposed to changes in interest rates, foreign currency exchange rates and changes in the equity markets.

Global Risk Management. We have established several financial and non-financial senior management committees as part of our risk management process. These committees manage capital and risk positions, approve ALM strategies and establish appropriate corporate business standards. Further enhancing its committee structure, during 2010, we created an Enterprise Risk Committee. The Enterprise Risk Committee is comprised of members of senior management, including MetLife, Inc. s Chief Financial Officer, Chief Risk Officer and Chief Investment Officer. This committee is responsible for reviewing all material risks to the enterprise and deciding on actions if necessary, in the event risks exceed desirable targets, taking into consideration best practices and the current environment to resolve or mitigate those risks.

We also have a separate Global Risk Management Department, which is responsible for risk management throughout MetLife and reports to MetLife s Chief Risk Officer, who reports to MetLife s Chief Executive Officer. The Global Risk Management Department s primary responsibilities consist of:

- implementing a corporate risk framework, which outlines our approach for managing risk on an enterprise-wide basis;
- developing policies and procedures for managing, measuring, monitoring and controlling those risks identified in the corporate risk framework;
- establishing appropriate corporate risk tolerance levels;
- deploying capital on an economic capital basis; and
- reporting on a periodic basis to the Finance and Risk Committee of the Company s Board of Directors; with respect to credit risk, reporting to the Investment Committee of the Company s Board of Directors; and reporting on various aspects of risk to financial and non-financial senior management committees.

Asset/Liability Management. We actively manage our assets using an approach that balances quality, diversification, asset/liability matching, liquidity, concentration and investment return. The goals of the investment process are to optimize, net of income tax, risk-adjusted investment income and risk-adjusted total return while ensuring that the assets and liabilities are reasonably managed on a cash flow and duration basis. The ALM process is the shared responsibility of the ALM Unit, Global Risk Management, the Portfolio Management Unit, and the senior members of the business segments and is governed by the ALM Committees. The ALM Committees duties include reviewing and approving target portfolios, establishing investment guidelines and limits and providing oversight of the ALM process on a periodic basis. The directives of the ALM Committees are carried out and monitored through ALM Working Groups which are set up to manage by product type. In addition, an ALM Steering Committee oversees the activities of the underlying ALM Committees.

We establish target asset portfolios for each major insurance product, which represent the investment strategies used to profitably fund our liabilities within acceptable levels of risk. These strategies are monitored through regular review of portfolio metrics, such as effective duration, yield curve sensitivity, convexity, liquidity, asset sector concentration and credit quality by the ALM Working Groups.

Market Risk Exposures

We have exposure to market risk through our insurance operations and investment activities. For purposes of this disclosure, market risk is defined as the risk of loss resulting from changes in interest rates, foreign currency exchange rates and equity markets.

Interest Rates. Our exposure to interest rate changes results most significantly from our holdings of fixed maturity securities, as well as our interest rate sensitive liabilities. The fixed maturity securities include U.S. and foreign government bonds, securities issued by government agencies, corporate bonds, mortgage-backed and asset-backed securities, all of which are mainly exposed to changes in medium- and long-term interest rates. The interest rate sensitive liabilities for purposes of this disclosure include debt, PABs related to certain investment type contracts, and net embedded derivatives on variable annuities with guaranteed minimum benefits which have the same type of interest rate exposure (medium- and long-term interest rates) as fixed maturity securities. We employ product design, pricing and ALM strategies to reduce the potential effects of interest rate movements. Product design and pricing strategies include the use of surrender charges or restrictions on withdrawals in some products and the ability to reset crediting rates for certain products. ALM strategies include the use of derivatives and duration mismatch limits. See Risk Factors Economic Environment and Capital Markets-Related Risks We Are Exposed to Significant Financial and Capital Markets Risk Which May Adversely Affect Our Results of Operations, Financial Condition and Liquidity, and May Cause Our Net Investment Income to Vary from Period to Period in the 2012 Form 10-K.

Foreign Currency Exchange Rates. Our exposure to fluctuations in foreign currency exchange rates against the U.S. dollar results from our holdings in non-U.S. dollar denominated fixed maturity and equity securities, mortgage loans, and certain liabilities, as well as through our investments in foreign subsidiaries. The principal currencies that create foreign currency exchange rate risk in our investment portfolios and liabilities are the Euro, the Japanese yen and the British pound. Selectively, we use U.S. dollar assets to support certain long duration foreign currency liabilities. Through our investments in foreign subsidiaries and joint ventures, we are primarily exposed to the Japanese yen, the British pound, the Australian dollar, the Mexican peso and the Korean won. In addition to hedging with foreign currency swaps, forwards and options, local surplus in some countries is held entirely or in part in U.S. dollar assets which further minimizes exposure to foreign currency exchange rate fluctuation risk. We have matched much of our foreign currency liabilities in our foreign subsidiaries with their respective foreign currency assets, thereby reducing our risk to foreign currency exchange rate fluctuation. See Risk Factors Risks Related to Our Business Fluctuations in Foreign Currency Exchange Rates Could Negatively Affect Our Profitability in the 2012 Form 10-K.

Equity Market. We have exposure to equity market risk through certain liabilities that involve long-term guarantees on equity performance such as net embedded derivatives on variable annuities with guaranteed minimum benefits, certain PABs, along with investments in equity securities. We manage this risk on an integrated basis with other risks through our ALM strategies including the dynamic hedging of certain variable annuity guarantee benefits. We also manage equity market risk exposure in our investment portfolio through the use of derivatives. Equity exposures associated with other limited partnership interests are excluded from this section as they are not considered financial instruments under GAAP.

Management of Market Risk Exposures

We use a variety of strategies to manage interest rate, foreign currency exchange rate and equity market risk, including the use of derivatives.

Interest Rate Risk Management. To manage interest rate risk, we analyze interest rate risk using various models, including multi-scenario cash flow projection models that forecast cash flows of the liabilities and their supporting investments, including derivatives. These projections involve evaluating the potential gain or loss on most of our in-force business under various increasing and decreasing interest rate environments. The Department of Financial Services regulations require that we perform some of these analyses annually as part of our review of the sufficiency of our regulatory reserves. For several of our legal entities, we maintain segmented operating and surplus asset portfolios for the purpose of ALM and the allocation of investment income to product lines. For each segment, invested assets greater than or equal to the GAAP liabilities and any non-invested assets allocated to the segment are maintained, with any excess swept to Corporate & Other. The business segments may reflect differences in legal entity, statutory line of business and any product market characteristic which may drive a distinct investment strategy with respect to duration, liquidity or credit quality of the invested assets. Certain smaller entities make use of unsegmented general accounts for which the investment strategy reflects the aggregate characteristics of liabilities in those entities. We measure relative sensitivities of the value of our assets and liabilities to changes in key assumptions utilizing internal models. These models reflect specific product characteristics and include assumptions based on current and anticipated experience regarding lapse, mortality and interest crediting rates. In addition, these models include asset cash flow projections reflecting interest payments, sinking fund payments, principal payments, bond calls, mortgage loan prepayments and defaults.

Common industry metrics, such as duration and convexity, are also used to measure the relative sensitivity of assets and liability values to changes in interest rates. In computing the duration of liabilities, consideration is given to all policyholder guarantees and to how we intend to set indeterminate policy elements such as interest credits or dividends. Each asset portfolio has a duration target based on the liability duration and the investment objectives of that portfolio. Where a liability cash flow may exceed the maturity of available assets, as is the case with certain retirement and group products, we may support such liabilities with equity investments, derivatives or interest rate curve mismatch strategies.

Foreign Currency Exchange Rate Risk Management. Foreign currency exchange rate risk is assumed primarily in three ways: investments in foreign subsidiaries, purchases of foreign currency denominated investments and the sale of certain insurance products.

- The Foreign Exchange Committee, in coordination with the Treasury Department, is responsible for managing the exposure to investments in foreign subsidiaries. Limits to exposures are established and monitored by the Treasury Department and managed by the Investments Department.
- The Investments Department is responsible for managing the exposure to foreign currency denominated investments. Exposure limits to unhedged foreign currency investments are incorporated into the standing authorizations granted to management by the Board of Directors and are reported to the Board of Directors on a periodic basis.
- Management of each of the Company s segments is responsible for establishing limits and managing any foreign currency exchange rate exposure caused by the sale or issuance of insurance products.

We use foreign currency swaps, forwards and options to mitigate the liability exposure, risk of loss and the volatility of net income associated with its investments in foreign subsidiaries, foreign currency denominated fixed income investments and the sale of certain insurance products.

Equity Market Risk Management. Equity market risk exposure through the issuance of variable annuities is managed by our Asset/Liability Management Unit in partnership with the Investments Department. Equity market risk is realized through its investment in equity securities and is managed by our Investments Department. We use derivatives to mitigate our equity exposure both in certain liability guarantees such as variable annuities with guaranteed minimum benefit and equity securities. These derivatives include exchange-traded equity futures, equity index options contracts and equity variance swaps. We also employ reinsurance to manage these exposures.

Hedging Activities. We use derivative contracts primarily to hedge a wide range of risks including interest rate risk, foreign currency exchange rate risk, and equity market risk. Derivative hedges are designed to reduce risk on an economic basis while considering their impact on accounting results and GAAP and Statutory capital. The construction of our derivative hedge programs vary depending on the type of risk being hedged. Some hedge programs are asset or liability specific while others are portfolio hedges that reduce risk related to a group of liabilities or assets. Our use of derivatives by major hedge programs is as follows:

- Risks Related to Living Guarantee Benefits We use a wide range of derivative contracts to hedge the risk associated with variable annuity living guarantee benefits. These hedges include equity and interest rate futures, interest rate swaps, currency futures/forwards, equity indexed options and interest rate option contracts and equity variance swaps.
- Minimum Interest Rate Guarantees For certain liability contracts, we provide the contractholder a guaranteed minimum interest rate. These contracts include certain fixed annuities and other insurance liabilities. We purchase interest rate floors to reduce risk associated with these liability guarantees.
- Reinvestment Risk in Long Duration Liability Contracts Derivatives are used to hedge interest rate risk related to certain long duration liability contracts, such as deferred annuities. Hedges include zero coupon interest rate swaps and swaptions.
- Foreign Currency Exchange Rate Risk We use currency swaps, forwards and options to hedge foreign currency exchange rate risk. These hedges primarily swap foreign currency denominated bonds, investments in foreign subsidiaries or equity market exposures to U.S. dollars.
- General ALM Hedging Strategies In the ordinary course of managing our asset/liability risks, we use interest rate futures, interest rate swaps, interest rate caps, interest rate floors and inflation swaps. These hedges are designed to reduce interest rate risk or inflation risk related to the existing assets or liabilities or related to expected future cash flows.

Risk Measurement: Sensitivity Analysis

We measure market risk related to our market sensitive assets and liabilities based on changes in interest rates, equity market prices and foreign currency exchange rates utilizing a sensitivity analysis. This analysis estimates the potential changes in estimated fair value based on a hypothetical 10% change (increase or decrease) in interest rates, equity market prices and foreign currency exchange rates. We believe that a 10% change (increase or decrease) in these market rates and prices is reasonably possible in the near-term. In performing the analysis summarized below, we use market rates at December 31, 2012. The sensitivity analysis separately calculates each of our market risk exposures (interest rate, equity market and foreign currency exchange rate) relating to our trading and non-trading assets and liabilities. We modeled the impact of changes in market rates and prices on the estimated fair values of our market sensitive assets and liabilities as follows:

- the net present values of its interest rate sensitive exposures resulting from a 10% change (increase or decrease) in interest rates;
- the U.S. dollar equivalent estimated fair values of our foreign currency exposures due to a 10% change (increase or decrease) in foreign currency exchange rates; and
- the estimated fair value of its equity positions due to a 10% change (increase or decrease) in equity market prices.

The sensitivity analysis is an estimate and should not be viewed as predictive of our future financial performance. We cannot ensure that our actual losses in any particular period will not exceed the amounts indicated in the table below. Limitations related to this sensitivity analysis include:

- the market risk information is limited by the assumptions and parameters established in creating the related sensitivity analysis, including the impact of prepayment rates on mortgage loans;
- for the derivatives that qualify as hedges, the impact on reported earnings may be materially different from the change in market values;
- the analysis excludes liabilities pursuant to insurance contracts and real estate holdings; and
- the model assumes that the composition of assets and liabilities remains unchanged throughout the period.

Accordingly, we use such models as tools and not as substitutes for the experience and judgment of our management. Based on our analysis of the impact of a 10% change (increase or decrease) in market rates and prices, we have determined that such a change could have a material adverse effect on the estimated fair value of certain assets and liabilities from interest rate, foreign currency exchange rate and equity market exposures.

The table below illustrates the potential loss in estimated fair value for each market risk exposure of our market sensitive assets and liabilities at December 31, 2012:

	December 31, 2012 **(In millions)**
Non-trading:	
Interest rate risk	$ 5,996
Foreign currency exchange rate risk	$ 6,553
Equity market risk	$ 319
Trading:	
Interest rate risk	$ 5
Foreign currency exchange rate risk	$ 19

Sensitivity Analysis: Interest Rates. The table below provides additional detail regarding the potential loss in estimated fair value of our trading and non-trading interest sensitive financial instruments at December 31, 2012 by type of asset or liability:

		December 31, 2012	
	Notional Amount	Estimated Fair Value (1)	Assuming a 10% Increase in the Yield Curve
		(In millions)	
Assets:			
Fixed maturity securities		$ 374,266	$ (5,110)
Equity securities		$ 2,891	
Fair value option and trading securities		$ 883	(5)
Mortgage loans:			
Held-for-investment		$ 57,381	(220)
Held-for-sale		414	
Mortgage loans, net		$ 57,795	(220)
Policy loans		$ 14,257	(112)
Short-term investments		$ 16,906	(1)
Other invested assets		$ 1,241	
Cash and cash equivalents		$ 15,738	
Accrued investment income		$ 4,374	
Premiums, reinsurance and other receivables		$ 3,705	(236)
Other assets		$ 292	(6)
Net embedded derivatives within asset host contracts (2)		$ 506	(22)
Total Assets			$ (5,712)
Liabilities: (3)			
Policyholder account balances		$ 150,497	$ 477
Payables for collateral under securities loaned and other transactions		$ 33,687	
Bank deposits		$ 6,416	
Short-term debt		$ 100	
Long-term debt		$ 18,978	225
Collateral financing arrangements		$ 3,839	
Junior subordinated debt securities		$ 3,984	94
Other liabilities:			
Trading liabilities		$ 163	3
Other		$ 1,916	
Net embedded derivatives within liability host contracts (2)		$ 3,684	518
Total Liabilities			$ 1,317
Commitments:			
Mortgage loan commitments	$ 2,969	$ 12	(20)
Commitments to fund bank credit facilities, bridge loans and private corporate bond investments	$ 1,243	$ 22	
Total Commitments			$ (20)
Derivative Instruments:			
Interest rate swaps	$ 92,289	$ 5,694	$ (1,120)
Interest rate floors	$ 56,246	$ 337	(29)
Interest rate caps	$ 49,465	$ 74	17
Interest rate futures	$ 11,684	$ (37)	(92)
Interest rate options	$ 16,328	$ 580	(206)
Interest rate forwards	$ 675	$ 139	(44)
Synthetic GICs	$ 4,162	$	
Foreign currency swaps	$ 20,433	$ (426)	(9)
Foreign currency forwards	$ 11,754	$ (280)	
Currency futures	$ 1,408	$ 4	
Currency options	$ 4,504	$ 41	(2)
Credit default swaps	$ 12,553	$ 51	

Equity futures	$ 7,008	$ (118)	
Equity options	$ 22,920	$ 2,469	(101)
Variance swaps	$ 19,830	$ (188)	
Total rate of return swaps	$ 3,092	$ (99)	
Total Derivative Instruments			$ (1,586)
Net Change			$ (6,001)

(1) Separate account assets and liabilities and contractholder-directed unit-linked investments and associated PABs, which are interest rate sensitive, are not included herein as any interest rate risk is borne by the contractholder. Mortgage loans and long-term debt exclude $2.7 billion and $2.5 billion, respectively, related to CSEs. See Note 8 of the Notes to the Consolidated Financial Statements for information regarding CSEs.

(2) Embedded derivatives are recognized in the consolidated balance sheet in the same caption as the host contract.

(3) Excludes $207.8 billion of liabilities at carrying value pursuant to insurance contracts reported within future policy benefits and other policy-related balances. These liabilities would economically offset a significant portion of the net change in fair value of our financial instruments resulting from a 10% increase in the yield curve.

Interest rate risk has increased by $1.7 billion, or 40%, to $6.0 billion at December 31, 2012 from $4.3 billion at December 31, 2011. The increase in risk is primarily driven by increases in net embedded derivatives within liability host contracts of $1.2 billion, the net asset and liability bases of $311 million, the overall yield impact of $102 million and the impact of derivatives of $57 million.

Sensitivity Analysis: Foreign Currency Exchange Rates. The table below provides additional detail regarding the potential loss in estimated fair value of our portfolio due to a 10% change in foreign currency exchange rates at December 31, 2012 by type of asset or liability:

	December 31, 2012		
	Notional Amount	Estimated Fair Value (1)	Assuming a 10% Increase in the Foreign Exchange Rate
		(In millions)	
Assets:			
Fixed maturity securities		$ 374,266	$ (8,654)
Equity securities		$ 2,891	(156)
Fair value option and trading securities		$ 883	(19)
Mortgage loans:			
Held-for-investment		$ 57,381	(535)
Held-for-sale		414	
Mortgage loans, net		$ 57,795	(535)
Policy loans		$ 14,257	(203)
Short-term investments		$ 16,906	(195)
Other invested assets		$ 1,241	(152)
Cash and cash equivalents		$ 15,738	(392)
Accrued investment income		$ 4,374	(43)
Premiums, reinsurance and other receivables		$ 3,705	(36)
Other assets		$ 292	(7)
Total Assets			$ (10,392)
Liabilities: (2)			
Policyholder account balances		$ 150,497	$ 2,761
Payable for collateral under securities loaned and other transactions		$ 33,687	47
Bank deposits		$ 6,416	
Long-term debt		$ 18,978	137
Other liabilities		$ 1,916	4
Net embedded derivatives within liability host contracts (3)		$ 3,684	258
Total Liabilities			$ 3,207
Derivative Instruments:			
Interest rate swaps	$ 92,289	$ 5,694	$ (35)
Interest rate floors	$ 56,246	$ 337	
Interest rate caps	$ 49,465	$ 74	
Interest rate futures	$ 11,684	$ (37)	
Interest rate options	$ 16,328	$ 580	(1)
Interest rate forwards	$ 675	$ 139	
Synthetic GICs	$ 4,162	$	
Foreign currency swaps	$ 20,433	$ (426)	697
Foreign currency forwards	$ 11,754	$ (280)	31
Currency futures	$ 1,408	$ 4	(115)
Currency options	$ 4,504	$ 41	142
Credit default swaps	$ 12,553	$ 51	
Equity futures	$ 7,008	$ (118)	10
Equity options	$ 22,920	$ 2,469	(116)
Variance swaps	$ 19,830	$ (188)	
Total rate of return swaps	$ 3,092	$ (99)	
Total Derivative Instruments			$ 613
Net Change			$ (6,572)

(1) Does not necessarily represent those financial instruments solely subject to foreign currency exchange rate risk. Separate account assets and liabilities and contractholder-directed unit-linked investments and associated PABs, which are foreign currency exchange rate sensitive, are not included herein as any foreign currency exchange rate risk is borne by the contractholder. Mortgage loans and long-term debt exclude $2.7 billion and $2.5 billion, respectively, related to CSEs. See Note 8 of the Notes to Consolidated Financial Statements for information regarding CSEs.

(2) Excludes $207.8 billion of liabilities at carrying value pursuant to insurance contracts reported within future policy benefits and other policy-related balances. These liabilities would economically offset a significant portion of the net change in fair value of our financial instruments resulting from a 10% increase in the foreign currency exchange rates.

(3) Embedded derivatives are recognized in the consolidated balance sheet in the same caption as the host contract.

Foreign currency exchange rate risk increased by $1.6 billion, to $6.6 billion at December 31, 2012 from $5.0 billion at December 31, 2011. This change was due to an increase in exchange rate risk relating to fixed maturity securities and equity securities (including FVO and trading securities), mortgage loans, cash and cash equivalents, other invested assets, net embedded derivatives within liability host contracts and PABs. Our exposure increased primarily due to the Australian dollar and the Japanese yen.

Sensitivity Analysis: Equity Market Prices. The table below provides additional detail regarding the potential loss in estimated fair value of our portfolio due to a 10% change in equity at December 31, 2012 by type of asset or liability:

		December 31, 2012	
	Notional Amount	**Estimated Fair Value (1)**	**Assuming a 10% Increase in Equity Prices**
		(In millions)	
Assets:			
Equity securities		$ 2,891	$ 258
Net embedded derivatives within asset host contracts (2)		$ 506	(25)
Total Assets			233
Liabilities:			
Policyholder account balances		$ 150,497	
Bank deposits		$ 6,416	
Net embedded derivatives within liability host contracts (2)		$ 3,684	802
Total Liabilities			$ 802
Derivative Instruments:			
Interest rate swaps	$ 92,289	$ 5,694	$
Interest rate floors	$ 56,246	$ 337	
Interest rate caps	$ 49,465	$ 74	
Interest rate futures	$ 11,684	$ (37)	
Interest rate options	$ 16,328	$ 580	
Interest rate forwards	$ 675	$ 139	
Synthetic GICs	$ 4,162	$	
Foreign currency swaps	$ 20,433	$ (426)	
Foreign currency forwards	$ 11,754	$ (280)	
Currency futures	$ 1,408	$ 4	
Currency options	$ 4,504	$ 41	
Credit default swaps	$ 12,553	$ 51	
Equity futures	$ 7,008	$ (118)	(620)
Equity options	$ 22,920	$ 2,469	(440)
Variance swaps	$ 19,830	$ (188)	14
Total rate of return swaps	$ 3,092	$ (99)	(308)
Total Derivative Instruments			$ (1,354)
Net Change			$ (319)

(1) Does not necessarily represent those financial instruments solely subject to equity price risk. Additionally, separate account assets and liabilities and contractholder-directed unit-linked investments and associated PABs, which are equity market sensitive, are not included herein as any equity market risk is borne by the contractholder.

(2) Embedded derivatives are recognized in the consolidated balance sheet in the same caption as the host contract.

Equity price risk increased by $282 million to $319 million at December 31, 2012 from $37 million at December 31, 2011. This increase is primarily due to a change in the portfolio composition of derivatives we employ.

Changes in and Disagreements With Accountants on Accounting and Financial Disclosure

None.

Management s Annual Report on Internal Control Over Financial Reporting

Management of MetLife, Inc. and subsidiaries is responsible for establishing and maintaining adequate internal control over financial reporting. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of internal control include providing management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management s authorization and recorded properly to permit the preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America.

Management has documented and evaluated the effectiveness of the internal control of the Company at December 31, 2012 pertaining to financial reporting in accordance with the criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

In the opinion of management, MetLife, Inc. maintained effective internal control over financial reporting at December 31, 2012.

Deloitte & Touche LLP, an independent registered public accounting firm, has audited the consolidated financial statements and consolidated financial statement schedules included in the Annual Report on Form 10-K for the year ended December 31, 2012. The Report of the Independent Registered Public Accounting Firm on their audit of the consolidated financial statements and consolidated financial statement schedules is included at page 187 in the Annual Report on Form 10-K.

Attestation Report of the Company s Registered Public Accounting Firm

The Company s independent registered public accounting firm, Deloitte & Touche LLP, has issued their attestation report on management s internal control over financial reporting which is set forth below.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of

MetLife, Inc.:

We have audited the internal control over financial reporting of MetLife, Inc. and subsidiaries (the Company) as of December 31, 2012, based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management s Annual Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company s internal control over financial reporting is a process designed by, or under the supervision of, the company s principal executive and principal financial officers, or persons performing similar functions, and effected by the company s board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company s assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2012, based on the criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements of the Company as of and for the year ended December 31, 2012, and our report dated February 26, 2013 expressed an unqualified opinion on those consolidated financial statements.

/s/ DELOITTE & TOUCHE LLP

DELOITTE & TOUCHE LLP

New York, New York

February 26, 2013

Financial Statements and Supplementary Data

Index to Consolidated Financial Statements, Notes and Schedules

	Page Number
Report of Independent Registered Public Accounting Firm	76
Financial Statements at December 31, 2012 and 2011 and for the Years Ended December 31, 2012, 2011 and 2010:	
Consolidated Balance Sheets	77
Consolidated Statements of Operations	78
Consolidated Statements of Comprehensive Income	79
Consolidated Statements of Equity	80
Consolidated Statements of Cash Flows	83
Notes to the Consolidated Financial Statements	85
Note 1 Business, Basis of Presentation and Summary of Significant Accounting Policies	85
Note 2 Segment Information	95
Note 3 Acquisitions and Dispositions	100
Note 4 Insurance	103
Note 5 Deferred Policy Acquisition Costs, Value of Business Acquired and Other Policy-Related Intangibles	108
Note 6 Reinsurance	111
Note 7 Closed Block	113
Note 8 Investments	115
Note 9 Derivatives	130
Note 10 Fair Value	139
Note 11 Goodwill	163
Note 12 Long-term and Short-term Debt	165
Note 13 Collateral Financing Arrangements	167
Note 14 Junior Subordinated Debt Securities	168
Note 15 Common Equity Units	169
Note 16 Equity	170
Note 17 Other Expenses	180
Note 18 Employee Benefit Plans	181
Note 19 Income Tax	192
Note 20 Earnings Per Common Share	196
Note 21 Contingencies, Commitments and Guarantees	196
Note 22 Quarterly Results of Operations (Unaudited)	204
Note 23 Subsequent Events	205

Table of Contents

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of

MetLife, Inc.:

We have audited the accompanying consolidated balance sheets of MetLife, Inc. and subsidiaries (the Company) as of December 31, 2012 and 2011, and the related consolidated statements of operations, comprehensive income, equity, and cash flows for each of the three years in the period ended December 31, 2012. These consolidated financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on the consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of MetLife, Inc. and subsidiaries as of December 31, 2012 and 2011, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2012, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company s internal control over financial reporting as of December 31, 2012, based on the criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report, dated February 26, 2013 expressed an unqualified opinion on the Company s internal control over financial reporting.

/s/ DELOITTE & TOUCHE LLP

DELOITTE & TOUCHE LLP

New York, New York

February 26, 2013

MetLife, Inc.

Consolidated Balance Sheets

December 31, 2012 and 2011

(In millions, except share and per share data)

	2012	2011
Assets		
Investments:		
Fixed maturity securities available-for-sale, at estimated fair value (amortized cost: $340,870 and $329,811, respectively; includes $3,378 and $3,225, respectively, relating to variable interest entities)	$ 374,266	$ 350,271
Equity securities available-for-sale, at estimated fair value (cost: $2,838 and $3,208, respectively)	2,891	3,023
Fair value option and trading securities, at estimated fair value (includes $659 and $473, respectively, of actively traded securities; and $112 and $280, respectively, relating to variable interest entities)	16,348	18,268
Mortgage loans:		
Held-for-investment, principally at amortized cost (net of valuation allowances of $347 and $481, respectively; includes $2,715 and $3,187, respectively, at estimated fair value, relating to variable interest entities)	56,592	56,915
Held-for-sale, principally at estimated fair value (includes $49 and $10,716, respectively, under the fair value option)	414	15,178
Mortgage loans, net	57,006	72,093
Policy loans	11,884	11,892
Real estate and real estate joint ventures (includes $10 and $15, respectively, relating to variable interest entities)	9,918	8,563
Other limited partnership interests (includes $274 and $259, respectively, relating to variable interest entities)	6,688	6,378
Short-term investments, principally at estimated fair value	16,906	17,310
Other invested assets, principally at estimated fair value (includes $81 and $98, respectively, relating to variable interest entities)	21,145	23,581
Total investments	517,052	511,379
Cash and cash equivalents, principally at estimated fair value (includes $99 and $176, respectively, relating to variable interest entities)	15,738	10,461
Accrued investment income (includes $13 and $16, respectively, relating to variable interest entities)	4,374	4,344
Premiums, reinsurance and other receivables (includes $5 and $12, respectively, relating to variable interest entities)	21,634	22,481
Deferred policy acquisition costs and value of business acquired	24,761	24,619
Goodwill	9,953	11,935
Other assets (includes $5 and $5, respectively, relating to variable interest entities)	7,876	7,984
Separate account assets	235,393	203,023
Total assets	$ 836,781	$ 796,226
Liabilities and Equity		
Liabilities		
Future policy benefits	$ 192,351	$ 184,275
Policyholder account balances	225,821	217,700
Other policy-related balances	15,463	15,599
Policyholder dividends payable	728	774
Policyholder dividend obligation	3,828	2,919
Payables for collateral under securities loaned and other transactions	33,687	33,716
Bank deposits	6,416	10,507
Short-term debt	100	686
Long-term debt (includes $2,527 and $3,068, respectively, at estimated fair value, relating to variable interest entities)	19,062	23,692
Collateral financing arrangements	4,196	4,647
Junior subordinated debt securities	3,192	3,192
Current income tax payable	401	193
Deferred income tax liability	8,693	6,395
Other liabilities (includes $40 and $60, respectively, relating to variable interest entities; and $0 and $7,626, respectively, under the fair value option)	22,492	30,914
Separate account liabilities	235,393	203,023

Total liabilities	771,823	738,232
Contingencies, Commitments and Guarantees (Note 21)		
Redeemable noncontrolling interests in partially-owned consolidated subsidiaries	121	105
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; 1,094,880,623 and 1,061,150,915 shares issued at December 31, 2012 and 2011, respectively; 1,091,686,736 and 1,057,957,028 shares outstanding at December 31, 2012 and 2011, respectively	11	11
Additional paid-in capital	28,011	26,782
Retained earnings	25,205	24,814
Treasury stock, at cost; 3,193,887 shares at December 31, 2012 and 2011	(172)	(172)
Accumulated other comprehensive income (loss)	11,397	6,083
Total MetLife, Inc. s stockholders equity	64,453	57,519
Noncontrolling interests	384	370
Total equity	64,837	57,889
Total liabilities and equity	$ 836,781	$ 796,226

See accompanying notes to the consolidated financial statements.

MetLife, Inc.

Consolidated Statements of Operations

For the Years Ended December 31, 2012, 2011 and 2010

(In millions, except per share data)

	2012	2011	2010
Revenues			
Premiums	$ 37,975	$ 36,361	$ 27,071
Universal life and investment-type product policy fees	8,556	7,806	6,028
Net investment income	21,984	19,585	17,493
Other revenues	1,906	2,532	2,328
Net investment gains (losses):			
Other-than-temporary impairments on fixed maturity securities	(346)	(924)	(682)
Other-than-temporary impairments on fixed maturity securities transferred to other comprehensive income (loss)	29	(31)	212
Other net investment gains (losses)	(35)	88	62
Total net investment gains (losses)	(352)	(867)	(408)
Net derivative gains (losses)	(1,919)	4,824	(265)
Total revenues	68,150	70,241	52,247
Expenses			
Policyholder benefits and claims	37,987	35,471	29,187
Interest credited to policyholder account balances	7,729	5,603	4,919
Policyholder dividends	1,369	1,446	1,485
Goodwill impairment	1,868		
Other expenses	17,755	18,537	12,927
Total expenses	66,708	61,057	48,518
Income (loss) from continuing operations before provision for income tax	1,442	9,184	3,729
Provision for income tax expense (benefit)	128	2,793	1,110
Income (loss) from continuing operations, net of income tax	1,314	6,391	2,619
Income (loss) from discontinued operations, net of income tax	48	24	44
Net income (loss)	1,362	6,415	2,663
Less: Net income (loss) attributable to noncontrolling interests	38	(8)	(4)
Net income (loss) attributable to MetLife, Inc.	1,324	6,423	2,667
Less: Preferred stock dividends	122	122	122
Preferred stock redemption premium		146	
Net income (loss) available to MetLife, Inc. s common shareholders	$ 1,202	$ 6,155	$ 2,545
Income (loss) from continuing operations, net of income tax, available to MetLife, Inc. s common shareholders per common share:			
Basic	$ 1.08	$ 5.79	$ 2.83

Diluted	$ 1.08	$ 5.74	$ 2.81
Net income (loss) available to MetLife, Inc. s common shareholders per common share:			
Basic	$ 1.12	$ 5.81	$ 2.88
Diluted	$ 1.12	$ 5.76	$ 2.86
Cash dividends declared per common share	$ 0.74	$ 0.74	$ 0.74

See accompanying notes to the consolidated financial statements.

MetLife, Inc.

Consolidated Statements of Comprehensive Income

For the Years Ended December 31, 2012, 2011 and 2010

(In millions)

	2012	2011	2010
Net income (loss) attributable to MetLife, Inc.	$ 1,324	$ 6,423	$ 2,667
Net income (loss) attributable to noncontrolling interests (1)	29	5	(2)
Net income (loss) (1)	1,353	6,428	2,665
Other comprehensive income (loss):			
Unrealized investment gains (losses), net of related offsets	9,394	6,867	6,744
Unrealized gains (losses) on derivatives	(239)	1,573	17
Foreign currency translation adjustments	(139)	9	(580)
Defined benefit plans adjustment	(842)	(760)	165
Other comprehensive income (loss), before income tax	8,174	7,689	6,346
Income tax (expense) benefit related to items of other comprehensive income (loss)	(2,851)	(2,789)	(2,199)
Other comprehensive income (loss), net of income tax	5,323	4,900	4,147
Comprehensive income (loss)	6,676	11,328	6,812
Less: Comprehensive income (loss) attributable to noncontrolling interest, net of income tax	38	(33)	3
Comprehensive income (loss) attributable to MetLife, Inc., excluding cumulative effect of change in accounting principle	6,638	11,361	6,809
Cumulative effect of change in accounting principle, net of income tax			52
Comprehensive income (loss) attributable to MetLife, Inc.	$ 6,638	$ 11,361	$ 6,861

[1] Net income (loss) attributable to noncontrolling interests and net income (loss) exclude gains (losses) of redeemable noncontrolling interests in partially-owned consolidated subsidiaries of $9 million, ($13) million and ($2) million for the years ended December 31, 2012, 2011 and 2010, respectively.

See accompanying notes to the consolidated financial statements.

MetLife, Inc.

Consolidated Statements of Equity

For the Year Ended December 31, 2012

(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, 2011	$ 1	$ 11	$ 26,782	$ 24,814	$ (172)	$ 9,115	$ (441)	$ (648)	$ (1,943)	$ 57,519	$ 370	$ 57,889
Common stock issuance newly issued shares (Note 16)			1,000							1,000		1,000
Stock-based compensation			229							229		229
Dividends on preferred stock				(122)						(122)		(122)
Dividends on common stock				(811)						(811)		(811)
Change in equity of noncontrolling interests											(24)	(24)
Net income (loss)				1,324						1,324	29	1,353
Other comprehensive income (loss), net of income tax						5,527	218	115	(546)	5,314	9	5,323
Balance at December 31, 2012	$ 1	$ 11	$ 28,011	$ 25,205	$ (172)	$ 14,642	$ (223)	$ (533)	$ (2,489)	$ 64,453	$ 384	$ 64,837

(1) Net income (loss) attributable to noncontrolling interests excludes gains (losses) of redeemable noncontrolling interests in partially-owned consolidated subsidiaries of $9 million.

See accompanying notes to the consolidated financial statements.

MetLife, Inc.

Consolidated Statements of Equity (Continued)

For the Year Ended December 31, 2011

(In millions)

							Accumulated Other Comprehensive Income (Loss)						
	Preferred Stock	Convertible 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, 2010	$ 1	$	$ 10	$ 26,423	$ 19,446	$ (172)	$ 3,488	$ (366)	$ (528)	$ (1,449)	$ 46,853	$ 365	$ 47,218
Redemption of convertible preferred stock				(2,805)							(2,805)		(2,805)
Preferred stock redemption premium					(146)						(146)		(146)
Common stock issuance newly issued shares			1	2,949							2,950		2,950
Stock-based compensation				215							215		215
Dividends on preferred stock					(122)						(122)		(122)
Dividends on common stock					(787)						(787)		(787)
Change in equity of noncontrolling interests												38	38
Net income (loss)					6,423						6,423	5	6,428
Other comprehensive income (loss), net of income tax							5,627	(75)	(120)	(494)	4,938	(38)	4,900
Balance at December 31, 2011	$ 1	$	$ 11	$ 26,782	$ 24,814	$ (172)	$ 9,115	$ (441)	$ (648)	$ (1,943)	$ 57,519	$ 370	$ 57,889

(1) Net income (loss) attributable to noncontrolling interests excludes gains (losses) of redeemable noncontrolling interests in partially-owned consolidated subsidiaries of ($13) million.

See accompanying notes to the consolidated financial statements.

MetLife, Inc.

Consolidated Statements of Equity (Continued)

For the Year Ended December 31, 2010

(In millions)

							Accumulated Other Comprehensive Income (Loss)						
	Preferred Stock	Convertible 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. Stockholders Equity	Noncontrolling Interests (1)	Total Equity
Balance at December 31, 2009	$ 1	$	$ 8	$ 16,859	$ 17,707	$ (190)	$ (825)	$ (513)	$ (166)	$ (1,545)	$ 31,336	$ 371	$ 31,707
Cumulative effect of change in accounting principle, net of income tax (Note 1)					(12)		31	11			30		30
Balance at January 1, 2010	1		8	16,859	17,695	(190)	(794)	(502)	(166)	(1,545)	31,366	371	31,737
Cumulative effect of change in accounting principle, net of income tax (Note 1)					(10)		10						
Convertible preferred stock issuance				2,805							2,805		2,805
Common stock issuance newly issued shares related to business acquisition			2	6,727							6,729		6,729
Issuance of stock purchase contracts related to common equity units				(69)							(69)		(69)
Stock-based compensation				101		18					119		119
Dividends on preferred stock					(122)						(122)		(122)
Dividends on common stock					(784)						(784)		(784)
Change in equity of noncontrolling interests												(9)	(9)
Net income (loss)					2,667						2,667	(2)	2,665
Other comprehensive income (loss), net of income tax							4,272	136	(362)	96	4,142	5	4,147
Balance at December 31, 2010	$ 1	$	$ 10	$ 26,423	$ 19,446	$ (172)	$ 3,488	$ (366)	$ (528)	$ (1,449)	$ 46,853	$ 365	$ 47,218

(1) Net income (loss) attributable to noncontrolling interests excludes gains (losses) of redeemable noncontrolling interests in partially-owned consolidated subsidiaries of ($2) million.

See accompanying notes to the consolidated financial statements.

MetLife, Inc.

Consolidated Statements of Cash Flows

For the Years Ended December 31, 2012, 2011 and 2010

(In millions)

	2012	2011	2010
Cash flows from operating activities			
Net income (loss)	$ 1,362	$ 6,415	$ 2,663
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization expenses	596	679	585
Amortization of premiums and accretion of discounts associated with investments, net	(426)	(477)	(1,078)
(Gains) losses on investments and derivatives and from sales of businesses, net	3,197	(3,181)	854
(Income) loss from equity method investments, net of dividends or distributions	108	315	48
Interest credited to policyholder account balances	7,729	5,603	4,925
Interest credited to bank deposits	78	95	137
Universal life and investment-type product policy fees	(8,556)	(7,806)	(6,037)
Goodwill impairment	1,868		
Change in fair value option and trading securities	1,900	648	(1,369)
Change in residential mortgage loans held-for-sale, net	3,370	(4,530)	(487)
Change in mortgage servicing rights	153	(60)	(165)
Change in accrued investment income	219	525	(206)
Change in premiums, reinsurance and other receivables	(109)	58	(1,023)
Change in deferred policy acquisition costs and value of business acquired, net	(1,139)	(591)	(370)
Change in income tax	(883)	1,742	1,231
Change in other assets	2,951	2,360	1,948
Change in insurance-related liabilities and policy-related balances	5,918	7,081	6,491
Change in other liabilities	(1,699)	1,136	(315)
Other, net	523	261	153
Net cash provided by operating activities	17,160	10,273	7,985
Cash flows from investing activities			
Sales, maturities and repayments of:			
Fixed maturity securities	103,823	104,302	86,529
Equity securities	1,140	2,006	1,371
Mortgage loans	14,673	13,486	6,361
Real estate and real estate joint ventures	1,018	1,296	322
Other limited partnership interests	974	1,121	522
Purchases of:			
Fixed maturity securities	(115,793)	(116,939)	(100,713)
Equity securities	(627)	(1,481)	(949)
Mortgage loans	(11,442)	(14,694)	(8,967)
Real estate and real estate joint ventures	(1,942)	(1,534)	(786)
Other limited partnership interests	(1,323)	(1,147)	(1,008)
Cash received in connection with freestanding derivatives	1,933	2,815	1,814
Cash paid in connection with freestanding derivatives	(3,258)	(3,478)	(2,548)
Net change in securitized reverse residential mortgage loans	(1,198)		
Sales of businesses, net of cash and cash equivalents disposed of $29, $54 and $0, respectively	576	126	
Sale of interest in joint venture		265	
Disposal of subsidiary		4	
Purchases of businesses, net of cash and cash equivalents acquired of $33, $70 and $4,175, respectively	(16)	(163)	(3,021)
Net change in policy loans	(111)	(66)	(225)
Net change in short-term investments	593	(7,949)	3,033
Net change in other invested assets	(791)	(19)	148
Other, net	(158)	(169)	(186)

Net cash used in investing activities	$ (11,929)	$ (22,218)	$ (18,303)

See accompanying notes to the consolidated financial statements.

MetLife, Inc.

Consolidated Statements of Cash Flows (Continued)

For the Years Ended December 31, 2012, 2011 and 2010

(In millions)

	2012	2011	2010
Cash flows from financing activities			
Policyholder account balances:			
Deposits	$ 91,284	$ 91,946	$ 74,296
Withdrawals	(86,994)	(87,625)	(69,739)
Net change in payables for collateral under securities loaned and other transactions	(29)	6,444	3,076
Net change in bank deposits	(4,169)	96	(32)
Net change in short-term debt	(586)	380	(606)
Long-term debt issued	750	1,346	5,090
Long-term debt repaid	(1,702)	(2,042)	(1,061)
Collateral financing arrangements repaid	(349)	(502)	
Cash received (paid) in connection with collateral financing arrangements	(44)	37	
Net change in liability for securitized reverse residential mortgage loans	1,198		
Common stock issued, net of issuance costs	1,000	2,950	3,529
Redemption of convertible preferred stock		(2,805)	
Preferred stock redemption premium		(146)	
Dividends on preferred stock	(122)	(122)	(122)
Dividends on common stock	(811)	(787)	(784)
Other, net	609	212	(266)
Net cash provided by financing activities	35	9,382	13,381
Effect of change in foreign currency exchange rates on cash and cash equivalents balances	11	(22)	(129)
Change in cash and cash equivalents	5,277	(2,585)	2,934
Cash and cash equivalents, beginning of year	10,461	13,046	10,112
Cash and cash equivalents, end of year	$ 15,738	$ 10,461	$ 13,046
Cash and cash equivalents, subsidiaries held-for-sale, beginning of year	$	$ 89	$ 88
Cash and cash equivalents, subsidiaries held-for-sale, end of year	$	$	$ 89
Cash and cash equivalents, from continuing operations, beginning of year	$ 10,461	$ 12,957	$ 10,024
Cash and cash equivalents, from continuing operations, end of year	$ 15,738	$ 10,461	$ 12,957

Supplemental disclosures of cash flow information:

	2012	2011	2010
Net cash paid (received) for:			
Interest	$ 1,335	$ 1,565	$ 1,489
Income tax	$ 554	$ 676	$ (23)
Non-cash transactions:			
Business acquisitions:			
Assets acquired	$ 595	$ 327	$ 125,728
Liabilities assumed	(579)	(94)	(109,306)
Redeemable and non-redeemable noncontrolling interests assumed			(130)

Net assets acquired		16		233		16,292
Cash paid, excluding transaction costs of $0, $0 and $88, respectively		(16)		(233)		(7,196)
Other purchase price adjustments						98
Securities issued	$		$		$	9,194
Purchase money mortgage loans on sales of real estate joint ventures	$		$		$	2
Real estate and real estate joint ventures acquired in satisfaction of debt	$	553	$	292	$	93
Collateral financing arrangements repaid	$	102	$	148	$	
Redemption of advances agreements in long-term debt	$	3,806	$		$	
Issuance of funding agreements in policyholder account balances	$	3,806	$		$	

See accompanying notes to the consolidated financial statements.

MetLife, Inc.

Notes to the Consolidated Financial Statements

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 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.

Consolidation

The accompanying 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 consolidated financial statements reflect the assets and liabilities of such subsidiaries as of November 30, 2012 and 2011 and the operating results of such subsidiaries for the years ended November 30, 2012, 2011 and 2010.

Discontinued Operations

The results of operations of a component of the Company that has either been disposed of or is classified as held-for-sale are reported in discontinued operations if certain criteria are met. In order to qualify for a discontinued operation, the operations and cash flows of the component have been or will be eliminated from the ongoing operations of the Company, and the Company will not have any significant continuing involvement in the operations of the component after the disposal transaction.

Separate Accounts

Separate accounts are established in conformity with insurance laws and are generally not chargeable with liabilities that arise from any other business of the Company. Separate account assets are subject to general account claims only to the extent the value of such assets exceeds the separate account liabilities. The Company reports separately, as assets and liabilities, investments held in separate accounts and liabilities of the separate accounts if:

- such separate accounts are legally recognized;
- assets supporting the contract liabilities are legally insulated from the Company s general account liabilities;
- investments are directed by the contractholder; and
- all investment performance, net of contract fees and assessments, is passed through to the contractholder.

The Company reports separate account assets at their fair value which is based on the estimated fair values of the underlying assets comprising the individual separate account portfolios. Investment performance (including investment income, net investment gains (losses) and changes in unrealized gains (losses)) and the corresponding amounts credited to contractholders of such separate accounts are offset within the same line in the consolidated statements of operations. Separate accounts credited with a contractual investment return are combined on a line-by-line basis with the Company s general account assets, liabilities, revenues and expenses and the accounting for these investments is consistent with the methodologies described herein for similar financial instruments held within the general account. Unit-linked separate account investments that are directed by contractholders but do not meet one or more of the other above criteria are included in fair value option (FVO) and trading securities.

The Company s revenues reflect fees charged to the separate accounts, including mortality charges, risk charges, policy administration fees, investment management fees and surrender charges. Such fees are included in universal life and investment-type product policy fees in the consolidated statements of operations.

Reclassifications

Certain amounts in the prior years consolidated financial statements and related footnotes thereto have been reclassified to conform with the current year presentation as discussed throughout the Notes to the Consolidated Financial Statements.

MetLife, Inc.

Notes to the Consolidated Financial Statements (Continued)

Summary of Significant Accounting Policies

The following are the Company s significant accounting policies with references to notes providing additional information on such policies and critical accounting estimates relating to such policies.

Accounting Policy	Note
Insurance	4
Deferred Policy Acquisition Costs, Value of Business Acquired and Other Policy-Related Intangibles	5
Reinsurance	6
Investments	8
Derivatives	9
Fair Value	10
Goodwill	11
Employee Benefit Plans	18
Income Tax	19
Litigation Contingencies	21

Insurance

Future Policy Benefit Liabilities and Policyholder Account Balances

The Company establishes liabilities for amounts payable under insurance policies. Generally, amounts are payable over an extended period of time and related liabilities are calculated as the present value of future expected benefits to be paid reduced by the present value of future expected premiums. Such liabilities are established based on methods and underlying assumptions in accordance with GAAP and applicable actuarial standards. Principal assumptions used in the establishment of liabilities for future policy benefits are mortality, morbidity, policy lapse, renewal, retirement, disability incidence, disability terminations, investment returns, inflation, expenses and other contingent events as appropriate to the respective product type and geographical area. These assumptions are established at the time the policy is issued and are intended to estimate the experience for the period the policy benefits are payable. Utilizing these assumptions, liabilities are established on a block of business basis. For long duration insurance contracts, assumptions such as mortality, morbidity and interest rates are locked in upon the issuance of new business. However, significant adverse changes in experience on such contracts may require the establishment of premium deficiency reserves. Such reserves are determined based on the then current assumptions and do not include a provision for adverse deviation.

Premium deficiency reserves may also be established for short duration contracts to provide for expected future losses. These reserves are based on actuarial estimates of the amount of loss inherent in that period, including losses incurred for which claims have not been reported. The provisions for unreported claims are calculated using studies that measure the historical length of time between the incurred date of a claim and its eventual reporting to the Company. Anticipated investment income is considered in the calculation of premium deficiency losses for short duration contracts.

Liabilities for universal and variable life secondary guarantees and paid-up guarantees are determined by estimating the expected value of death benefits payable when the account balance is projected to be zero and recognizing those benefits ratably over the accumulation period based on total expected assessments. The assumptions used in estimating the secondary and paid-up guarantee liabilities are consistent with those used for amortizing deferred policy acquisition costs (DAC), and are thus subject to the same variability and risk as further discussed herein. The assumptions of investment performance and volatility for variable products are consistent with historical experience of appropriate underlying equity indices, such as the Standard & Poor s Ratings Services (S&P) 500 Index. The benefits used in calculating the liabilities are based on the average benefits payable over a range of scenarios.

The Company regularly reviews its estimates of liabilities for future policy benefits and compares them with its actual experience. Differences result in changes to the liability balances with related charges or credits to benefit expenses in the period in which the changes occur.

Policyholder account balances (PABs) relate to contract or contract features where the Company has no significant insurance risk.

The Company issues directly and assumes through reinsurance certain variable annuity products with guaranteed minimum benefits that provide the policyholder a minimum return based on their initial deposit (i.e., the benefit base) less withdrawals. These guarantees are accounted for as insurance liabilities or as embedded derivatives depending on how and when the benefit is paid. Specifically, a guarantee is accounted for as an embedded derivative if a guarantee is paid without requiring (i) the occurrence of specific insurable event, or (ii) the policyholder to annuitize. Alternatively, a guarantee is accounted for as an insurance liability if the guarantee is paid only upon either (i) the occurrence of a specific insurable event, or (ii) annuitization. In certain cases, a guarantee may have elements of both an insurance liability and an embedded derivative and in such cases the guarantee is split and accounted for under both models.

Guarantees accounted for as insurance liabilities in future policy benefits include guaranteed minimum death benefits (GMDB), the portion of guaranteed minimum income benefits (GMIB) that require annuitization, and the life-contingent portion of guaranteed minimum withdrawal benefits (GMWB).

Guarantees accounted for as embedded derivatives in PABs include the non life-contingent portion of GMWB, guaranteed minimum accumulation benefits (GMAB) and the portion of GMIB that do not require annuitization. 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.

Other Policy-Related Balances

Other policy-related balances include policy and contract claims, unearned revenue liabilities, premiums received in advance, policyholder dividends due and unpaid, policyholder dividends left on deposit and negative VOBA.

The liability for policy and contract claims generally relates to incurred but not reported death, disability, long-term care (LTC) and dental claims, as well as claims which have been reported but not yet settled. The liability for these claims is based on the Company s estimated ultimate cost of settling all claims. The Company derives estimates for the development of incurred but not reported claims principally from analyses of historical patterns of claims by business line. The methods used to determine these estimates are continually reviewed. Adjustments resulting from this continuous review process and differences between estimates and payments for claims are recognized in policyholder benefits and claims expense in the period in which the estimates are changed or payments are made.

The unearned revenue liability relates to universal life-type and investment-type products and represents policy charges for services to be provided in future periods. The charges are deferred as unearned revenue and amortized using the product s estimated gross profits and margins, similar to DAC as discussed further herein. Such amortization is recorded in universal life and investment-type product policy fees.

The Company accounts for the prepayment of premiums on its individual life, group life and health contracts as premium received in advance and applies the cash received to premiums when due.

See Deferred Policy Acquisition Costs, Value of Business Acquired and Other Policy-Related Intangibles for a discussion of negative VOBA.

Recognition of Insurance Revenues and Deposits

Premiums related to traditional life, annuity policies with life contingencies, long-duration accident and health, and credit insurance policies are recognized as revenues when due from policyholders. Policyholder benefits and expenses are provided to recognize profits over the estimated lives of the insurance policies. When premiums are due over a significantly shorter period than the period over which benefits are provided, any excess profit is deferred and recognized into earnings in a constant relationship to insurance in-force or, for annuities, the amount of expected future policy benefit payments.

Premiums related to short-duration non-medical health and disability, accident and health, and certain credit insurance contracts are recognized on a pro rata basis over the applicable contract term.

Deposits related to universal life-type and investment-type products are credited to PABs. Revenues from such contracts consist of fees for mortality, policy administration and surrender charges and are recorded in universal life and investment-type product policy fees in the period in which services are provided. Amounts that are charged to earnings include interest credited and benefit claims incurred in excess of related PABs.

Premiums related to property and casualty contracts are recognized as revenue on a pro rata basis over the applicable contract term. Unearned premiums, representing the portion of premium written related to the unexpired coverage, are also included in future policy benefits.

Premiums, policy fees, policyholder benefits and expenses are presented net of reinsurance.

Deferred Policy Acquisition Costs, Value of Business Acquired and Other Policy-Related Intangibles

The Company incurs significant costs in connection with acquiring new and renewal insurance business. Costs that are related directly to the successful acquisition or renewal of insurance contracts are capitalized as DAC. Such costs include:

- incremental direct costs of contract acquisition, such as commissions;
- the portion of an employee s total compensation and benefits related to time spent selling, underwriting or processing the issuance of new and renewal insurance business only with respect to actual policies acquired or renewed;
- other essential direct costs that would not have been incurred had a policy not been acquired or renewed; and
- in limited circumstances, the costs of direct-response advertising, the primary purpose of which is to elicit sales to customers who could be shown to have responded specifically to the advertising and that results in probable future benefits.

All other acquisition-related costs, including those related to general advertising and solicitation, market research, agent training, product development, unsuccessful sales and underwriting efforts, as well as all indirect costs, are expensed as incurred.

Value of business acquired (VOBA) is an intangible asset resulting from a business combination that represents the excess of book value over the estimated fair value of acquired insurance, annuity, and investment-type contracts in-force at the acquisition date. The estimated fair value of the acquired liabilities is based on projections, by each block of business, of future policy and contract charges, premiums, mortality and morbidity, separate account performance, surrenders, operating expenses, investment returns, nonperformance risk adjustment and other factors. Actual experience on the purchased business may vary from these projections.

DAC and VOBA are amortized as follows:

Products:	In proportion to the following over estimated lives of the contracts:
Non-participating and non-dividend-paying traditional contracts:	Historic actual and expected future gross premiums.
Term insurance	
Non-participating whole life insurance	
Traditional group life insurance	
Non-medical health insurance	
Accident and health insurance	
Participating, dividend-paying traditional contracts	Actual and expected future gross margins.
Fixed and variable universal life contracts	Actual and expected future gross profits.
Fixed and variable deferred annuity contracts	
Credit insurance contracts	Historic and future earned premium.
Property and casualty insurance contracts	
Other short-duration contracts	

See Note 5 for additional information on DAC and VOBA amortization.

MetLife, Inc.

Notes to the Consolidated Financial Statements (Continued)

The recovery of DAC and VOBA is dependent upon the future profitability of the related business. DAC and VOBA are aggregated in the consolidated financial statements for reporting purposes.

The Company generally has two different types of sales inducements which are included in other assets: (i) the policyholder receives a bonus whereby the policyholder s initial account balance is increased by an amount equal to a specified percentage of the customer s deposit; and (ii) the policyholder receives a higher interest rate using a dollar cost averaging method than would have been received based on the normal general account interest rate credited. The Company defers sales inducements and amortizes them over the life of the policy using the same methodology and assumptions used to amortize DAC. The amortization of sales inducements is included in policyholder benefits and claims. Each year, or more frequently if circumstances indicate a potential recoverability issue exists, the Company reviews deferred sales inducements to determine the recoverability of the asset.

Value of distribution agreements acquired (VODA) is reported in other assets and represents the present value of expected future profits associated with the expected future business derived from the distribution agreements acquired as part of a business combination. Value of customer relationships acquired (VOCRA) is also reported in other assets and represents the present value of the expected future profits associated with the expected future business acquired through existing customers of the acquired company or business. The VODA and VOCRA associated with past business combinations are amortized over useful lives ranging from 10 to 40 years and such amortization is included in other expenses. Each year, or more frequently if circumstances indicate a possible impairment exists, the Company reviews VODA and VOCRA to determine whether the asset is impaired.

For certain acquired blocks of business, the estimated fair value of the in-force contract obligations exceeded the book value of assumed in-force insurance policy liabilities, resulting in negative VOBA, which is presented separately from VOBA as an additional insurance liability. The fair value of the in-force contract obligations is based on projections by each block of business. Negative VOBA is amortized over the policy period in proportion to the approximate consumption of losses included in the liability usually expressed in terms of insurance in-force or account value. Such amortization is recorded as a contra-expense in other expenses.

Reinsurance

For each of its reinsurance agreements, the Company determines whether the agreement provides indemnification against loss or liability relating to insurance risk in accordance with applicable accounting standards. Cessions under reinsurance agreements do not discharge the Company s obligations as the primary insurer. The Company reviews all contractual features, particularly those that may limit the amount of insurance risk to which the reinsurer is subject or features that delay the timely reimbursement of claims.

For reinsurance of existing in-force blocks of long-duration contracts that transfer significant insurance risk, the difference, if any, between the amounts paid (received), and the liabilities ceded (assumed) related to the underlying contracts is considered the net cost of reinsurance at the inception of the reinsurance agreement. The net cost of reinsurance is recorded as an adjustment to DAC and recognized as a component of other expenses on a basis consistent with the way the acquisition costs on the underlying reinsured contracts would be recognized. Subsequent amounts paid (received) on the reinsurance of in-force blocks, as well as amounts paid (received) related to new business, are recorded as ceded (assumed) premiums and ceded (assumed) future policy benefit liabilities are established.

For prospective reinsurance of short-duration contracts that meet the criteria for reinsurance accounting, amounts paid (received) are recorded as ceded (assumed) premiums and ceded (assumed) unearned premiums and are reflected as a component of premiums, reinsurance and other receivables (future policy benefits). Such amounts are amortized through earned premiums over the remaining contract period in proportion to the amount of insurance protection provided. For retroactive reinsurance of short-duration contracts that meet the criteria of reinsurance accounting, amounts paid (received) in excess of the related insurance liabilities ceded (assumed) are recognized immediately as a loss and are reported in the appropriate line item within the statement of operations. Any gain on such retroactive agreement is deferred and is amortized as part of DAC, primarily using the recovery method.

Ceded policyholder and contract related liabilities, other than those currently due, are reported gross on the balance sheet.

Amounts currently recoverable under reinsurance agreements are included in premiums, reinsurance and other receivables and amounts currently payable are included in other liabilities. Assets and liabilities relating to reinsurance agreements with the same reinsurer may be recorded net on the balance sheet, if a right of offset exists within the reinsurance agreement. In the event that reinsurers do not meet their obligations to the Company under the terms of the reinsurance agreements, reinsurance recoverable balances could become uncollectible. In such instances, reinsurance recoverable balances are stated net of allowances for uncollectible reinsurance.

Premiums, fees and policyholder benefits and claims include amounts assumed under reinsurance agreements and are net of reinsurance ceded. Amounts received from reinsurers for policy administration are reported in other revenues. With respect to GMIB, a portion of the directly written GMIB is accounted for as insurance liabilities, but the associated reinsurance agreements contain embedded derivatives. These embedded derivatives are included in premiums, reinsurance and other receivables with changes in estimated fair value reported in policyholder benefits and claims.

If the Company determines that a reinsurance agreement does not expose the reinsurer to a reasonable possibility of a significant loss from insurance risk, the Company records the agreement using the deposit method of accounting. Deposits received are included in other liabilities and deposits made are included within premiums, reinsurance and other receivables. As amounts are paid or received, consistent with the underlying contracts, the deposit assets or liabilities are adjusted. Interest on such deposits is recorded as other revenues or other expenses, as appropriate. Periodically, the Company evaluates the adequacy of the expected payments or recoveries and adjusts the deposit asset or liability through other revenues or other expenses, as appropriate.

Investments

Net Investment Income

Income on investments is reported within net investment income, unless otherwise stated herein.

MetLife, Inc.

Notes to the Consolidated Financial Statements (Continued)

Fixed Maturity and Equity Securities

The majority of the Company s fixed maturity and equity securities are classified as available-for-sale (AFS) and are reported at their estimated fair value. Unrealized investment gains and losses on these securities are recorded as a separate component of other comprehensive income (loss) (OCI), net of policyholder-related amounts and deferred income taxes. All security transactions are recorded on a trade date basis. Investment gains and losses on sales are determined on a specific identification basis.

Interest income on fixed maturity securities is recognized when earned using an effective yield method giving effect to amortization of premiums and accretion of discounts. Prepayment fees are recognized when earned. Dividends on equity securities are recognized when declared.

The Company periodically evaluates fixed maturity and equity securities for impairment. The assessment of whether impairments have occurred is based on management s case-by-case evaluation of the underlying reasons for the decline in estimated fair value and an analysis of the gross unrealized losses by severity and/or age. The analysis of gross unrealized losses is described further in Note 8 Evaluation of AFS Securities for OTTI and Evaluating Temporarily Impaired AFS Securities.

For fixed maturity securities in an unrealized loss position, an other-than-temporary impairment (OTTI) is recognized in earnings when it is anticipated that the amortized cost will not be recovered. When either: (i) the Company has the intent to sell the security; or (ii) it is more likely than not that the Company will be required to sell the security before recovery, the OTTI recognized in earnings is the entire difference between the security s amortized cost and estimated fair value. If neither of these conditions exist, the difference between the amortized cost of the security and the present value of projected future cash flows expected to be collected is recognized as an OTTI in earnings (credit loss). If the estimated fair value is less than the present value of projected future cash flows expected to be collected, this portion of OTTI related to other-than-credit factors (noncredit loss) is recorded in OCI. Adjustments are not made for subsequent recoveries in value.

With respect to equity securities, the Company considers in its OTTI analysis its intent and ability to hold a particular equity security for a period of time sufficient to allow for the recovery of its estimated fair value to an amount equal to or greater than cost. If a sale decision is made for an equity security and recovery to an amount at least equal to cost prior to the sale is not expected, the security will be deemed to be other-than-temporarily impaired in the period that the sale decision was made and an OTTI loss will be recorded in earnings. The OTTI loss recognized is the entire difference between the security s cost and its estimated fair value with a corresponding charge to earnings.

Fair Value Option and Trading Securities

FVO and trading securities are stated at estimated fair value and include investments for which the FVO has been elected (FVO Securities) and investments that are actively purchased and sold (Actively Traded Securities). FVO Securities include:

fixed maturity and equity securities held-for-investment by the general account to support asset and liability matching strategies for certain insurance products;

contractholder-directed investments supporting unit-linked variable annuity type liabilities which do not qualify for presentation and reporting as separate account summary total assets and liabilities. These investments are primarily mutual funds and, to a lesser extent, fixed maturity and equity securities, short-term investments and cash and cash equivalents. The investment returns on these investments inure to contractholders and are offset by a corresponding change in PABs through interest credited to policyholder account balances; and

securities held by consolidated securitization entities (CSEs) (former qualifying special purpose entities), with changes in estimated fair value subsequent to consolidation included in net investment gains (losses).

Actively Traded Securities principally include fixed maturity securities and short sale agreement liabilities, which are included in other liabilities.

Changes in estimated fair value of these securities subsequent to purchase are included in net investment income, except for certain securities included in FVO Securities where changes are included in net investment gains (losses).

Mortgage Loans

The Company disaggregates its mortgage loan investments into three portfolio segments: commercial, agricultural, and residential. The accounting and valuation allowance policies that are applicable to all portfolio segments are presented below and policies related to each of the portfolio segments are included in Note 8.

Mortgage Loans Held-For-Investment

Mortgage loans held-for-investment are stated at unpaid principal balance, adjusted for any unamortized premium or discount, deferred fees or expenses, and are net of valuation allowances. Interest income and prepayment fees are recognized when earned. Interest is accrued on the principal amount of the loan based on the loan s contractual interest rate, while amortization of premiums and discounts is recognized using the effective yield method. Gains and losses from sales of loans and increases or decreases to valuation allowances are recorded in net investment gains (losses).

Also included in mortgage loans held-for-investment are commercial mortgage loans held by CSEs for which the FVO was elected. These loans are stated at estimated fair value with changes in estimated fair value subsequent to consolidation recognized in net investment gains (losses).

Mortgage Loans Held-For-Sale

Mortgage loans held-for-sale includes three categories of mortgage loans:

Residential mortgage loans held-for-sale FVO. Forward and reverse residential mortgage loans originated with the intent to sell, for which the FVO was elected, are carried at estimated fair value. Subsequent changes in estimated fair value are recognized in other revenues.

Mortgage loans held-for-sale lower of amortized cost or estimated fair value. Mortgage loans originated with the intent to sell for which FVO was not elected, certain repurchased mortgage loans, and mortgage loans that were previously designated as held-for-investment, but now are designated as held-for-sale, are stated at the lower of amortized cost or estimated fair value.

MetLife, Inc.

Notes to the Consolidated Financial Statements (Continued)

Securitized reverse residential mortgage loans. Reverse residential mortgage loans originated with the intent to sell which have been transferred into Government National Mortgage Association securitizations, for which the FVO was elected, are stated at estimated fair value. The FVO was elected for certain loans and the corresponding secured borrowing, which is included within other liabilities. Subsequent changes in estimated fair value of both the asset and liability are recognized in other revenues.

Policy Loans

Policy loans are stated at unpaid principal balances. Interest income on such loans is recorded as earned using the contractual interest rate. Generally, accrued interest is capitalized on the policy s anniversary date. Valuation allowances are not established for policy loans, as they are fully collateralized by the cash surrender value of the underlying insurance policies. Any unpaid principal or interest on the loan is deducted from the cash surrender value or the death benefit prior to settlement of the insurance policy.

Real Estate

Real estate held-for-investment is stated at cost less accumulated depreciation. Depreciation is provided on a straight-line basis over the estimated useful life of the asset (typically 20 to 55 years). Rental income associated with such real estate is recognized on a straight-line basis over the term of the respective leases. The Company periodically reviews its real estate held-for-investment for impairment and tests for recoverability whenever events or changes in circumstances indicate the carrying value may not be recoverable and exceeds its estimated fair value. Properties whose carrying values are greater than their undiscounted cash flows are written down to their estimated fair value, which is generally computed using the present value of expected future cash flows discounted at a rate commensurate with the underlying risks.

Real estate for which the Company commits to a plan to sell within one year and actively markets in its current condition for a reasonable price in comparison to its estimated fair value is classified as held for sale. Real estate held-for-sale is stated at the lower of depreciated cost or estimated fair value less expected disposition costs and is not depreciated.

Real estate acquired upon foreclosure is recorded at the lower of estimated fair value or the carrying value of the mortgage loan at the date of foreclosure.

Real Estate Joint Ventures and Other Limited Partnership Interests

The Company uses the equity method of accounting for investments in real estate joint ventures and other limited partnership interests in which it has more than a minor ownership interest or more than a minor influence over the joint venture s or partnership s operations, but does not have a controlling financial interest. Equity method investment income is recognized as earned by the investee. The Company records its share of earnings using a three-month lag methodology for instances where the timely financial information is not available and the contractual agreements provide for the delivery of the investees financial information after the end of the Company s reporting period.

The Company uses the cost method of accounting for investments in which it has virtually no influence over the joint venture s or the partnership s operations. Based on the nature and structure of these investments, they do not meet the characteristics of an equity security in accordance with applicable accounting standards. The Company recognizes distributions on cost method investments as earned or received.

In addition to the investees performing regular evaluations for the impairment of underlying investments, the Company routinely evaluates these investments for impairments. For equity method investees, the Company considers financial and other information provided by the investee, other known information and inherent risks in the underlying investments, as well as future capital commitments, in determining whether an impairment has occurred. The Company considers its cost method investments for OTTI when the carrying value of such investments exceeds the net asset value (NAV). The Company takes into consideration the severity and duration of this excess when determining whether the cost method investment is other-than-temporarily impaired. When an OTTI has occurred, the impairment loss is recorded within net investment gains (losses).

Short-term Investments

Short-term investments include securities and other investments with remaining maturities of one year or less, but greater than three months, at the time of purchase and are stated at estimated fair value or amortized cost, which approximates estimated fair value.

Other Invested Assets

Other invested assets consist principally of the following:

Freestanding derivatives with positive estimated fair values are described in Derivatives below.

Tax credit partnerships derive their primary source of investment return in the form of income tax credits. Where tax credits are guaranteed by a creditworthy third party, the investment is accounted for under the effective yield method. Otherwise, the investment is accounted for under the equity method.

Leveraged leases are recorded net of non-recourse debt. The Company recognizes income on the leveraged leases by applying the leveraged lease s estimated rate of return to the net investment in the lease. The Company regularly reviews residual values and impairs them to expected values.

Funds withheld represent a receivable for amounts contractually withheld by ceding companies in accordance with reinsurance agreements. The Company recognizes interest on funds withheld at rates defined by the terms of the agreement which may be contractually specified or directly related to the underlying investments.

Joint venture investments that engage in insurance underwriting activities are accounted for under the equity method.

Mortgage Servicing Rights (MSRs) are measured at estimated fair value with changes in fair value reported in other revenues in the period in which the change occurs.

Securities Lending Program

Securities lending transactions, whereby blocks of securities, which are included in fixed maturity securities, equity securities, and short-term investments, are loaned to third parties, primarily brokerage firms and commercial banks, and are treated as financing arrangements and the associated liability is recorded at the amount of cash received. The Company obtains collateral at the inception of the loan, usually cash, in an amount generally equal to 102% of the estimated fair value of the securities loaned, and maintains it at a level greater than or equal to 100% for the duration of the loan. The Company is liable to return to the counterparties the cash collateral received. Security collateral on deposit from counterparties in connection with

MetLife, Inc.

Notes to the Consolidated Financial Statements (Continued)

the securities lending transactions may not be sold or repledged, unless the counterparty is in default, and is not reflected in the consolidated financial statements. The Company monitors the estimated fair value of the securities loaned on a daily basis with additional collateral obtained as necessary. Income and expenses associated with securities lending transactions are reported as investment income and investment expense, respectively, within net investment income.

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.

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
Other expenses	Economic hedges of foreign currency exchange rate exposure related to the Company s international subsidiaries

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).

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 statements 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).

MetLife, Inc.

Notes to the Consolidated Financial Statements (Continued)

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 sells variable annuities and purchases certain investments that contain 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;
- 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.

Fair Value

Certain assets and liabilities are measured at estimated fair value in the Company s consolidated balance sheets. In addition, the notes to these consolidated financial statements include further disclosures of estimated fair values. The Company defines fair value as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. In most cases, the exit price and the transaction (or entry) price will be the same at initial recognition.

Subsequent to initial recognition, fair values are based on unadjusted quoted prices for identical assets or liabilities in active markets that are readily and regularly obtainable. When such quoted prices are not available, fair values are based on quoted prices in markets that are not active, quoted prices for similar but not identical assets or liabilities, or other observable inputs. If these inputs are not available, or observable inputs are not determinative, unobservable inputs and/or adjustments to observable inputs requiring management judgment are used to determine the fair value of assets and liabilities.

Goodwill

Goodwill represents the future economic benefits arising from net assets acquired in a business combination that are not individually identified and recognized. Goodwill is calculated as the excess of cost over the estimated fair value of such net assets acquired, is not amortized, and is tested for impairment based on a fair value approach at least annually or more frequently if events or circumstances indicate that there may be justification for conducting an interim test. The Company performs its annual goodwill impairment testing during the third quarter of each year based upon data as of the close of the second quarter. Goodwill associated with a business acquisition is not tested for impairment during the year the business is acquired unless there is a significant identified impairment event.

The impairment test is performed at the reporting unit level, which is the operating segment or a business one level below the operating segment, if discrete financial information is prepared and regularly reviewed by management at that level. For purposes of goodwill impairment testing, if the carrying value of a reporting unit exceeds its estimated fair value, there may be an indication of impairment. In such instances, the implied fair value of the goodwill is determined in the same manner as the amount of goodwill that would be determined in a business combination. The excess of the carrying value of goodwill over the implied fair value of goodwill would be recognized as an impairment and recorded as a charge against net income.

On an ongoing basis, the Company evaluates potential triggering events that may affect the estimated fair value of the Company s reporting units to assess whether any goodwill impairment exists. Deteriorating or adverse market conditions for certain reporting units may have a significant impact on the estimated fair value of these reporting units and could result in future impairments of goodwill.

Employee Benefit Plans

Certain subsidiaries of MetLife, Inc. (the Subsidiaries) sponsor and/or administer various plans that provide defined benefit pension and other postretirement benefits covering eligible employees and sales representatives. Measurement dates used for all of the Subsidiaries defined benefit pension and other postretirement benefit plans correspond with the fiscal year ends of sponsoring Subsidiaries, which are December 31 for U.S. Subsidiaries and November 30 for most non-U.S. Subsidiaries.

The Company recognizes the funded status of the projected pension benefit obligation (PBO) for pension benefits and the accumulated pension benefit obligation (APBO) for other postretirement benefits for each of its plans. The Company recognizes an expense for differences between actual experience and estimates over the average future service period of participants. The actuarial gains or losses, prior service costs and credits and the remaining net transition asset or obligation not yet included in net periodic benefit costs are charged to accumulated OCI (AOCI), net of income tax.

The Subsidiaries also sponsor defined contribution plans for substantially all U.S. employees under which a portion of employee contributions is matched. Applicable matching contributions are made each payroll period. Accordingly, the Company recognizes compensation cost for current matching contributions. As all contributions are transferred currently as earned to the defined contribution plans, no liability for matching contributions is recognized in the consolidated balance sheets.

Income Tax

MetLife, Inc. and its includable life insurance and non-life insurance subsidiaries file a consolidated U.S. federal income tax return in accordance with the provisions of the Internal Revenue Code of 1986, as amended (the Code). Non-includable subsidiaries file either separate individual corporate tax returns or separate consolidated tax returns.

MetLife, Inc.

Notes to the Consolidated Financial Statements (Continued)

The Company s accounting for income taxes represents management s best estimate of various events and transactions.

Deferred tax assets and liabilities resulting from temporary differences between the financial reporting and tax bases of assets and liabilities are measured at the balance sheet date using enacted tax rates expected to apply to taxable income in the years the temporary differences are expected to reverse.

The realization of deferred tax assets depends upon the existence of sufficient taxable income within the carryback or carryforward periods under the tax law in the applicable tax jurisdiction. Valuation allowances are established when management determines, based on available information, that it is more likely than not that deferred income tax assets will not be realized. Factors in management s determination include the performance of the business and its ability to generate capital gains. Significant judgment is required in determining whether valuation allowances should be established, as well as the amount of such allowances. When making such determination, consideration is given to, among other things, the following:

- future taxable income exclusive of reversing temporary differences and carryforwards;
- future reversals of existing taxable temporary differences;
- taxable income in prior carryback years; and
- tax planning strategies.

The Company may be required to change its provision for income taxes in certain circumstances. Examples of such circumstances include when estimates used in determining valuation allowances on deferred tax assets significantly change or when receipt of new information indicates the need for adjustment in valuation allowances. Additionally, future events, such as changes in tax laws, tax regulations, or interpretations of such laws or regulations, could have an impact on the provision for income tax and the effective tax rate. Any such changes could significantly affect the amounts reported in the consolidated financial statements in the year these changes occur.

The Company determines whether it is more likely than not that a tax position will be sustained upon examination by the appropriate taxing authorities before any part of the benefit can be recorded in the financial statements. A tax position is measured at the largest amount of benefit that is greater than 50% likely of being realized upon settlement. Unrecognized tax benefits due to tax uncertainties that do not meet the threshold are included within other liabilities and are charged to earnings in the period that such determination is made.

The Company classifies interest recognized as interest expense and penalties recognized as a component of income tax.

Litigation Contingencies

The Company is a party to a number of legal actions and is involved in a number of regulatory investigations. Given the inherent unpredictability of these matters, it is difficult to estimate the impact on the Company s financial position. Liabilities are established when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated. Except as otherwise disclosed in Note 21, legal costs are recognized in other expenses as incurred. On a quarterly and annual basis, the Company reviews relevant information with respect to liabilities for litigation, regulatory investigations and litigation-related contingencies to be reflected in the Company s consolidated financial statements.

Other Accounting Policies

Stock-Based Compensation

The Company grants certain employees and directors stock-based compensation awards under various plans that are subject to specific vesting conditions. The cost of all stock-based transactions is measured at fair value at grant date and recognized over the period during which a grantee is required to provide services in exchange for the award. Although the terms of the Company s stock-based plans do not accelerate vesting upon retirement, or the attainment of retirement eligibility, the requisite service period subsequent to attaining such eligibility is considered nonsubstantive. Accordingly, the Company recognizes compensation expense related to stock-based awards over the shorter of the requisite service period or the period to attainment of retirement eligibility. An estimation of future forfeitures of stock-based awards is incorporated into the determination of compensation expense when recognizing expense over the requisite service period.

Cash and Cash Equivalents

The Company considers all highly liquid securities and other investments purchased with an original or remaining maturity of three months or less at the date of purchase to be cash equivalents. Cash equivalents are stated at amortized cost, which approximates estimated fair value.

Property, Equipment, Leasehold Improvements and Computer Software

Property, equipment and leasehold improvements, which are included in other assets, are stated at cost, less accumulated depreciation and amortization. Depreciation is determined using the straight-line method over the estimated useful lives of the assets, as appropriate. The estimated life is generally 40 years for company occupied real estate property, from five to 10 years for leasehold improvements, and from three to seven years for all other property and equipment. The cost basis of the property, equipment and leasehold improvements was $2.5 billion at both December 31, 2012 and 2011. Accumulated depreciation and amortization of property, equipment and leasehold improvements was $1.3 billion and $1.2 billion at December 31, 2012 and 2011, respectively. Related depreciation and amortization expense was $208 million, $199 million and $151 million for the years ended December 31, 2012, 2011 and 2010, respectively.

Computer software, which is included in other assets, is stated at cost, less accumulated amortization. Purchased software costs, as well as certain internal and external costs incurred to develop internal-use computer software during the application development stage, are capitalized. Such costs are amortized generally over a four-year period using the straight-line method. The cost basis of computer software was $1.5 billion and $2.2 billion at December 31, 2012 and 2011, respectively. Accumulated amortization of capitalized software was $932 million and $1.5 billion at December 31, 2012 and 2011, respectively. Related amortization expense was $221 million, $217 million and $189 million for the years ended December 31, 2012, 2011 and 2010, respectively.

MetLife, Inc.

Notes to the Consolidated Financial Statements (Continued)

Other Revenues

Other revenues include, in addition to items described elsewhere herein, advisory fees, broker-dealer commissions and fees, administrative service fees, and changes in account value relating to corporate-owned life insurance (COLI). Such fees and commissions are recognized in the period in which services are performed. Under certain COLI contracts, if the Company reports certain unlikely adverse results in its consolidated financial statements, withdrawals would not be immediately available and would be subject to market value adjustment, which could result in a reduction of the account value.

Policyholder Dividends

Policyholder dividends are approved annually by the insurance subsidiaries boards of directors. The aggregate amount of policyholder dividends is related to actual interest, mortality, morbidity and expense experience for the year, as well as management s judgment as to the appropriate level of statutory surplus to be retained by the insurance subsidiaries.

Foreign Currency

Assets, liabilities and operations of foreign affiliates and subsidiaries are recorded based on the functional currency of each entity. The determination of the functional currency is made based on the appropriate economic and management indicators. With the exception of certain foreign operations, primarily Japan, where multiple functional currencies exist, the local currencies of foreign operations are the functional currencies. Assets and liabilities of foreign affiliates and subsidiaries are translated from the functional currency to U.S. dollars at the exchange rates in effect at each year-end and income and expense accounts are translated at the average exchange rates during the year. The resulting translation adjustments are charged or credited directly to OCI, net of applicable taxes. Gains and losses from foreign currency transactions, including the effect of re-measurement of monetary assets and liabilities to the appropriate functional currency, are reported as part of net investment gains (losses) in the period in which they occur.

Earnings Per Common Share

Basic earnings per common share are computed based on the weighted average number of common shares, or their equivalent, outstanding during the period. The difference between the number of shares assumed issued and number of shares assumed purchased represents the dilutive shares. Diluted earnings per common share include the dilutive effect of the assumed: (i) exercise or issuance of stock-based awards using the treasury stock method; (ii) settlement of stock purchase contracts underlying common equity units using the treasury stock method; and (iii) settlement of accelerated common stock repurchase contracts. Under the treasury stock method, exercise or issuance of stock-based awards and settlement of the stock purchase contracts underlying common equity units is assumed to occur with the proceeds used to purchase common stock at the average market price for the period.

Adoption of New Accounting Pronouncements

On January 1, 2012, the Company adopted new guidance regarding accounting for DAC, which was retrospectively applied. The guidance specifies that only costs related directly to successful acquisition of new or renewal contracts can be capitalized as DAC; all other acquisition-related costs must be expensed as incurred. Under the new guidance, advertising costs may only be included in DAC if the capitalization criteria in the direct-response advertising guidance in Subtopic 340-20, *Other Assets and Deferred Costs Capitalized Advertising Costs*, are met. As a result, certain direct marketing, sales manager compensation and administrative costs previously capitalized by the Company will no longer be deferred. The cumulative effect adjustment of adopting the guidance on accounting for DAC was a decrease in total equity of $1.8 billion, net of income tax, as of January 1, 2010, which is reflected in the opening balance of equity in the consolidated statement of equity.

On January 1, 2012, the Company adopted new guidance regarding comprehensive income, which was retrospectively applied, that provides companies with the option to present the total of comprehensive income, components of net income, and the components of OCI either in a single continuous statement of comprehensive income or in two separate but consecutive statements in annual financial statements. The standard eliminates the option to present components of OCI as part of the statement of changes in stockholders equity. The Company adopted the two-statement approach for annual financial statements.

Effective January 1, 2012, the Company adopted new guidance on goodwill impairment testing that simplifies how an entity tests goodwill for impairment. This new guidance allows an entity to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying value as a basis for determining whether it needs to perform the quantitative two-step goodwill impairment test. Only if an entity determines, based on qualitative assessment, that it is more likely than not that a reporting unit s fair value is less than its carrying value will it be required to calculate the fair value of the reporting unit. The qualitative assessment is optional and the Company is permitted to bypass it for any reporting unit in any period and begin its impairment analysis with the quantitative calculation. In 2012, the Company proceeded to Step 1 of the two-step impairment analysis for all of the Company s reporting units. The Company is permitted to perform the qualitative assessment in any subsequent period.

Effective January 1, 2012, the Company adopted new guidance regarding fair value measurements that establishes common requirements for measuring fair value and for disclosing information about fair value measurements in accordance with GAAP and International Financial Reporting Standards. Some of the amendments clarify the Financial Accounting Standards Board s (FASB) intent on the application of existing fair value measurement requirements. Other amendments change a particular principle or requirement for measuring fair value or for disclosing information about fair value measurements. The adoption did not have a material impact on the Company s consolidated financial statements other than the expanded disclosures in Note 10.

Effective July 1, 2010, the Company adopted guidance regarding accounting for embedded credit derivatives within structured securities. This guidance clarifies the type of embedded credit derivative that is exempt from embedded derivative bifurcation requirements. Specifically, embedded credit derivatives resulting only from subordination of one financial instrument to another continue to qualify for the scope exception. Embedded credit derivative features other than subordination must be analyzed to determine whether they require bifurcation and separate accounting. As a result of the adoption of this guidance, the Company elected FVO for certain structured securities that were previously accounted for as fixed maturity securities. Upon adoption, the Company reclassified $50 million of securities from fixed maturity securities to FVO and trading securities. These securities had cumulative unrealized losses of $10 million, net of income tax, which was recognized as a cumulative effect adjustment to decrease retained earnings with a corresponding increase to AOCI as of July 1, 2010.

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

As a result of the adoption of the amended VIE consolidation guidance, the Company consolidated certain former QSPEs that were previously accounted for as fixed maturity commercial mortgage-backed securities (CMBS) and equity security collateralized debt obligations. The Company also elected FVO for all of the consolidated assets and liabilities of these entities. Upon consolidation, the Company recorded $278 million of securities classified as FVO and trading securities, $6.8 billion of commercial mortgage loans and $6.8 billion of long-term debt based on estimated fair values at January 1, 2010 and de-recognized $179 million in fixed maturity securities and less than $1 million in equity securities. The consolidation also resulted in a decrease in retained earnings of $12 million, net of income tax, and an increase in AOCI of $42 million, net of income tax, at January 1, 2010. For the year ended December 31, 2010, the Company recorded $426 million of net investment income on the consolidated assets, $411 million of interest expense in other expenses on the related long-term debt, and $6 million in net investment gains (losses) to remeasure the assets and liabilities at their estimated fair values.

Future Adoption of New Accounting Pronouncements

In January 2013, the FASB issued new guidance regarding comprehensive income (Accounting Standards Update (ASU) 2013-02, *Comprehensive Income (Topic 220): Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income),* effective prospectively for fiscal years beginning after December 15, 2012. The amendments require an entity to provide information about the amounts reclassified out of 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 Company is currently evaluating the impact of this guidance on its consolidated financial statements.

In January 2013, the FASB issued new guidance regarding balance sheet offsetting disclosures (ASU 2013-01, *Balance Sheet (Topic 210): Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities* (ASU 2013-01)), effective for fiscal years and interim periods within those years beginning on or after January 1, 2013. The amendments in ASU 2013-01 clarify that the scope of ASU 2011-11 (as defined below), applies to derivatives, including bifurcated embedded derivatives, repurchase and reverse repurchase agreements, and securities borrowing and lending transactions. The Company is currently evaluating the impact of this guidance on its consolidated financial statements.

In December 2011, the FASB issued new guidance regarding balance sheet offsetting disclosures (ASU 2011-11, *Balance Sheet (Topic 210): Disclosures about Offsetting Assets and Liabilities* (ASU 2011-11)), effective for annual reporting periods beginning on or after January 1, 2013, and interim periods within those annual periods. The guidance will be applied retrospectively for all comparative periods presented. The guidance requires an entity to disclose information about offsetting and related arrangements 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 objective of the guidance is to facilitate comparison between those entities that prepare their financial statements on the basis of GAAP and those entities that prepare their financial statements on the basis of International Financial Reporting Standards. The Company is currently evaluating the impact of this guidance on its consolidated financial statements and related disclosures.

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.

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 include a variety of variable and fixed annuities which provide for both asset accumulation and asset distribution needs.

MetLife, Inc.

Notes to the Consolidated Financial Statements (Continued)

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 LTC, 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.

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.

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

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. 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 entities. 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, 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 GAAP 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, Inc. 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 GMIB 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 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.

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 PABs but do not qualify for hedge accounting treatment and excludes amounts related to net investment income earned on contractholder-directed unit-linked investments;

MetLife, Inc.

Notes to the Consolidated Financial Statements (Continued)

- Amortization of DAC and 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.

Set forth in the tables below is certain financial information with respect to the Company s segments, as well as Corporate & Other, for the years ended December 31, 2012, 2011 and 2010 and at December 31, 2012 and 2011. 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.

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.

	Operating Earnings										
	Americas										
Year Ended December 31, 2012	Retail	Group, Voluntary & Worksite Benefits	Corporate Benefit Funding	Latin America	Total	Asia	EMEA	Corporate & Other	Total	Adjustments	Total Consolidated
						(In millions)					
Revenues											
Premiums	$ 6,532	$ 14,794	$ 3,237	$ 2,578	$ 27,141	$ 8,344	$ 2,370	$ 56	$ 37,911	$ 64	$ 37,975
Universal life and investment-type product policy fees	4,561	662	225	785	6,233	1,491	333	155	8,212	344	8,556
Net investment income	7,670	1,768	5,703	1,198	16,339	2,895	535	703	20,472	1,512	21,984
Other revenues	879	422	259	16	1,576	26	121	33	1,756	150	1,906
Net investment gains (losses)										(352)	(352)
Net derivative gains (losses)										(1,919)	(1,919)
Total revenues	19,642	17,646	9,424	4,577	51,289	12,756	3,359	947	68,351	(201)	68,150
Expenses											
Policyholder benefits and claims and policyholder dividends	9,010	13,691	5,704	2,231	30,636	5,819	1,196	119	37,770	1,586	39,356
Interest credited to policyholder account balances	2,375	167	1,358	393	4,293	1,784	126	39	6,242	1,487	7,729
Goodwill impairment										1,868	1,868
Capitalization of DAC	(1,753)	(138)	(29)	(353)	(2,273)	(2,288)	(723)		(5,284)	(5)	(5,289)
Amortization of DAC and VOBA	1,607	133	22	224	1,986	1,563	626	2	4,177	22	4,199
Amortization of negative VOBA				(5)	(5)	(456)	(94)		(555)	(67)	(622)
Interest expense on debt		1	8	(1)	8	5	1	1,176	1,190	166	1,356
Other expenses	5,369	2,351	478	1,375	9,573	4,738	1,810	559	16,680	1,431	18,111
Total expenses	16,608	16,205	7,541	3,864	44,218	11,165	2,942	1,895	60,220	6,488	66,708
	1,032	481	659	130	2,302	554	146	(679)	2,323	(2,195)	128

Provision for income tax expense (benefit)										
Operating earnings	$ 2,002	$ 960	$ 1,224	$ 583	$ 4,769	$ 1,037	$ 271	$ (269)	5,808	
Adjustments to:										
Total revenues									(201)	
Total expenses									(6,488)	
Provision for income tax (expense) benefit									2,195	
Income (loss) from continuing operations, net of income tax									$ 1,314	$ 1,314

At December 31, 2012	**Retail**	**Group, Voluntary & Worksite Benefits**	**Corporate Benefit Funding**	**Latin America**	**Asia (1)**	**EMEA**	**Corporate & Other**	**Total**
				(In millions)				
Total assets	$ 332,387	$ 44,138	$ 217,352	$ 23,272	$ 131,138	$ 23,474	$ 65,020	$ 836,781
Separate account assets	$ 150,513	$ 532	$ 71,875	$ 4,200	$ 8,273	$	$	$ 235,393
Separate account liabilities	$ 150,513	$ 532	$ 71,875	$ 4,200	$ 8,273	$	$	$ 235,393

(1) Total assets includes $111.0 billion of assets from the Japan operations which represents 13% of total consolidated assets.

MetLife, Inc.

Notes to the Consolidated Financial Statements (Continued)

	Operating Earnings										
	Americas										
Year Ended December 31, 2011	Retail	Group, Voluntary & Worksite Benefits	Corporate Benefit Funding	Latin America	Total	Asia	EMEA	Corporate & Other	Total	Adjustments	Total Consolidated
						(In millions)					
Revenues											
Premiums	$ 6,711	$ 13,949	$ 2,848	$ 2,514	$ 26,022	$ 7,716	$ 2,477	$ 54	$ 36,269	$ 92	$ 36,361
Universal life and investment-type product policy fees	4,096	630	232	757	5,715	1,343	315	155	7,528	278	7,806
Net investment income	7,414	1,768	5,506	1,025	15,713	2,475	562	888	19,638	(53)	19,585
Other revenues	779	390	249	15	1,433	36	123	60	1,652	880	2,532
Net investment gains (losses)										(867)	(867)
Net derivative gains (losses)										4,824	4,824
Total revenues	19,000	16,737	8,835	4,311	48,883	11,570	3,477	1,157	65,087	5,154	70,241
Expenses											
Policyholder benefits and claims and policyholder dividends	9,220	13,015	5,287	2,064	29,586	5,239	1,290	126	36,241	676	36,917
Interest credited to policyholder account balances	2,412	178	1,323	371	4,284	1,607	166		6,057	(454)	5,603
Goodwill impairment											
Capitalization of DAC	(2,339)	(176)	(25)	(295)	(2,835)	(2,045)	(669)		(5,549)	(9)	(5,558)
Amortization of DAC and VOBA	1,845	186	17	207	2,255	1,486	613	1	4,355	543	4,898
Amortization of negative VOBA				(6)	(6)	(560)	(53)		(619)	(78)	(697)
Interest expense on debt	1		9	1	11			1,293	1,304	325	1,629
Other expenses	5,854	2,198	513	1,305	9,870	4,522	1,723	505	16,620	1,645	18,265
Total expenses	16,993	15,401	7,124	3,647	43,165	10,249	3,070	1,925	58,409	2,648	61,057
Provision for income tax expense (benefit)	672	445	599	150	1,866	441	156	(584)	1,879	914	2,793
Operating earnings	$ 1,335	$ 891	$ 1,112	$ 514	$ 3,852	$ 880	$ 251	$ (184)	4,799		
Adjustments to:											
Total revenues									5,154		
Total expenses									(2,648)		
Provision for income tax (expense) benefit									(914)		
Income (loss) from continuing operations, net of income tax									$ 6,391		$ 6,391

At December 31, 2011	Retail	Group, Voluntary & Worksite Benefits	Corporate Benefit Funding	Latin America	Asia (1)	EMEA	Corporate & Other	Total
				(In millions)				
Total assets	$ 301,591	$ 45,197	$ 195,217	$ 20,315	$ 115,806	$ 30,040	$ 88,060	$ 796,226
Separate account assets	$ 128,208	$ 479	$ 64,851	$ 2,880	$ 6,599	$ 6	$	$ 203,023
Separate account liabilities	$ 128,208	$ 479	$ 64,851	$ 2,880	$ 6,599	$ 6	$	$ 203,023

[1] Total assets includes $103.9 billion of assets from the Japan operations which represents 13% of total consolidated assets.

MetLife, Inc.

Notes to the Consolidated Financial Statements (Continued)

					Operating Earnings						
			Americas								
Year Ended December 31, 2010	**Retail**	**Group, Voluntary & Worksite Benefits**	**Corporate Benefit Funding**	**Latin America**	**Total**	**Asia**	**EMEA**	**Corporate & Other**	**Total**	**Adjustments**	**Total Consolidated**
						(In millions)					
Revenues											
Premiums	$ 6,491	$ 14,100	$ 2,345	$ 1,969	$ 24,905	$ 1,716	$ 439	$ 11	$ 27,071	$	$ 27,071
Universal life and investment-type product policy fees	3,655	616	226	630	5,127	502	50	138	5,817	211	6,028
Net investment income	7,644	1,702	5,280	927	15,553	497	155	650	16,855	638	17,493
Other revenues	633	369	247	12	1,261	14	9	109	1,393	935	2,328
Net investment gains (losses)										(408)	(408)
Net derivative gains (losses)										(265)	(265)
Total revenues	18,423	16,787	8,098	3,538	46,846	2,729	653	908	51,136	1,111	52,247
Expenses											
Policyholder benefits and claims and policyholder dividends	8,835	13,112	4,677	1,829	28,453	1,351	137	33	29,974	698	30,672
Interest credited to policyholder account balances	2,381	192	1,447	370	4,390	183	124		4,697	222	4,919
Goodwill impairment											
Capitalization of DAC	(1,769)	(187)	(18)	(221)	(2,195)	(459)	(116)		(2,770)		(2,770)
Amortization of DAC and VOBA	1,724	181	16	144	2,065	290	87	1	2,443	34	2,477
Amortization of negative VOBA				(1)	(1)	(49)	(7)		(57)	(7)	(64)
Interest expense on debt	2		8	1	11	1	1	1,124	1,137	413	1,550
Other expenses	5,059	2,193	494	901	8,647	1,142	434	379	10,602	1,132	11,734
Total expenses	16,232	15,491	6,624	3,023	41,370	2,459	660	1,537	46,026	2,492	48,518
Provision for income tax expense (benefit)	735	427	516	92	1,770	46		(402)	1,414	(304)	1,110
Operating earnings	$ 1,456	$ 869	$ 958	$ 423	$ 3,706	$ 224	$ (7)	$ (227)	3,696		
Adjustments to:											
Total revenues									1,111		
Total expenses									(2,492)		
Provision for income tax (expense) benefit									304		
Income (loss) from continuing operations, net of income tax									$ 2,619		$ 2,619

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.

The following table presents total premiums, universal life and investment-type product policy fees and other revenues by major product groups of the Company s segments as well as Corporate & Other:

MetLife, Inc.

Notes to the Consolidated Financial Statements (Continued)

	Years Ended December 31,		
	2012	2011	2010
		(In millions)	
Life insurance (1)	$ 31,723	$ 30,486	$ 23,978
Accident and health insurance	13,255	12,269	7,480
Property and casualty insurance	3,117	3,043	2,956
Non-insurance	342	901	1,013
Total	$ 48,437	$ 46,699	$ 35,427

(1) Includes annuities and corporate benefit funding products.

Revenues derived from any customer did not exceed 10% of consolidated premiums, universal life and investment-type product policy fees and other revenues for the years ended December 31, 2012, 2011 and 2010.

The following table presents total premiums, universal life and investment-type product policy fees and other revenues associated with the Company s U.S. and foreign operations:

	Years Ended December 31,		
	2012	2011	2010
		(In millions)	
U.S.	$ 31,500	$ 30,108	$ 29,387
Foreign:			
Japan	7,833	7,184	568
Other	9,104	9,407	5,472
Total	$ 48,437	$ 46,699	$ 35,427

3. Acquisitions and Dispositions

Pending Dispositions

MetLife Bank

On January 11, 2013, MetLife Bank and MetLife, Inc. completed the sale of the depository business of MetLife Bank to GE Capital Retail Bank. 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 (the Federal Reserve Board) to de-register as a bank holding company.

In January 2012, MetLife, Inc. announced it was exiting the business of originating forward residential mortgage loans. In April 2012, MetLife, Inc. announced it was exiting the businesses of originating and servicing reverse residential mortgage loans and that MetLife Bank and MetLife, Inc. entered into a definitive agreement to sell MetLife Bank s reverse mortgage servicing portfolio. In June 2012, the Company sold the majority of MetLife Bank s reverse MSRs and related assets and liabilities, with the remainder sold in September 2012 pursuant to the same sales agreement. In November 2012, MetLife Bank and MetLife, Inc. entered into a definitive agreement to sell MetLife Bank s forward mortgage servicing portfolio to JPMorgan Chase Bank, N.A. (JPMorgan Chase). With the assumption of the rights and obligations of the forward mortgage servicing portfolio by JPMorgan Chase on December 31, 2012, MetLife Bank committed to exit the business of servicing forward mortgages.

In conjunction with exiting the depository, servicing and mortgage loan origination businesses (the MetLife Bank Divestiture), for the years ended December 31, 2012 and 2011, the Company recorded net losses of $163 million and $212 million, respectively, net of income tax, related to the loss on disposal of the MSRs, securities and mortgage loans sold and losses associated with lease impairments, other employee-related charges and investment impairments. The Company expects to incur additional charges of $60 million to $85 million, net of income tax, related to exiting these businesses. For servicing, collective net assets of

$608 million were sold for $580 million in net consideration, of which $190 million has been collected at December 31, 2012. The majority of the remaining amounts were collected in January 2013. In conjunction with the sale of reverse MSRs, the Company also de-recognized $9.1 billion of the associated securitized reverse residential mortgage loans that previously did not qualify as sales, as well as the corresponding liability of $9.1 billion related to these mortgage loans, from the consolidated balance sheet.

With the sale of its depository business and forward mortgage servicing portfolio, MetLife Bank has sold or has otherwise committed to exit substantially all of its operations. Total assets and liabilities recorded in the consolidated balance sheets related to MetLife Bank s businesses were $7.8 billion and $6.8 billion at December 31, 2012, respectively and $21.3 billion and $19.9 billion at December 31, 2011, respectively. The disposition of the assets and liabilities of these businesses did not qualify for classification as discontinued operations under GAAP.

MetLife Bank has historically taken advantage of collateralized borrowing opportunities with the Federal Home Loan Bank (FHLB) of New York (FHLB of NY). In January 2012, MetLife Bank discontinued taking advances from the FHLB of NY. In April 2012, MetLife Bank transferred cash to Metropolitan Life Insurance Company (MLIC) related to $3.8 billion of outstanding advances which had been included in long-term debt, and MLIC assumed the associated obligations under terms similar to those of the transferred advances by issuing funding agreements which are included in PABs. See Note 12.

Caribbean Business

In 2011, the Company entered into an agreement to sell its insurance operations in the Caribbean region, Panama and Costa Rica (the Caribbean Business). As a result of this agreement, the Company recorded a loss of $21 million, net of income tax, for the year ended December 31, 2011. During 2012, regulatory approvals were obtained for a majority of the jurisdictions and closings were finalized with the buyer, resulting in a gain of $5 million, net of income tax. These amounts are reflected in net investment gains (losses) within the consolidated statements of operations. As of December 31, 2011, the total assets and liabilities recorded in the consolidated balance sheets associated with the Caribbean Business were $859 million and $707 million, respectively. Sales in the remaining jurisdictions are expected to close in the first quarter of 2013, subject to regulatory

MetLife, Inc.

Notes to the Consolidated Financial Statements (Continued)

approval and other customary closing conditions in each of the jurisdictions. The results of the Caribbean Business are included in continuing operations.

2012 Disposition

American Life U.K. Assumption Reinsurance

During July 2012, the Company completed the disposal, through a ceded assumption reinsurance agreement, of certain closed blocks of business in the United Kingdom (U.K.), to a third party. Simultaneously, the Company recaptured from the third party the indemnity reinsurance agreement related to this business, previously reinsured as of July 1, 2011. These transactions resulted in a decrease in both insurance and reinsurance assets and liabilities of $4.1 billion. The Company recognized a gain of $25 million, net of income tax, on the transactions for the year ended December 31, 2012, which was recorded in net investment gains (losses) in the consolidated statement of operations.

2011 Dispositions

MSI MetLife

On April 1, 2011, the Company sold its 50% interest in Mitsui Sumitomo MetLife Insurance Co., Ltd. (MSI MetLife), a Japan domiciled life insurance company, to its joint venture partner, MS&AD Insurance Group Holdings, Inc. (MS&AD), for $269 million (¥22.5 billion) in cash consideration, less $4 million (¥310 million) to reimburse MS&AD for specific expenses incurred related to the transaction. The accumulated other comprehensive losses in the foreign currency translation adjustment component of equity resulting from the hedges of the Company s investment in the joint venture of $46 million, net of income tax, were released upon sale but did not impact net income for the year ended December 31, 2011 as such losses were considered in the overall impairment evaluation of the investment prior to the sale. During the years ended December 31, 2011 and 2010, the Company recorded losses of $57 million and $136 million, net of income tax, respectively, in net investment gains (losses) within the consolidated statements of operations related to the sale. The Company s operating earnings relating to its investment in MSI MetLife were included in the Asia segment.

MetLife Taiwan

On November 1, 2011, the Company sold its wholly-owned subsidiary, MetLife Taiwan Insurance Company Limited (MetLife Taiwan) for $180 million in cash consideration. The net assets sold were $282 million, resulting in a loss on disposal of $64 million, net of income tax, recorded in discontinued operations, for the year ended December 31, 2011. Income (loss) from the operations of MetLife Taiwan of $20 million and $22 million, net of income tax, for the years ended December 31, 2011 and 2010, respectively, was also recorded in discontinued operations. See Discontinued Operations below.

2010 Acquisition of ALICO

Description of Transaction

On November 1, 2010 (the ALICO Acquisition Date), MetLife, Inc. acquired all of the issued and outstanding capital stock of American Life Insurance Company (American Life) from AM Holdings LLC (formerly known as ALICO Holdings LLC) (AM Holdings), a subsidiary of American International Group, Inc. (AIG), and Delaware American Life Insurance Company (DelAm) from AIG (American Life, together with DelAm, collectively, ALICO) (the ALICO Acquisition) for a total purchase price of $16.4 billion. The ALICO Acquisition significantly broadened the Company s diversification by product, distribution and geography, meaningfully accelerated MetLife s global growth strategy, and provides the opportunity to build an international franchise leveraging the key strengths of ALICO.

The $7.2 billion cash portion of the purchase price was funded through the issuance of common stock as described in Note 16, fixed and floating rate senior debt as described in Note 12 as well as cash on hand. The securities issued to AM Holdings included (a) 78,239,712 shares of MetLife, Inc. s common stock; (b) 6,857,000 shares of Series B Contingent Convertible Junior Participating Non-Cumulative Perpetual Preferred Stock (the convertible preferred stock) of MetLife, Inc.; and (c) 40 million common equity units of MetLife, Inc. with an aggregate stated amount at issuance of $3.0 billion, initially consisting of (i) three purchase contracts (the Series C Purchase Contracts, the Series D Purchase Contracts and the Series E Purchase Contracts and, together, the Purchase Contracts), obligating the holder to purchase, on specified future settlement dates, a variable number of shares of MetLife, Inc. s common stock for a fixed price; and (ii) an interest in each of three series of debt securities (the Series C Debt Securities, the Series D Debt Securities and the Series E Debt Securities, and, together, the Debt Securities) issued by MetLife, Inc. Distributions on the common equity units will be made quarterly, through contract payments on the Purchase Contracts and interest payments on the Debt Securities, initially at an aggregate annual rate of 5.00% (an average annual rate of 3.02% on the Purchase Contracts and an average annual rate of 1.98% on the Debt Securities) as described in Note 15.

Contingent Consideration

The Company guaranteed that the fair value of a fund of assets backing certain U.K. unit-linked contracts would have a value of at least £1 per unit on July 1, 2012. If the shortfall between the aggregate guaranteed amount and the fair value of the fund exceeded £106 million (as adjusted for withdrawals), AIG would pay the difference to the Company and, conversely, if the shortfall at July 1, 2012 was less than £106 million, the Company would pay the difference to AIG. At July 1, 2012, the shortfall between the aggregate guaranteed amount and the fair value of the fund was less than £106 million, resulting in a payment of $108 million by the Company to AIG during the third quarter of 2012. The contingent consideration liability was $109 million at December 31, 2011. The decrease in the contingent consideration liability amount from December 31, 2011 to the date of settlement was recorded in net derivative gains (losses) in the consolidated statement of operations.

Branch Restructuring

On March 4, 2010, American Life entered into a closing agreement (the Closing Agreement) with the Commissioner of the Internal Revenue Service (IRS) with respect to a U.S. withholding tax issue arising as a result of payments made by its foreign branches. The Closing Agreement provides that American Life s foreign branches will not be required to withhold U.S. income tax on the income portion of payments made pursuant to American Life s life insurance and annuity contracts (Covered Payments) for any tax periods beginning on January 1, 2005 and ending on December 31, 2013 (the Deferral Period). The Closing Agreement required that American Life submit a plan to the IRS within 90 days after the close of the ALICO Acquisition, indicating the steps American Life would take (on a country by country basis) to ensure that no substantial amount of

MetLife, Inc.

Notes to the Consolidated Financial Statements (Continued)

U.S. withholding tax will arise from Covered Payments made by American Life s foreign branches to foreign customers after the Deferral Period. Such plan, which was submitted to the IRS on January 29, 2011, involves the transfer of businesses from certain of the foreign branches of American Life to one or more existing or newly-formed subsidiaries of MetLife, Inc. or American Life. See Note 19 for additional information regarding the valuation allowance related to branch restructuring.

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 through December 31, 2012. In addition, based on revised estimates of anticipated costs, this liability was reduced by $51 million for the year ended December 31, 2012, which was recorded as a reduction in other expenses in the consolidated statement of operations, resulting in a liability of $62 million at December 31, 2012.

See Notes 11 and 17 for additional information on goodwill and other expenses, respectively, related to the ALICO Acquisition.

Revenues and Earnings of ALICO

The following table presents information for ALICO that is included in the Company s consolidated statement of operations from the ALICO Acquisition Date through November 30, 2010:

	ALICO s Operations Included in MetLife s Results for the Year Ended December 31, 2010 (In millions)	
Total revenues	$	950
Income (loss) from continuing operations, net of income tax	$	(2)

Supplemental Pro Forma Information (unaudited)

The following table presents unaudited supplemental pro forma information as if the ALICO Acquisition had occurred on January 1, 2010 for the year ended December 31, 2010.

	Year Ended December 31, 2010 (In millions, except per share data)	
Total revenues	$	64,680
Income (loss) from continuing operations, net of income tax, attributable to common shareholders	$	3,888
Income (loss) from continuing operations, net of income tax, attributable to common shareholders per common share:		
Basic	$	3.60
Diluted	$	3.57

The pro forma information was derived from the historical financial information of MetLife and ALICO, reflecting the results of operations of MetLife and ALICO for 2010. The historical financial information has been adjusted to give effect to the pro forma events that are directly attributable to the ALICO Acquisition and factually supportable and expected to have a continuing impact on the combined results. Discontinued operations and the related earnings per share have been excluded from the presentation as they are non-recurring in nature. The pro forma information is not intended to reflect the results of operations of the combined company that would have resulted had the ALICO Acquisition been effective during the periods presented or the results that may be obtained by the combined company in the future. The pro forma information does not reflect future events that may occur after the ALICO Acquisition, including, but not limited to, expense efficiencies or revenue enhancements arising from the ALICO Acquisition and also does not give effect to certain one-time charges that MetLife expects to incur, such as restructuring and integration costs.

The pro forma information primarily reflects the following pro forma adjustments:

reduction in net investment income to reflect the amortization or accretion associated with the new cost basis of the acquired fixed maturities available-for-sale portfolio;
elimination of amortization associated with the elimination of ALICO s historical DAC;
amortization of VOBA, VODA and VOCRA associated with the establishment of VOBA, VODA and VOCRA arising from the ALICO Acquisition;
reduction in other expenses associated with the amortization of negative VOBA;
reduction in revenues associated with the elimination of ALICO s historical unearned revenue liability;
interest expense associated with the issuance of the Debt Securities to AM Holdings and the public issuance of senior notes in connection with the financing of the ALICO Acquisition;
certain adjustments to conform to MetLife s accounting policies; and
reversal of investment and derivative gains (losses) associated with certain transactions that were completed prior to the ALICO Acquisition Date (conditions of closing).

Discontinued Operations

The following table summarizes the amounts that have been reflected as discontinued operations in the consolidated statements of operations. Income (loss) from discontinued operations includes real estate classified as held-for-sale or sold.

MetLife, Inc.

Notes to the Consolidated Financial Statements (Continued)

	Years ended December 31,		
	2012	2011	2010
		(In millions)	
Total revenues	$ 74	$ 484	$ 464
Total expenses		363	406
Income (loss) before provision for income tax	74	121	58
Provision for income tax expense (benefit)	26	33	20
Income (loss) from operations of discontinued operations, net of income tax	48	88	38
Gain (loss) on disposal of operations, net of income tax		(64)	6
Income (loss) from discontinued operations, net of income tax	$ 48	$ 24	$ 44

4. Insurance

Insurance Liabilities

Insurance liabilities are comprised of future policy benefits, PABs and other policy-related balances. Information regarding insurance liabilities by segment, as well as Corporate & Other, was as follows at:

	December 31,	
	2012	2011
	(In millions)	
Retail	$ 138,082	$ 138,872
Group, Voluntary & Worksite Benefits	29,996	28,899
Corporate Benefit Funding	117,065	106,225
Latin America	16,055	13,890
Asia	103,064	98,267
EMEA	20,200	22,348
Corporate & Other	9,173	9,073
Total	$ 433,635	$ 417,574

Future policy benefits are measured as follows:

Product Type:	Measurement Assumptions:
Participating life	Aggregate of (i) net level premium reserves for death and endowment policy benefits (calculated based upon the non-forfeiture interest rate, ranging from 3% to 7% for domestic business and 1% to 21% for international business, and mortality rates guaranteed in calculating the cash surrender values described in such contracts); and (ii) the liability for terminal dividends for domestic business.
Non-participating life	Aggregate of the present value of expected future benefit payments and related expenses less the present value of expected future net premiums. Assumptions as to mortality and persistency are based upon the Company s experience when the basis of the liability is established. Interest rate assumptions for the aggregate future policy benefit liabilities range from 2% to 10% for domestic business and 1% to 16% for international business.
Individual and group traditional fixed annuities after annuitization	Present value of expected future payments. Interest rate assumptions used in establishing such liabilities range from 1% to 11% for domestic business and 1% to 13% for international business.

Non-medical health insurance	The net level premium method and assumptions as to future morbidity, withdrawals and interest, which provide a margin for adverse deviation. Interest rate assumptions used in establishing such liabilities range from 4% to 7% (primarily related to domestic business).
Disabled lives	Present value of benefits method and experience assumptions as to claim terminations, expenses and interest. Interest rate assumptions used in establishing such liabilities range from 2% to 8% for domestic business and 1% to 9% for international business.
Property and casualty insurance	The amount estimated for claims that have been reported but not settled and claims incurred but not reported are based upon the Company s historical experience and other actuarial assumptions that consider the effects of current developments, anticipated trends and risk management programs, reduced for anticipated salvage and subrogation.

Participating business represented 6% of the Company s life insurance in-force at both December 31, 2012 and 2011. Participating policies represented 20%, 21% and 26% of gross life insurance premiums for the years ended December 31, 2012, 2011 and 2010, respectively.

PABs are equal to: (i) policy account values, which consist of an accumulation of gross premium payments and investment performance; (ii) credited interest, ranging from 1% to 13% for domestic business and 1% to 16% for international business, less expenses, mortality charges and withdrawals; and (iii) fair value adjustments relating to business combinations.

MetLife, Inc.

Notes to the Consolidated Financial Statements (Continued)

Guarantees

The Company issues variable annuity products with guaranteed minimum benefits. The non-life contingent portion of GMWB and the portion of certain GMIB that does not require annuitization are accounted for as embedded derivatives in PABs and are further discussed in Note 9. Guarantees accounted for as insurance liabilities include:

Guarantee:		Measurement Assumptions:
GMDB	A return of purchase payment upon death even if the account value is reduced to zero.	Present value of expected death benefits in excess of the projected account balance recognizing the excess ratably over the accumulation period based on the present value of total expected assessments.
		Assumptions are consistent with those used for amortizing DAC, and are thus subject to the same variability and risk.
	An enhanced death benefit may be available for an additional fee.	Investment performance and volatility assumptions are consistent with the historical experience of the appropriate underlying equity index, such as the S&P 500 Index.
		Benefit assumptions are based on the average benefits payable over a range of scenarios.
GMIB	After a specified period of time determined at the time of issuance of the variable annuity contract, a minimum accumulation of purchase payments, even if the account value is reduced to zero, that can be annuitized to receive a monthly income stream that is not less than a specified amount.	Present value of expected income benefits in excess of the projected account balance at any future date of annuitization and recognizing the excess ratably over the accumulation period based on present value of total expected assessments.
		Assumptions are consistent with those used for estimating GMDB liabilities.
	Certain contracts also provide for a guaranteed lump sum return of purchase premium in lieu of the annuitization benefit.	Calculation incorporates an assumption for the percentage of the potential annuitizations that may be elected by the contractholder.
GMWB	A return of purchase payment via partial withdrawals, even if the account value is reduced to zero, provided that cumulative withdrawals in a contract year do not exceed a certain limit.	Expected value of the life contingent payments and expected assessments using assumptions consistent with those used for estimating the GMDB liabilities.

Certain contracts include guaranteed withdrawals that are
life contingent.

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.

Information regarding the liabilities for guarantees (excluding base policy liabilities and embedded derivatives) relating to annuity and universal and variable life contracts was as follows:

MetLife, Inc.

Notes to the Consolidated Financial Statements (Continued)

	Annuity Contracts		Universal and Variable Life Contracts		
	GMDB	GMIB	Secondary Guarantees	Paid-Up Guarantees	Total
			(In millions)		
Direct and Assumed					
Balance at January 1, 2010	$ 168	$ 402	$ 504	$ 174	$ 1,248
Acquisitions	46	110	2,952		3,108
Incurred guaranteed benefits	149	111	536	24	820
Paid guaranteed benefits	(91)		(1)		(92)
Balance at December 31, 2010	272	623	3,991	198	5,084
Incurred guaranteed benefits	273	269	496	23	1,061
Paid guaranteed benefits	(113)	(10)	(24)		(147)
Balance at December 31, 2011	432	882	4,463	221	5,998
Incurred guaranteed benefits	252	771	348	25	1,396
Paid guaranteed benefits	(117)	(18)	(26)		(161)
Balance at December 31, 2012	$ 567	$ 1,635	$ 4,785	$ 246	$ 7,233
Ceded					
Balance at January 1, 2010	$ 6	$	$ 182	$ 122	$ 310
Acquisitions	30				30
Incurred guaranteed benefits	18	(1)	412	17	446
Paid guaranteed benefits	(15)				(15)
Balance at December 31, 2010	39	(1)	594	139	771
Incurred guaranteed benefits	35	9	20	16	80
Paid guaranteed benefits	(20)				(20)
Balance at December 31, 2011	54	8	614	155	831
Incurred guaranteed benefits	22	1	139	18	180
Paid guaranteed benefits	(20)				(20)
Balance at December 31, 2012	$ 56	$ 9	$ 753	$ 173	$ 991
Net					
Balance at January 1, 2010	$ 162	$ 402	$ 322	$ 52	$ 938
Acquisitions	16	110	2,952		3,078
Incurred guaranteed benefits	131	112	124	7	374
Paid guaranteed benefits	(76)		(1)		(77)
Balance at December 31, 2010	233	624	3,397	59	4,313
Incurred guaranteed benefits	238	260	476	7	981
Paid guaranteed benefits	(93)	(10)	(24)		(127)
Balance at December 31, 2011	378	874	3,849	66	5,167
Incurred guaranteed benefits	230	770	209	7	1,216
Paid guaranteed benefits	(97)	(18)	(26)		(141)
Balance at December 31, 2012	$ 511	$ 1,626	$ 4,032	$ 73	$ 6,242

Account balances of contracts with insurance guarantees were invested in separate account asset classes as follows at:

	December 31,	
	2012	2011
	(In millions)	
Fund Groupings:		
Balanced	$ 67,230	$ 52,823
Equity	64,209	57,750
Bond	11,188	9,838
Specialty	2,260	2,034
Money Market	1,291	1,521
Total	$ 146,178	$ 123,966

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

MetLife, Inc.

Notes to the Consolidated Financial Statements (Continued)

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.

Information regarding the liabilities for guarantees (excluding base policy liabilities and embedded derivatives) relating to annuity and universal and variable life contracts was as follows at:

	December 31,			
	2012		2011	
	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 (3)	$ 184,095	$ 89,137	$ 163,845	$ 72,016
Separate account value	$ 143,893	$ 84,354	$ 121,841	$ 66,739
Net amount at risk	$ 9,501	$ 4,593 (2)	$ 16,641	$ 2,686 (2)
Average attained age of contractholders	62 years	62 years	62 years	61 years
Two Tier Annuities				
General account value	N/A	$ 848	N/A	$ 386
Net amount at risk	N/A	$ 232	N/A	$ 60
Average attained age of contractholders	N/A	51 years	N/A	60 years

	December 31,			
	2012		2011	
	Secondary Guarantees	Paid-Up Guarantees	Secondary Guarantees	Paid-Up Guarantees
	(In millions)			
Universal and Variable Life Contracts (1)				
Account value (general and separate account)	$ 14,256	$ 3,828	$ 12,946	$ 3,963
Net amount at risk	$ 189,197	$ 23,276	$ 188,642	$ 24,991

Average attained age of policyholders	54 years	60 years	53 years	59 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) The Company had previously disclosed the NAR based on the excess of the benefit base over the contractholder s total contract account value on the balance sheet date. Such amounts were $9.7 billion and $12.1 billion at December 31, 2012 and 2011, respectively. The Company has provided, in the table above, the NAR as defined above. The Company believes that this definition is more representative of the potential economic exposures of these guarantees as the contractholders do not have access to this difference other than through annuitization.

(3) 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.

Obligations Under Funding Agreements

The Company issues fixed and floating rate funding agreements, which are denominated in either U.S. dollars or foreign currencies, to certain special purpose entities (SPEs) that have issued either debt securities or commercial paper for which payment of interest and principal is secured by such funding agreements. During the years ended December 31, 2012, 2011 and 2010, the Company issued $35.1 billion, $39.9 billion and $34.1 billion, respectively, and repaid $31.1 billion, $41.6 billion and $30.9 billion, respectively, of such funding agreements. At December 31, 2012 and 2011, liabilities for funding agreements outstanding, which are included in PABs, were $30.0 billion and $25.5 billion, respectively.

Certain of the Company s subsidiaries are members of the FHLB. Holdings of FHLB common stock by branch, included in equity securities, were as follows at:

MetLife, Inc.

Notes to the Consolidated Financial Statements (Continued)

	December 31,	
	2012	2011
	(In millions)	
FHLB of NY	$ 736	$ 658
FHLB of Des Moines	$ 83	$ 51
FHLB of Boston	$ 67	$ 70
FHLB of Pittsburgh	$ 14	N/A

Such subsidiaries have also entered into funding agreements. The liability for funding agreements is included in PABs. Information related to the funding agreements was as follows at:

	Liability		Collateral	
	December 31,			
	2012	2011	2012	2011
	(In millions)			
FHLB of NY(1)	$ 13,512	$ 11,655	$ 14,611 (2)	$ 13,002 (2)
Farmer Mac(3)	$ 2,750	$ 2,750	$ 3,159	$ 3,157
FHLB of Des Moines(1)	$ 1,405	$ 695	$ 1,902 (2)	$ 953 (2)
FHLB of Boston(1)	$ 450	$ 450	$ 537 (2)	$ 518 (2)
FHLB of Pittsburgh	$	N/A	$ 810 (2)	N/A

(1) Represents funding agreements issued to the FHLB in exchange for cash and for which the FHLB has been granted a lien on certain assets, some of which are in the custody of the FHLB, including residential mortgage-backed securities (RMBS), to collateralize obligations under advances evidenced by funding agreements. The Company is permitted to withdraw any portion of the collateral in the custody of the FHLB as long as there is no event of default and the remaining qualified collateral is sufficient to satisfy the collateral maintenance level. Upon any event of default by the Company, the FHLB s recovery on the collateral is limited to the amount of the Company s liability to the FHLB.

(2) Advances are collateralized by mortgage-backed securities. The amount of collateral presented is at estimated fair value.

(3) Represents funding agreements issued to certain SPEs that have issued debt securities for which payment of interest and principal is secured by such funding agreements, and such debt securities are also guaranteed as to payment of interest and principal by the Federal Agricultural Mortgage Corporation, a federally chartered instrumentality of the U.S. (Farmer Mac). The obligations under these funding agreements are secured by a pledge of certain eligible agricultural real estate mortgage loans and may, under certain circumstances, be secured by other qualified collateral. The amount of collateral presented is at carrying value.

Liabilities for Unpaid Claims and Claim Expenses

Information regarding the liabilities for unpaid claims and claim expenses relating to property and casualty, group accident and non-medical health policies and contracts, which are reported in future policy benefits and other policy-related balances, was as follows:

	Years Ended December 31,		
	2012	2011	2010
		(In millions)	
Balance at January 1,	$ 10,117	$ 10,708	$ 8,219
Less: Reinsurance recoverables	1,436	2,198	547
Net balance at January 1,	8,681	8,510	7,672
Acquisitions, net			583
Incurred related to:			

Current year	8,399	9,028	6,482
Prior years	(69)	(199)	(75)
Total incurred	8,330	8,829	6,407
Paid related to:			
Current year	(5,689)	(6,238)	(4,050)
Prior years	(2,467)	(2,420)	(2,102)
Total paid	(8,156)	(8,658)	(6,152)
Net balance at December 31,	8,855	8,681	8,510
Add: Reinsurance recoverables	1,581	1,436	2,198
Balance at December 31,	$ 10,436	$ 10,117	$ 10,708

During 2012, 2011 and 2010, as a result of changes in estimates of insured events in the respective prior year, claims and claim adjustment expenses associated with prior years decreased by $69 million, $199 million and $75 million, respectively, due to a reduction in prior year automobile bodily injury and homeowners severity and improved loss ratio for non-medical health claim liabilities.

Separate Accounts

Separate account assets and liabilities include two categories of account types: pass-through separate accounts totaling $185.9 billion and $158.8 billion at December 31, 2012 and 2011, respectively, for which the policyholder assumes all investment risk, and separate accounts for which the Company contractually guarantees either a minimum return or account value to the policyholder which totaled $49.5 billion and $44.2 billion at December 31, 2012 and 2011, respectively. The latter category consisted primarily of funding agreements and participating close-out contracts. The average interest rate credited on these contracts was 2.80% and 3.12% at December 31, 2012 and 2011, respectively.

For the years ended December 31, 2012, 2011 and 2010, there were no investment gains (losses) on transfers of assets from the general account to the separate accounts.

5. Deferred Policy Acquisition Costs, Value of Business Acquired and Other Policy-Related Intangibles

See Note 1 for a description of capitalized acquisition costs.

Non-Participating and Non-Dividend-Paying Traditional Contracts

The Company amortizes DAC and VOBA related to these contracts (term insurance, non-participating whole life insurance, traditional group life insurance, non-medical health insurance, and accident and health insurance) over the appropriate premium paying period in proportion to the actual historic and expected future gross premiums that were set at contract issue. The expected premiums are based upon the premium requirement of each policy and assumptions for mortality, morbidity, persistency and investment returns at policy issuance, or policy acquisition (as it relates to VOBA), include provisions for adverse deviation, and are consistent with the assumptions used to calculate future policyholder benefit liabilities. These assumptions are not revised after policy issuance or acquisition unless the DAC or VOBA balance is deemed to be unrecoverable from future expected profits. Absent a premium deficiency, variability in amortization after policy issuance or acquisition is caused only by variability in premium volumes.

Participating, Dividend-Paying Traditional Contracts

The Company amortizes DAC and VOBA related to these contracts over the estimated lives of the contracts in proportion to actual and expected future gross margins. The amortization includes interest based on rates in effect at inception or acquisition of the contracts. The future gross margins are dependent principally on investment returns, policyholder dividend scales, mortality, persistency, expenses to administer the business, creditworthiness of reinsurance counterparties and certain economic variables, such as inflation. For participating contracts within the closed block (dividend-paying traditional contracts) future gross margins are also dependent upon changes in the policyholder dividend obligation. See Note 7. Of these factors, the Company anticipates that investment returns, expenses, persistency and other factor changes, as well as policyholder dividend scales are reasonably likely to impact significantly the rate of DAC and VOBA amortization. Each reporting period, the Company updates the estimated gross margins with the actual gross margins for that period. When the actual gross margins change from previously estimated gross margins, the cumulative DAC and VOBA amortization is re-estimated and adjusted by a cumulative charge or credit to current operations. When actual gross margins exceed those previously estimated, the DAC and VOBA amortization will increase, resulting in a current period charge to earnings. The opposite result occurs when the actual gross margins are below the previously estimated gross margins. Each reporting period, the Company also updates the actual amount of business in-force, which impacts expected future gross margins. When expected future gross margins are below those previously estimated, the DAC and VOBA amortization will increase, resulting in a current period charge to earnings. The opposite result occurs when the expected future gross margins are above the previously estimated expected future gross margins. Each period, the Company also reviews the estimated gross margins for each block of business to determine the recoverability of DAC and VOBA balances.

Fixed and Variable Universal Life Contracts and Fixed and Variable Deferred Annuity Contracts

The Company amortizes DAC and VOBA related to these contracts over the estimated lives of the contracts in proportion to actual and expected future gross profits. The amortization includes interest based on rates in effect at inception or acquisition of the contracts. The amount of future gross profits is dependent principally upon returns in excess of the amounts credited to policyholders, mortality, persistency, interest crediting rates, expenses to administer the business, creditworthiness of reinsurance counterparties, the effect of any hedges used and certain economic variables, such as inflation. Of these factors, the Company anticipates that investment returns, expenses and persistency are reasonably likely to impact significantly the rate of DAC and VOBA amortization. Each reporting period, the Company updates the estimated gross profits with the actual gross profits for that period. When the actual gross profits change from previously estimated gross profits, the cumulative DAC and VOBA amortization is re-estimated and adjusted by a cumulative charge or credit to current operations. When actual gross profits exceed those previously estimated, the DAC and VOBA amortization will increase, resulting in a current period charge to earnings. The opposite result occurs when the actual gross profits are below the previously estimated gross profits. Each reporting period, the Company also updates the actual amount of business remaining in-force, which impacts expected future gross profits. When expected future gross profits are below those previously estimated, the DAC and VOBA amortization will increase, resulting in a current period charge to earnings. The opposite result occurs when the expected future gross profits are above the previously estimated expected future gross profits. Each period, the Company also reviews the estimated gross profits for each block of business to determine the recoverability of DAC and VOBA balances.

Credit Insurance, Property and Casualty Insurance and Other Short-Duration Contracts

The Company amortizes DAC for these contracts, which is primarily composed of commissions and certain underwriting expenses, in proportion to historic and future earned premium over the applicable contract term.

MetLife, Inc.

Notes to the Consolidated Financial Statements   (Continued)

Factors Impacting Amortization

Separate account rates of return on variable universal life contracts and variable deferred annuity contracts affect in-force account balances on such contracts each reporting period which can result in significant fluctuations in amortization of DAC and VOBA. Returns that are higher than the Company s long-term expectation produce higher account balances, which increases the Company s future fee expectations and decreases future benefit payment expectations on minimum death and living benefit guarantees, resulting in higher expected future gross profits. The opposite result occurs when returns are lower than the Company s long-term expectation. The Company s practice to determine the impact of gross profits resulting from returns on separate accounts assumes that long-term appreciation in equity markets is not changed by short-term market fluctuations, but is only changed when sustained interim deviations are expected. The Company monitors these events and only changes the assumption when its long-term expectation changes.

The Company also periodically reviews other long-term assumptions underlying the projections of estimated gross margins and profits. These assumptions primarily relate to investment returns, policyholder dividend scales, interest crediting rates, mortality, persistency and expenses to administer business. Management annually updates assumptions used in the calculation of estimated gross margins and profits which may have significantly changed. If the update of assumptions causes expected future gross margins and profits to increase, DAC and VOBA amortization will decrease, resulting in a current period increase to earnings. The opposite result occurs when the assumption update causes expected future gross margins and profits to decrease.

Periodically, the Company modifies product benefits, features, rights or coverages that occur by the exchange of a contract for a new contract, or by amendment, endorsement, or rider to a contract, or by election or coverage within a contract. If such modification, referred to as an internal replacement, substantially changes the contract, the associated DAC or VOBA is written off immediately through income and any new deferrable costs associated with the replacement contract are deferred. If the modification does not substantially change the contract, the DAC or VOBA amortization on the original contract will continue and any acquisition costs associated with the related modification are expensed.

Amortization of DAC and VOBA is attributed to both investment gains and losses and to other expenses for the amount of gross margins or profits originating from transactions other than investment gains and losses. Unrealized investment gains and losses represent the amount of DAC and VOBA that would have been amortized if such gains and losses had been recognized.

Information regarding DAC and VOBA was as follows:

	Years Ended December 31,		
	2012	2011	2010
		(In millions)	
DAC			
Balance at January 1,	$ 15,240	$ 13,377	$ 13,551
Capitalizations	5,289	5,558	2,770
Amortization related to:			
Net investment gains (losses)	(40)	(478)	(92)
Other expenses	(2,875)	(2,614)	(1,875)
Total amortization	(2,915)	(3,092)	(1,967)
Unrealized investment gains (losses)	(516)	(427)	(1,043)
Effect of foreign currency translation and other	52	(176)	66
Balance at December 31,	17,150	15,240	13,377
VOBA			
Balance at January 1,	9,379	11,088	2,864
Acquisitions	55	11	9,210
Amortization related to:			
Net investment gains (losses)	(1)	(49)	(16)
Other expenses	(1,283)	(1,757)	(494)

Total amortization	(1,284)	(1,806)	(510)
Unrealized investment gains (losses)	(197)	(361)	(125)
Effect of foreign currency translation and other	(342)	447	(351)
Balance at December 31,	7,611	9,379	11,088
Total DAC and VOBA			
Balance at December 31,	$ 24,761	$ 24,619	$ 24,465

See Note 1 for information on the retrospective application of the adoption of new accounting guidance related to DAC.

Information regarding total DAC and VOBA by segment, as well as Corporate & Other, was as follows at:

MetLife, Inc.

Notes to the Consolidated Financial Statements (Continued)

	December 31,	
	2012	2011
	(In millions)	
Retail	$ 11,500	$ 11,681
Group, Voluntary & Worksite Benefits	382	377
Corporate Benefit Funding	96	89
Latin America	1,231	1,050
Asia	9,554	9,554
EMEA	1,998	1,866
Corporate & Other		2
Total	$ 24,761	$ 24,619

Information regarding other policy-related intangibles was as follows:

	Years Ended December 31,		
	2012	2011	2010
	(In millions)		
Deferred Sales Inducements			
Balance at January 1,	$ 926	$ 918	$ 841
Capitalization	81	140	157
Amortization	(77)	(132)	(80)
Balance at December 31,	$ 930	$ 926	$ 918
VODA and VOCRA			
Balance at January 1,	$ 1,264	$ 1,094	$ 792
Acquisitions		213	356
Amortization (1)	(150)	(60)	(42)
Effect of foreign currency translation	(6)	17	(12)
Balance at December 31,	$ 1,108	$ 1,264	$ 1,094
Accumulated amortization	$ 334	$ 184	$ 124
Negative VOBA			
Balance at January 1,	$ 3,657	$ 4,287	$
Acquisitions	10	7	4,422
Amortization	(622)	(697)	(64)
Effect of foreign currency translation	(129)	60	(71)
Balance at December 31,	$ 2,916	$ 3,657	$ 4,287
Accumulated amortization	$ 1,383	$ 761	$ 64

(1)

In connection with the Company s annual impairment testing of VOCRA, it was determined that the VOCRA included in the Group, Voluntary & Worksite Benefits segment, associated with a previously acquired dental business, was impaired as the undiscounted future cash flows associated with the asset were lower than its current carrying value. This shortfall in undiscounted future cash flows is primarily the result of actual persistency experience being less favorable than what was assumed when the asset was acquired. As a result of this impairment, the Company wrote the asset down to its estimated fair value, which was determined using the discounted cash flow valuation approach. The Company recorded a non-cash charge of $77 million ($50 million, net of income tax) for the impairment of the VOCRA balance to other expenses in the consolidated statement of operations for the year ended December 31, 2012.

The estimated future amortization expense (credit) to be reported in other expenses for the next five years is as follows:

	VOBA	VODA and VOCRA	Negative VOBA
		(In millions)	
2013	$ 1,048	$ 77	$ (521)
2014	$ 909	$ 80	$ (445)
2015	$ 763	$ 81	$ (364)
2016	$ 667	$ 77	$ (284)
2017	$ 574	$ 73	$ (166)

MetLife, Inc.

Notes to the Consolidated Financial Statements (Continued)

6. Reinsurance

The Company enters into reinsurance agreements primarily as a purchaser for reinsurance for its various insurance products and also as a provider of reinsurance for some insurance products issued by third parties. The Company participates in reinsurance activities in order to limit losses, minimize exposure to significant risks and provide additional capacity for future growth.

Accounting for reinsurance requires extensive use of assumptions and estimates, particularly related to the future performance of the underlying business and the potential impact of counterparty credit risks. The Company periodically reviews actual and anticipated experience compared to the aforementioned assumptions used to establish assets and liabilities relating to ceded and assumed reinsurance and evaluates the financial strength of counterparties to its reinsurance agreements using criteria similar to that evaluated in the security impairment process discussed in Note 8.

Americas Excluding Latin America

For its Retail Life & Other insurance products, the Company has historically reinsured the mortality risk primarily on an excess of retention basis or on a quota share basis. The Company currently reinsures 90% of the mortality risk in excess of $2 million for most products and reinsures up to 90% of the mortality risk for certain other products. In addition to reinsuring mortality risk as described above, the Company reinsures other risks, as well as specific coverages. Placement of reinsurance is done primarily on an automatic basis and also on a facultative basis for risks with specified characteristics. On a case by case basis, the Company may retain up to $20 million per life and reinsure 100% of amounts in excess of the amount the Company retains. The Company evaluates its reinsurance programs routinely and may increase or decrease its retention at any time.

The Company s Retail Annuities business reinsures a portion of the living and death benefit guarantees issued in connection with its variable annuities. Under these reinsurance agreements, the Company pays a reinsurance premium generally based on fees associated with the guarantees collected from policyholders, and receives reimbursement for benefits paid or accrued in excess of account values, subject to certain limitations. The value of the embedded derivatives on the ceded risk is determined using a methodology consistent with the guarantees directly written by the Company with the exception of the input for nonperformance risk that reflects the credit of the reinsurer.

The Company s Corporate Benefit Funding segment periodically engages in reinsurance activities, as considered appropriate. The impact of these activities on the financial results of this segment has not been significant.

The Company, through its property & casualty business within both the Retail and Group, Voluntary and Worksite Benefits segments, purchases reinsurance to manage its exposure to large losses (primarily catastrophe losses) and to protect statutory surplus. The Company cedes to reinsurers losses and premiums based upon the exposure of the policies subject to reinsurance. To manage exposure to large property and casualty losses, the Company purchases property catastrophe, casualty and property per risk excess of loss reinsurance protection.

For other policies, the Company generally retains most of the risk and cedes particular risks on certain client arrangements.

Latin America, Asia and EMEA

For life insurance products, the Company currently reinsures, depending on the product, risks in excess of $5 million to external reinsurers on a yearly renewable term basis. The Company may also reinsure certain risks with external reinsurers depending upon the nature of the risk and local regulatory requirements. For selected large corporate clients, the Company reinsures group employee benefits or credit insurance business with various client-affiliated reinsurance companies, covering policies issued to the employees or customers of the clients. Additionally, the Company cedes and assumes risk with other insurance companies when either company requires a business partner with the appropriate local licensing to issue certain types of policies in certain countries. In these cases, the assuming company typically underwrites the risks, develops the products and assumes most or all of the risk. The Company also has reinsurance agreements in force that reinsure a portion of the living and death benefit guarantees issued in connection with variable annuity products. Under these agreements, the Company pays reinsurance fees associated with the guarantees collected from policyholders, and receives reimbursement for benefits paid or accrued in excess of account values, subject to certain limitations.

Corporate & Other

The Company also reinsures, through 100% quota share reinsurance agreements, certain run-off LTC and workers compensation business written by MetLife Insurance Company of Connecticut (MICC).

Corporate & Other also has a reinsurance agreement, whereby it assumes the living and death benefit guarantees issued in connection with variable annuity products. Under this agreement, the Company receives reinsurance fees associated with the guarantees collected from policyholders, and provides reimbursement for benefits paid or accrued in excess of account values, subject to certain limitations.

Catastrophe Coverage

The Company has exposure to catastrophes which could contribute to significant fluctuations in the Company s results of operations. In the Americas, excluding Latin America, the Company uses excess of retention and quota share reinsurance agreements to provide greater diversification of risk and minimize exposure to larger risks. Currently, for Latin America, Asia and EMEA, the Company purchases catastrophe coverage to insure risks within certain countries deemed by management to be exposed to the greatest catastrophic risks.

Reinsurance Recoverables

The Company reinsures its business through a diversified group of well-capitalized, highly rated reinsurers. The Company analyzes recent trends in arbitration and litigation outcomes in disputes, if any, with its reinsurers. The Company monitors ratings and evaluates the financial strength of its reinsurers by analyzing their financial statements. In addition, the reinsurance recoverable balance due from each reinsurer is evaluated as part of the overall monitoring process. Recoverability of reinsurance recoverable balances is evaluated based on these analyses. The Company generally secures large reinsurance recoverable balances with various forms of collateral, including secured trusts, funds withheld accounts and irrevocable letters of credit. These reinsurance recoverable balances are stated net of allowances for uncollectible reinsurance, which at December 31, 2012 and 2011, were immaterial.

The Company has secured certain reinsurance recoverable balances with various forms of collateral, including secured trusts, funds withheld accounts and irrevocable letters of credit. The Company had $5.7 billion and $5.6 billion of unsecured reinsurance recoverable balances at December 31, 2012 and 2011, respectively.

At December 31, 2012, the Company had $14.1 billion of net ceded reinsurance recoverables. Of this total, $10.4 billion, or 74%, were with the Company s five largest ceded reinsurers, including $2.8 billion of net ceded reinsurance recoverables which were unsecured. At December 31, 2011,

MetLife, Inc.

Notes to the Consolidated Financial Statements (Continued)

the Company had $13.5 billion of net ceded reinsurance recoverables. Of this total, $10.3 billion, or 76%, were with the Company s five largest ceded reinsurers, including $3.2 billion of net ceded reinsurance recoverables which were unsecured.

The Company has reinsured with an unaffiliated third-party reinsurer, 49.25% of the closed block through a modified coinsurance agreement. The Company accounts for this agreement under the deposit method of accounting. The Company, having the right of offset, has offset the modified coinsurance deposit with the deposit recoverable.

The amounts in the consolidated statements of operations include the impact of reinsurance. Information regarding the significant effects of reinsurance was as follows:

	Years Ended December 31,		
	2012	2011	2010
		(In millions)	
Premiums:			
Direct premiums	$ 38,719	$ 37,185	$ 27,596
Reinsurance assumed	1,488	1,484	1,377
Reinsurance ceded	(2,232)	(2,308)	(1,902)
Net premiums	$ 37,975	$ 36,361	$ 27,071
Universal life and investment-type product policy fees:			
Direct universal life and investment-type product policy fees	$ 9,216	$ 8,455	$ 6,621
Reinsurance assumed	155	154	138
Reinsurance ceded	(815)	(803)	(731)
Net universal life and investment-type product policy fees	$ 8,556	$ 7,806	$ 6,028
Policyholder benefits and claims:			
Direct policyholder benefits and claims	$ 39,262	$ 37,588	$ 31,402
Reinsurance assumed	1,167	1,101	1,275
Reinsurance ceded	(2,442)	(3,218)	(3,490)
Net policyholder benefits and claims	$ 37,987	$ 35,471	$ 29,187
Other expenses:			
Direct other expenses	$ 17,848	$ 18,672	$ 13,035
Reinsurance assumed	228	168	116
Reinsurance ceded	(321)	(303)	(224)
Net other expenses	$ 17,755	$ 18,537	$ 12,927

The amounts in the consolidated balance sheets include the impact of reinsurance. Information regarding the significant effects of reinsurance was as follows at:

	December 31,							
	2012				2011			
	Direct	Assumed	Ceded	Total Balance	Direct	Assumed	Ceded	Total Balance

				Sheet				Sheet
					(In millions)			
Assets:								
Premiums, reinsurance and other receivables	$ 6,286	$ 548	$ 14,800	$ 21,634	$ 5,601	$ 641	$ 16,239	$ 22,481
Deferred policy acquisition costs and value of business acquired	24,789	92	(120)	24,761	24,412	340	(133)	24,619
Total assets	$ 31,075	$ 640	$ 14,680	$ 46,395	$ 30,013	$ 981	$ 16,106	$ 47,100
Liabilities:								
Future policy benefits	$ 190,321	$ 2,031	$ (1)	$ 192,351	$ 182,304	$ 1,972	$ (1)	$ 184,275
Policyholder account balances	223,229	2,594	(2)	225,821	214,206	3,494		217,700
Other policy-related balances	15,142	313	8	15,463	14,880	339	380	15,599
Other liabilities	18,925	543	3,024	22,492	25,245	630	5,039	30,914
Total liabilities	$ 447,617	$ 5,481	$ 3,029	$ 456,127	$ 436,635	$ 6,435	$ 5,418	$ 448,488

Reinsurance agreements that do not expose the Company to a reasonable possibility of a significant loss from insurance risk are recorded using the deposit method of accounting. The deposit assets on reinsurance were $2.3 billion and $2.4 billion at December 31, 2012 and 2011, respectively. The deposit liabilities on reinsurance were $45 million and $66 million at December 31, 2012 and 2011, respectively.

7. Closed Block

On April 7, 2000 (the Demutualization Date), 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. Assets have been allocated to the closed block in an amount that has been determined to produce cash flows which, together with anticipated revenues from the policies included in the closed block, are reasonably expected to be sufficient to support obligations and liabilities relating to these policies, including, but not limited to, provisions for the payment of claims and certain expenses and taxes, and to provide for the continuation of policyholder dividend scales in effect for 1999, if the experience underlying such dividend scales continues, and for appropriate adjustments in such scales if the experience changes. At least annually, the Company compares actual and projected experience against the experience assumed in the then-current dividend scales. Dividend scales are adjusted periodically to give effect to changes in experience.

The closed block assets, the cash flows generated by the closed block assets and the anticipated revenues from the policies in the closed block will benefit only the holders of the policies in the closed block. To the extent that, over time, cash flows from the assets allocated to the closed block and claims and other experience related to the closed block are, in the aggregate, more or less favorable than what was assumed when the closed block was established, total dividends paid to closed block policyholders in the future may be greater than or less than the total dividends that would have been paid to these policyholders if the policyholder dividend scales in effect for 1999 had been continued. Any cash flows in excess of amounts assumed will be available for distribution over time to closed block policyholders and will not be available to stockholders. If the closed block has insufficient funds to make guaranteed policy benefit payments, such payments will be made from assets outside of the closed block. The closed block will continue in effect as long as any policy in the closed block remains in-force. The expected life of the closed block is over 100 years.

The Company uses the same accounting principles to account for the participating policies included in the closed block as it used prior to the Demutualization Date. However, the Company establishes a policyholder dividend obligation for earnings that will be paid to policyholders as additional dividends as described below. The excess of closed block liabilities over closed block assets at the Demutualization Date (adjusted to eliminate the impact of related amounts in accumulated other comprehensive income) represents the estimated maximum future earnings from the closed block expected to result from operations attributed to the closed block after income taxes. Earnings of the closed block are recognized in income over the period the policies and contracts in the closed block remain in-force. Management believes that over time the actual cumulative earnings of the closed block will approximately equal the expected cumulative earnings due to the effect of dividend changes. If, over the period the closed block remains in existence, the actual cumulative earnings of the closed block are greater than the expected cumulative earnings of the closed block, the Company will pay the excess of the actual cumulative earnings of the closed block over the expected cumulative earnings to closed block policyholders as additional policyholder dividends unless offset by future unfavorable experience of the closed block and, accordingly, will recognize only the expected cumulative earnings in income with the excess recorded as a policyholder dividend obligation. If over such period, the actual cumulative earnings of the closed block are less than the expected cumulative earnings of the closed block, the Company will recognize only the actual earnings in income. However, the Company may change policyholder dividend scales in the future, which would be intended to increase future actual earnings until the actual cumulative earnings equal the expected cumulative earnings.

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.

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.

MetLife, Inc.

Notes to the Consolidated Financial Statements (Continued)

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

	December 31,	
	2012	2011
	(In millions)	
Closed Block Liabilities		
Future policy benefits	$ 42,586	$ 43,169
Other policy-related balances	298	358
Policyholder dividends payable	466	514
Policyholder dividend obligation	3,828	2,919
Other liabilities	602	613
Total closed block liabilities	47,780	47,573
Assets Designated to the Closed Block		
Investments:		
Fixed maturity securities available-for-sale, at estimated fair value	30,546	30,407
Equity securities available-for-sale, at estimated fair value	41	35
Mortgage loans	6,192	6,206
Policy loans	4,670	4,657
Real estate and real estate joint ventures	459	364
Other invested assets	953	857
Total investments	42,861	42,526
Cash and cash equivalents	381	249
Accrued investment income	481	509
Premiums, reinsurance and other receivables	107	109
Current income tax recoverable	2	53
Deferred income tax assets	319	362
Total assets designated to the closed block	44,151	43,808
Excess of closed block liabilities over assets designated to the closed block	3,629	3,765
Amounts included in accumulated other comprehensive income (loss):		
Unrealized investment gains (losses), net of income tax	2,891	2,394
Unrealized gains (losses) on derivatives, net of income tax	9	11
Allocated to policyholder dividend obligation, net of income tax	(2,488)	(1,897)
Total amounts included in accumulated other comprehensive income (loss)	412	508
Maximum future earnings to be recognized from closed block assets and liabilities	$ 4,041	$ 4,273

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

	Years Ended December 31,		
	2012	2011	2010
	(In millions)		

Balance at January 1,	$ 2,919	$ 876	$
Change in unrealized investment and derivative gains (losses)	909	2,043	876
Balance at December 31,	$ 3,828	$ 2,919	$ 876

MetLife, Inc.

Notes to the Consolidated Financial Statements (Continued)

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

	Years Ended December 31,		
	2012	2011	2010
	(In millions)		
Revenues			
Premiums	$ 2,139	$ 2,306	$ 2,461
Net investment income	2,188	2,231	2,292
Net investment gains (losses)	61	32	39
Net derivative gains (losses)	(12)	8	(27)
Total revenues	4,376	4,577	4,765
Expenses			
Policyholder benefits and claims	2,783	2,991	3,115
Policyholder dividends	1,072	1,137	1,235
Other expenses	179	193	199
Total expenses	4,034	4,321	4,549
Revenues, net of expenses before provision for income tax expense (benefit)	342	256	216
Provision for income tax expense (benefit)	120	89	71
Revenues, net of expenses and provision for income tax expense (benefit) from continuing operations	222	167	145
Revenues, net of expenses and provision for income tax expense (benefit) from discontinued operations	10	1	1
Revenues, net of expenses and provision for income tax expense (benefit)	$ 232	$ 168	$ 146

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.

8. Investments

See Note 10 for information about the fair value hierarchy for investments and the related valuation methodologies.

Investment Risks and Uncertainties

Investments are exposed to the following primary sources of risk: credit, interest rate, liquidity, market valuation, currency and real estate risk. The financial statement risks, stemming from such investment risks, are those associated with the determination of estimated fair values, the diminished ability to sell certain investments in times of strained market conditions, the recognition of impairments, the recognition of income on certain investments and the potential consolidation of VIEs. The use of different methodologies, assumptions and inputs relating to these financial statement risks may have a material effect on the amounts presented within the consolidated financial statements.

The determination of valuation allowances and impairments is highly subjective and is based upon periodic evaluations and assessments of known and inherent risks associated with the respective asset class. Such evaluations and assessments are revised as conditions change and new information becomes available.

The recognition of income on certain investments (e.g. structured securities, including mortgage-backed securities, asset-backed securities (ABS), certain structured investment transactions and FVO and trading securities) is dependent upon certain factors such as prepayments and defaults, and changes in such factors could result in changes in amounts to be earned.

Fixed Maturity and Equity Securities AFS

Fixed Maturity and Equity Securities AFS by Sector

The following table presents the fixed maturity and equity securities AFS by sector. The unrealized loss amounts presented below include the noncredit loss component of 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 RMBS, CMBS and ABS.

MetLife, Inc.

Notes to the Consolidated Financial Statements (Continued)

	December 31, 2012					December 31, 2011				
	Cost or	Gross Unrealized			Estimated	Cost or	Gross Unrealized			Estimated
	Amortized Cost	Gains	Temporary Losses	OTTI Losses	Fair Value	Amortized Cost	Gains	Temporary Losses	OTTI Losses	Fair Value
					(In millions)					
Fixed Maturity Securities:										
U.S. corporate	$ 102,669	$ 11,887	$ 430	$	$ 114,126	$ 98,621	$ 8,544	$ 1,380	$	$ 105,785
Foreign corporate (1)	61,806	5,654	277	(1)	67,184	61,568	3,789	1,338	1	64,018
Foreign government	51,967	5,440	71		57,336	49,840	3,053	357		52,536
U.S. Treasury and agency	41,874	6,104	11		47,967	34,132	5,882	2		40,012
RMBS	35,666	2,477	315	349	37,479	42,092	2,281	1,033	703	42,637
CMBS	18,177	1,009	57		19,129	18,565	730	218	8	19,069
ABS	15,762	404	156	13	15,997	13,018	278	305	12	12,979
State and political subdivision	12,949	2,169	70		15,048	11,975	1,416	156		13,235
Total fixed maturity securities	$ 340,870	$ 35,144	$ 1,387	$ 361	$ 374,266	$ 329,811	$ 25,973	$ 4,789	$ 724	$ 350,271
Equity Securities:										
Common	$ 2,034	$ 147	$ 19	$	$ 2,162	$ 2,219	$ 83	$ 97	$	$ 2,205
Non-redeemable preferred	804	65	140		729	989	31	202		818
Total equity securities	$ 2,838	$ 212	$ 159	$	$ 2,891	$ 3,208	$ 114	$ 299	$	$ 3,023

[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 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).

The Company held non-income producing fixed maturity securities with an estimated fair value of $85 million and $62 million with unrealized gains (losses) of $11 million and ($19) million at December 31, 2012 and 2011, respectively.

Methodology for Amortization of Discount or Premium on Structured Securities

Amortization of the discount or premium on structured securities considers the estimated timing and amount of prepayments of the underlying loans. Actual prepayment experience is periodically reviewed and effective yields are recalculated when differences arise between the originally anticipated and the actual prepayments received and currently anticipated. Prepayment assumptions for single class and multi-class mortgage-backed and ABS are estimated using inputs obtained from third-party specialists and based on management s knowledge of the current market. For credit-sensitive mortgage-backed and ABS and certain prepayment-sensitive securities, the effective yield is recalculated on a prospective basis. For all other mortgage-backed and ABS, the effective yield is recalculated on a retrospective basis.

Maturities of Fixed Maturity Securities

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

	December 31,			
	2012		2011	
	Amortized Cost	Estimated Fair	Amortized Cost	Estimated Fair

		Value		**Value**
		(In millions)		
Due in one year or less	$ 24,177	$ 24,394	$ 16,747	$ 16,862
Due after one year through five years	66,973	70,759	62,819	64,414
Due after five years through ten years	82,376	91,975	82,694	88,036
Due after ten years	97,739	114,533	93,876	106,274
Subtotal	271,265	301,661	256,136	275,586
Structured securities (RMBS, CMBS and ABS)	69,605	72,605	73,675	74,685
Total fixed maturity securities	$ 340,870	$ 374,266	$ 329,811	$ 350,271

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.

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.

	December 31, 2012				December 31, 2011			
	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	$ 3,799	$ 88	$ 3,695	$ 342	$ 15,642	$ 590	$ 5,135	$ 790
Foreign corporate	2,783	96	2,873	180	12,618	639	5,957	700
Foreign government	1,431	22	543	49	11,227	230	1,799	127
U.S. Treasury and agency	1,951	11			2,611	1	50	1
RMBS	735	31	4,098	633	4,040	547	4,724	1,189
CMBS	842	11	577	46	2,825	135	678	91
ABS	1,920	30	1,410	139	4,972	103	1,316	214
State and political subdivision	260	4	251	66	177	2	1,007	154
Total fixed maturity securities	$ 13,721	$ 293	$ 13,447	$ 1,455	$ 54,112	$ 2,247	$ 20,666	$ 3,266
Equity Securities:								
Common	$ 201	$ 18	$ 14	$ 1	$ 581	$ 96	$ 5	$ 1
Non-redeemable preferred			295	140	204	30	370	172
Total equity securities	$ 201	$ 18	$ 309	$ 141	$ 785	$ 126	$ 375	$ 173
Total number of securities in an unrealized loss position	1,941		1,335		3,978		1,963	

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

Evaluation and Measurement Methodologies

Management considers a wide range of factors about the security issuer and uses its best judgment in evaluating the cause of the decline in the estimated fair value of the security and in assessing the prospects for near-term recovery. Inherent in management s evaluation of the security are assumptions and estimates about the operations of the issuer and its future earnings potential. Considerations used in the impairment evaluation process include, but are not limited to: (i) the length of time and the extent to which the estimated fair value has been below cost or amortized cost; (ii) the potential for impairments of securities when the issuer is experiencing significant financial difficulties; (iii) the potential for impairments in an entire industry sector or sub-sector; (iv) the potential for impairments in certain economically depressed geographic locations; (v) the potential for impairments of securities where the issuer, series of issuers or industry has suffered a catastrophic type of loss or has exhausted natural resources; (vi) with respect to fixed maturity securities, whether the Company has the intent to sell or will more likely than not be required to sell a particular security before the decline in estimated fair value below amortized cost recovers; (vii) with respect to structured securities, changes in forecasted 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; and (viii) other subjective factors, including concentrations and information obtained from regulators and rating agencies.

The methodology and significant inputs used to determine the amount of credit loss on fixed maturity securities are as follows:

> The Company calculates the recovery value by performing a discounted cash flow analysis based on the present value of future cash flows. The discount rate is generally the effective interest rate of the security prior to impairment.
>
> When determining collectability and the period over which value is expected to recover, the Company applies considerations utilized in its overall impairment evaluation process which incorporates information regarding the specific security, fundamentals of the industry and geographic area in which the security issuer operates, and overall macroeconomic conditions. Projected future cash flows are estimated using assumptions derived from management s best estimates of likely scenario-based outcomes after giving consideration to a variety of variables that include, but are not limited to: payment terms of the security; the likelihood that the issuer can service the interest and principal payments; the quality and amount of any credit enhancements; the security s position within the capital structure of the issuer; possible corporate restructurings or asset sales by the issuer; and changes

to the rating of the security or the issuer by rating agencies.

Additional considerations are made when assessing the unique features that apply to certain structured securities including, but not limited to: the quality of underlying collateral, expected prepayment speeds; current and forecasted loss severity, consideration of the payment terms of the underlying loans or assets backing a particular security, and the payment priority within the tranche structure of the security.

When determining the amount of the credit loss for U.S. and foreign corporate securities, foreign government securities and state and political subdivision securities, the estimated fair value is considered the recovery value when available information does not indicate that another value is more appropriate. When information is identified that indicates a recovery value other than estimated fair value, management considers in the determination of recovery value the same considerations utilized in its overall impairment evaluation process as described in (ii) above, as well as private and public sector programs to restructure such securities.

With respect to securities that have attributes of debt and equity (perpetual hybrid securities), consideration is given in the OTTI analysis as to whether there has been any deterioration in the credit of the issuer and the likelihood of recovery in value of the securities that are in a severe and extended unrealized loss position. Consideration is also given as to whether any perpetual hybrid securities, with an unrealized loss, regardless of credit rating, have deferred any dividend payments. When an OTTI loss has occurred, the OTTI loss is the entire difference between the perpetual hybrid security s cost and its estimated fair value with a corresponding charge to earnings.

The cost or amortized cost of fixed maturity and equity securities is adjusted for OTTI in the period in which the determination is made. The Company does not change the revised cost basis for subsequent recoveries in value.

In periods subsequent to the recognition of OTTI on a fixed maturity security, the Company accounts for the impaired security as if it had been purchased on the measurement date of the impairment. Accordingly, the discount (or reduced premium) based on the new cost basis is accreted over the remaining term of the fixed maturity security in a prospective manner based on the amount and timing of estimated future cash flows.

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 December 31, 2012. 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 or any of the above factors deteriorate, additional OTTI may be incurred in upcoming periods.

Gross unrealized losses on fixed maturity securities in an unrealized loss position decreased $3.8 billion during the year ended December 31, 2012 from $5.5 billion to $1.7 billion. The decline in, or improvement in, gross unrealized losses for the year ended December 31, 2012, was primarily attributable to narrowing credit spreads and a decrease in interest rates.

At December 31, 2012, $659 million of the total $1.7 billion of gross unrealized losses were from 183 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 $659 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, $299 million, or 45%, are related to gross unrealized losses on 74 investment grade fixed maturity securities. Unrealized losses on investment grade fixed maturity securities are principally related to widening credit spreads or rising interest rates since purchase.

Below Investment Grade Fixed Maturity Securities

Of the $659 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, $360 million, or 55%, are related to gross unrealized losses on 109 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 and sub-prime residential mortgage loans), U.S and foreign corporate securities (primarily utility and financial services industry securities) and ABS (primarily collateralized debt obligations) 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 the financial services industry sector, unemployment levels and valuations of residential real estate supporting non-agency RMBS. Management evaluates these U.S. and foreign corporate 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 $140 million during the year ended December 31, 2012 from $299 million to $159 million. Of the $159 million, $119 million were from 13 equity securities with gross unrealized losses of 20% or more of cost for 12 months or greater, of which 87% were financial services industry investment grade non-redeemable preferred stock, of which 75% were rated A, AA, or AAA.

FVO and Trading Securities

See Note 10 for tables that present the four categories of securities that comprise 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 years, as applicable.

MetLife, Inc.

Notes to the Consolidated Financial Statements (Continued)

Mortgage Loans

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

Mortgage loans are summarized as follows at:

	December 31,			
	2012		2011	
	Carrying Value	% of Total	Carrying Value	% of Total
		(In millions)		
Mortgage loans held-for-investment:				
Commercial	$ 40,472	71.0%	$ 40,440	56.1%
Agricultural	12,843	22.5	13,129	18.2
Residential (1)	958	1.7	689	1.0
Subtotal (2)	54,273	95.2	54,258	75.3
Valuation allowances (1)	(347)	(0.6)	(481)	(0.7)
Subtotal mortgage loans held-for-investment, net	53,926	94.6	53,777	74.6
Commercial mortgage loans held by CSEs	2,666	4.7	3,138	4.4
Total mortgage loans held-for-investment, net	56,592	99.3	56,915	79.0
Mortgage loans held-for-sale:				
Residential FVO (1)	49	0.1	3,064	4.2
Mortgage loans lower of amortized cost or estimated fair value (1)	365	0.6	4,462	6.2
Securitized reverse residential mortgage loans (1), (3)			7,652	10.6
Total mortgage loans held-for-sale	414	0.7	15,178	21.0
Total mortgage loans, net	$ 57,006	100.0%	$ 72,093	100.0%

(1) As a result of the MetLife Bank Divestiture described in Note 3, the Company has disposed of certain mortgage loans and de-recognized its securitized reverse residential mortgage loans.

(2) Purchases of mortgage loans were $205 million and $64 million for the years ended December 31, 2012 and 2011, respectively.

(3) See Note 1 for a discussion of securitized reverse residential mortgage loans.

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

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:

December 31,

	2012				2011			
	Commercial	Agricultural	Residential	Total	Commercial	Agricultural	Residential	Total
	(In millions)							
Mortgage loans:								
Evaluated individually for credit losses	$ 539	$ 181	$ 13	$ 733	$ 96	$ 159	$ 13	$ 268
Evaluated collectively for credit losses	39,933	12,662	945	53,540	40,344	12,970	676	53,990
Total mortgage loans	40,472	12,843	958	54,273	40,440	13,129	689	54,258
Valuation allowances:								
Specific credit losses	94	21	2	117	59	45	1	105
Non-specifically identified credit losses	199	31		230	339	36	1	376
Total valuation allowances	293	52	2	347	398	81	2	481
Mortgage loans, net of valuation allowance	$ 40,179	$ 12,791	$ 956	$ 53,926	$ 40,042	$ 13,048	$ 687	$ 53,777

Valuation Allowance Rollforward by Portfolio Segment

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

	Commercial	Agricultural	Residential	Total
	(In millions)			
Balance at January 1, 2010	$ 589	$ 115	$ 17	$ 721
Provision (release)	(5)	12	2	9
Charge-offs, net of recoveries	(22)	(39)	(5)	(66)
Balance at December 31, 2010	562	88	14	664
Provision (release)	(152)	(3)	10	(145)
Charge-offs, net of recoveries	(12)	(4)	(3)	(19)
Transfer to held-for-sale (1)			(19)	(19)
Balance at December 31, 2011	398	81	2	481
Provision (release)	(92)		6	(86)
Charge-offs, net of recoveries	(13)	(24)		(37)
Transfer to held-for-sale (1)		(5)	(6)	(11)
Balance at December 31, 2012	$ 293	$ 52	$ 2	$ 347

(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.

MetLife, Inc.

Notes to the Consolidated Financial Statements (Continued)

Valuation Allowance Methodology

Mortgage loans are considered to be impaired when it is probable that, based upon current information and events, the Company will be unable to collect all amounts due under the loan agreement. Specific valuation allowances are established using the same methodology for all three portfolio segments as the excess carrying value of a loan over either (i) the present value of expected future cash flows discounted at the loan s original effective interest rate, (ii) the estimated fair value of the loan s underlying collateral if the loan is in the process of foreclosure or otherwise collateral dependent, or (iii) the loan s observable market price. A common evaluation framework is used for establishing non-specific valuation allowances for all loan portfolio segments; however, a separate non-specific valuation allowance is calculated and maintained for each loan portfolio segment that is based on inputs unique to each loan portfolio segment. Non-specific valuation allowances are established for pools of loans with similar risk characteristics where a property-specific or market-specific risk has not been identified, but for which the Company expects to incur a credit loss. These evaluations are based upon several loan portfolio segment-specific factors, including the Company s experience for loan losses, defaults and loss severity, and loss expectations for loans with similar risk characteristics. These evaluations are revised as conditions change and new information becomes available.

Commercial and Agricultural Mortgage Loan Portfolio Segments

The Company typically uses several years of historical experience in establishing non-specific valuation allowances which captures multiple economic cycles. For evaluations of commercial loans, in addition to historical experience, management considers factors that include the impact of a rapid change to the economy, which may not be reflected in the loan portfolio, and recent loss and recovery trend experience as compared to historical loss and recovery experience. For evaluations of agricultural loans, in addition to historical experience, management considers factors that include increased stress in certain sectors, which may be evidenced by higher delinquency rates, or a change in the number of higher risk loans. On a quarterly basis, management incorporates the impact of these current market events and conditions on historical experience in determining the non-specific valuation allowance established for each portfolio segment.

All commercial loans are reviewed on an ongoing basis which may include an analysis of the property financial statements and rent roll, lease rollover analysis, property inspections, market analysis, estimated valuations of the underlying collateral, loan-to-value ratios, debt service coverage ratios, and tenant creditworthiness. All agricultural loans are monitored on an ongoing basis. The monitoring process focuses on higher risk loans, which include those that are classified as restructured, potentially delinquent, delinquent or in foreclosure, as well as loans with higher loan-to-value ratios and lower debt service coverage ratios. The monitoring process for agricultural loans is generally similar to the commercial loan monitoring process, with a focus on higher risk loans, including reviews on a geographic and property-type basis. Higher risk loans are reviewed individually on an ongoing basis for potential credit loss and specific valuation allowances are established using the methodology described above for all loan portfolio segments. Quarterly, the remaining loans are reviewed on a pool basis by aggregating groups of loans that have similar risk characteristics for potential credit loss, and non-specific valuation allowances are established as described above using inputs that are unique to each segment of the loan portfolio.

For commercial loans, the primary credit quality indicator is the debt service coverage ratio, which compares a property s net operating income to amounts needed to service the principal and interest due under the loan. Generally, the lower the debt service coverage ratio, the higher the risk of experiencing a credit loss. The Company also reviews the loan-to-value ratio of its commercial loan portfolio. Loan-to-value ratios compare the unpaid principal balance of the loan to the estimated fair value of the underlying collateral. Generally, the higher the loan-to-value ratio, the higher the risk of experiencing a credit loss. The debt service coverage ratio and loan-to-value ratio, as well as the values utilized in calculating these ratios, are updated annually, on a rolling basis, with a portion of the loan portfolio updated each quarter.

For agricultural loans, the Company s primary credit quality indicator is the loan-to-value ratio. The values utilized in calculating this ratio are developed in connection with the ongoing review of the agricultural loan portfolio and are routinely updated. Additionally, the Company focuses the monitoring process on higher risk loans, including reviews on a geographic and property-type basis.

Residential Mortgage Loan Portfolio Segment

The Company s residential loan portfolio is comprised primarily of closed end, amortizing residential loans. For evaluations of residential loans, the key inputs of expected frequency and expected loss reflect current market conditions, with expected frequency adjusted, when appropriate, for differences from market conditions and the Company s historical experience. In contrast to the commercial and agricultural loan portfolios, residential loans are smaller-balance homogeneous loans that are collectively evaluated for impairment. Non-specific valuation allowances are established using the evaluation framework described above for pools of loans with similar risk characteristics from inputs that are unique to the residential segment of the loan portfolio. Loan specific valuation allowances are only established on residential loans when they have been restructured and are established using the methodology described above for all loan portfolio segments.

For residential loans, the Company s primary credit quality indicator is whether the loan is performing or non-performing. The Company generally defines non-performing residential loans as those that are 90 or more days past due and/or in non-accrual status which is assessed monthly. Generally, non-performing residential loans have a higher risk of experiencing a credit loss.

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				% of	Estimated	% of
	> 1.20x	1.00x - 1.20x	< 1.00x	Total	Total	Fair Value	Total
		(In millions)				(In millions)	
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%
December 31, 2011:							
Loan-to-value ratios:							
Less than 65%	$ 24,983	$ 448	$ 564	$ 25,995	64.3%	$ 27,581	65.5%
65% to 75%	8,275	336	386	8,997	22.3	9,387	22.3
76% to 80%	1,150	98	226	1,474	3.6	1,473	3.5
Greater than 80%	2,714	880	380	3,974	9.8	3,664	8.7
Total	$ 37,122	$ 1,762	$ 1,556	$ 40,440	100.0%	$ 42,105	100.0%

Credit Quality of Agricultural Mortgage Loans

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

	December 31,			
	2012		2011	
	Recorded Investment	% of Total	Recorded Investment	% of Total
	(In millions)		(In millions)	
Loan-to-value ratios:				
Less than 65%	$ 11,908	92.7%	$ 11,802	89.9%
65% to 75%	590	4.6	874	6.7
76% to 80%	92	0.7	76	0.6
Greater than 80%	253	2.0	377	2.8
Total	$ 12,843	100.0%	$ 13,129	100.0%

The estimated fair value of agricultural mortgage loans held-for-investment was $13.3 billion and $13.6 billion at December 31, 2012 and 2011, respectively.

Credit Quality of Residential Mortgage Loans

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

	December 31,	
	2012	2011

	Recorded Investment	% of Total	Recorded Investment	% of Total
	(In millions)		(In millions)	
Performance indicators:				
Performing	$ 929	97.0%	$ 671	97.4%
Non-performing	29	3.0	18	2.6
Total	$ 958	100.0%	$ 689	100.0%

The estimated fair value of residential mortgage loans held-for-investment was $1.0 billion and $737 million at December 31, 2012 and 2011, 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 December 31, 2012 and 2011. The Company defines delinquent mortgage loans consistent with industry practice, when interest and principal payments are 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	
	December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011
			(In millions)			
Commercial	$ 2	$ 63	$	$	$ 84	$ 63
Agricultural	116	146	53	29	67	157
Residential	29	8			18	17
Total	$ 147	$ 217	$ 53	$ 29	$ 169	$ 237

MetLife, Inc.

Notes to the Consolidated Financial Statements (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 and for the periods ended:

	Loans with a Valuation Allowance				Loans without a Valuation Allowance		All Impaired Loans			
December 31,	**Unpaid Principal Balance**	**Recorded Investment**	**Valuation Allowances**	**Carrying Value**	**Unpaid Principal Balance**	**Recorded Investment**	**Unpaid Principal Balance**	**Carrying Value**	**Average Recorded Investment**	**Interest Income**
					(In millions)					
2012:										
Commercial	$ 445	$ 436	$ 94	$ 342	$ 103	$ 103	$ 548	$ 445	$ 464	$ 14
Agricultural	110	107	21	86	79	74	189	160	204	8
Residential	13	13	2	11			13	11	13	
Total	$ 568	$ 556	$ 117	$ 439	$ 182	$ 177	$ 750	$ 616	$ 681	$ 22
2011:										
Commercial	$ 96	$ 96	$ 59	$ 37	$ 252	$ 237	$ 348	$ 274	$ 313	$ 6
Agricultural	160	159	45	114	71	69	231	183	252	5
Residential	13	13	1	12	1	1	14	13	23	
Total	$ 269	$ 268	$ 105	$ 163	$ 324	$ 307	$ 593	$ 470	$ 588	$ 11

Unpaid principal balance is generally prior to any charge-offs. Interest income recognized is primarily cash basis income. The average recorded investment for commercial, agricultural and residential mortgage loans was $192 million, $284 million, $16 million, respectively, for the year ended December 31, 2010; and interest income recognized for commercial, agricultural and residential mortgage loans was $6 million, $8 million and $0, respectively, for the year ended December 31, 2010.

Mortgage Loans Modified in a Troubled Debt Restructuring

For a small portion of the mortgage loan portfolio, classified as troubled debt restructurings, concessions are granted related to borrowers experiencing financial difficulties. Generally, the types of concessions include: reduction of the contractual interest rate, extension of the maturity date at an interest rate lower than current market interest rates, and/or a reduction of accrued interest. The amount, timing and extent of the concession granted is considered in determining any impairment or changes in the specific valuation allowance recorded with the restructuring. Through the continuous monitoring process, a specific valuation allowance may have been recorded prior to the quarter when the mortgage loan is modified in a troubled debt restructuring. Accordingly, the carrying value (after specific valuation allowance) before and after modification through a troubled debt restructuring may not change significantly, or may increase if the expected recovery is higher than the pre-modification recovery assessment. The number of mortgage loans and carrying value after specific valuation allowance of mortgage loans modified during the period in a troubled debt restructuring were as follows:

	For the Years Ended December 31,					
	2012			**2011**		
	Number of Mortgage Loans	**Carrying Value after Specific Valuation Allowance**		**Number of Mortgage Loans**	**Carrying Value after Specific Valuation Allowance**	
		Pre-Modification	**Post-Modification**		**Pre-Modification**	**Post-Modification**
		(In millions)			**(In millions)**	

Commercial	1	$ 222	$ 199	5	$ 147	$ 111
Agricultural	5	17	16	10	42	42
Residential						
Total	6	$ 239	$ 215	15	$ 189	$ 153

There were no mortgage loans during the previous 12 months modified in a troubled debt restructuring with a subsequent payment default at December 31, 2012. During the 12 months ended December 31, 2011, the Company had four agricultural mortgage loans, with a carrying value after specific valuation allowance of $13 million, modified in a troubled debt restructuring with a subsequent payment default. Payment default is determined in the same manner as delinquency status when interest and principal payments are past due.

MetLife, Inc.

Notes to the Consolidated Financial Statements (Continued)

Other Invested Assets

Other invested assets is comprised primarily of freestanding derivatives with positive estimated fair values (see Note 9), tax credit partnerships, and leveraged leases.

Leveraged Leases

Investment in leveraged leases, included in other invested assets, consisted of the following:

	December 31,	
	2012	2011
	(In millions)	
Rental receivables, net	$ 1,564	$ 1,859
Estimated residual values	1,474	1,657
Subtotal	3,038	3,516
Unearned income	(1,040)	(1,268)
Investment in leveraged leases	$ 1,998	$ 2,248

Rental receivables are generally due in periodic installments. The payment periods range from one to 15 years but, in certain circumstances can be over 30 years. For rental receivables, the primary credit quality indicator is whether the rental receivable is performing or non-performing, which is assessed monthly. The Company generally defines non-performing rental receivables as those that are 90 days or more past due. At December 31, 2012 and 2011, all rental receivables were performing.

The deferred income tax liability related to leveraged leases was $1.6 billion and $1.5 billion at December 31, 2012 and 2011, respectively.

The components of income from investment in leveraged leases, excluding net investment gains (losses) were as follows:

	Years Ended December 31,		
	2012	2011	2010
		(In millions)	
Income from investment in leveraged leases	$ 57	$ 125	$ 123
Less: Income tax expense on leveraged leases	(20)	(44)	(43)
Investment income after income tax from investment in leveraged leases	$ 37	$ 81	$ 80

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 $6.1 billion and $5.0 billion at December 31, 2012 and 2011, respectively.

Net Unrealized Investment Gains (Losses)

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

	Years Ended December 31,		
	2012	2011	2010
		(In millions)	
Fixed maturity securities	$ 33,641	$ 21,096	$ 7,817
Fixed maturity securities with noncredit OTTI losses in accumulated other comprehensive income (loss)	(361)	(724)	(601)
Total fixed maturity securities	33,280	20,372	7,216
Equity securities	97	(167)	(3)
Derivatives	1,274	1,514	(59)
Other	(30)	72	42
Subtotal	34,621	21,791	7,196
Amounts allocated from:			
Insurance liability loss recognition	(6,049)	(3,996)	(672)
DAC and VOBA related to noncredit OTTI losses recognized in accumulated other comprehensive income (loss)	19	47	38
DAC and VOBA	(2,485)	(1,800)	(1,003)
Policyholder dividend obligation	(3,828)	(2,919)	(876)
Subtotal	(12,343)	(8,668)	(2,513)
Deferred income tax benefit (expense) related to noncredit OTTI losses recognized in accumulated other comprehensive income (loss)	119	236	197
Deferred income tax benefit (expense)	(7,973)	(4,694)	(1,762)
Net unrealized investment gains (losses)	14,424	8,665	3,118
Net unrealized investment gains (losses) attributable to noncontrolling interests	(5)	9	4
Net unrealized investment gains (losses) attributable to MetLife, Inc.	$ 14,419	$ 8,674	$ 3,122

MetLife, Inc.

Notes to the Consolidated Financial Statements (Continued)

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

	Years Ended December 31,	
	2012	2011
	(In millions)	
Balance, January 1,	$ (724)	$ (601)
Noncredit OTTI losses recognized (1)	(29)	31
Securities sold with previous noncredit OTTI loss	177	125
Subsequent changes in estimated fair value	215	(279)
Balance, December 31,	$ (361)	$ (724)

(1) Noncredit OTTI losses recognized, net of DAC, were ($21) million and $33 million for the years ended December 31, 2012 and 2011, respectively.

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

	Years Ended December 31,		
	2012	2011	2010
		(In millions)	
Balance, beginning of period	$ 8,674	$ 3,122	$ (1,338)
Cumulative effect of change in accounting principles, net of income tax			52
Fixed maturity securities on which noncredit OTTI losses have been recognized	363	(123)	242
Unrealized investment gains (losses) during the year	12,467	14,823	9,117
Unrealized investment gains (losses) of subsidiary at the date of disposal		(105)	
Unrealized investment gains (losses) relating to:			
Insurance liability gain (loss) recognition	(2,053)	(3,406)	(554)
Insurance liability gain (loss) recognition of subsidiary at the date of disposal		82	
DAC and VOBA related to noncredit OTTI losses recognized in accumulated other comprehensive income (loss)	(28)	9	(33)
DAC and VOBA	(685)	(808)	(1,135)
DAC and VOBA of subsidiary at date of disposal		11	
Policyholder dividend obligation	(909)	(2,043)	(876)
Deferred income tax benefit (expense) related to noncredit OTTI losses recognized in accumulated other comprehensive income (loss)	(117)	39	(73)
Deferred income tax benefit (expense)	(3,279)	(2,936)	(2,283)
Deferred income tax benefit (expense) of subsidiary at date of disposal		4	
Net unrealized investment gains (losses)	14,433	8,669	3,119
Net unrealized investment gains (losses) attributable to noncontrolling interests	(14)	5	3
Balance, end of period	$ 14,419	$ 8,674	$ 3,122
Change in net unrealized investment gains (losses)	$ 5,759	$ 5,547	$ 4,457
Change in net unrealized investment gains (losses) attributable to noncontrolling interests	(14)	5	3
Change in net unrealized investment gains (losses) attributable to MetLife, Inc.	$ 5,745	$ 5,552	$ 4,460

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 Japan government and its agencies of $22.4 billion and $21.0 billion, at estimated fair value, at December 31, 2012 and 2011, respectively. The Company s investment in fixed maturity and equity securities to counterparties that primarily conduct business in Japan were $28.7 billion and $28.4 billion, including Japan government and agency fixed maturity securities, at December 31, 2012 and 2011, respectively.

Securities Lending

As described in Note 1, the Company participates in a securities lending program. Elements of the securities lending program are presented below at:

	December 31,	
	2012	2011
	(In millions)	
Securities on loan: (1)		
Amortized cost	$ 23,380	$ 20,613
Estimated fair value	$ 27,077	$ 24,072
Cash collateral on deposit from counterparties (2)	$ 27,727	$ 24,223
Security collateral on deposit from counterparties (3)	$ 104	$ 371
Reinvestment portfolio estimated fair value	$ 28,112	$ 23,940

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

	December 31,	
	2012	2011
	(In millions)	
Invested assets on deposit (regulatory deposits)	$ 2,362	$ 1,660
Invested assets held in trust (collateral financing arrangements and reinsurance agreements)	12,434	11,135
Invested assets pledged as collateral (1)	23,251	29,899
Total invested assets on deposit, held in trust and pledged as collateral	$ 38,047	$ 42,694

(1) The Company has pledged fixed maturity securities, mortgage loans and cash and cash equivalents in connection with various agreements and transactions, including funding and advances agreements (see Notes 4 and 12), collateral financing arrangements (see Note 13) and derivative transactions (see Note 9).

Purchased Credit Impaired Investments

Investments acquired with evidence of credit quality deterioration since origination and for which it is probable at the acquisition date that the Company will be unable to collect all contractually required payments are classified as purchased credit impaired (PCI) investments. For each investment, the excess of the cash flows expected to be collected as of the acquisition date over its acquisition-date fair value is referred to as the accretable yield and is recognized as net investment income on an effective yield basis. If subsequently, based on current information and events, it is probable that there is a significant increase in cash flows previously expected to be collected or if actual cash flows are significantly greater than cash flows previously expected to be collected, the accretable yield is adjusted prospectively. The excess of the contractually required payments (including interest) as of the acquisition date over the cash flows expected to be collected as of the acquisition date is referred to as the nonaccretable difference, and this amount is not expected to be realized as net investment income. Decreases in cash flows expected to be collected can result in OTTI or the recognition of mortgage loan valuation allowances (see Note 1).

The Company s PCI investments, by invested asset class, were as follows at:

	December 31,			
	2012	2011	2012	2011
	Fixed Maturity Securities		Mortgage Loans	
	(In millions)			
Outstanding principal and interest balance (1)	$ 4,905	$ 4,547	$ 440	$ 471
Carrying value (2)	$ 3,900	$ 3,130	$ 199	$ 173

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

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

MetLife, Inc.

Notes to the Consolidated Financial Statements (Continued)

The following table presents information about PCI investments acquired during the periods indicated:

	Years Ended December 31,			
	2012	2011	2012	2011
	Fixed Maturity Securities		Mortgage Loans	
	(In millions)			
Contractually required payments (including interest)	$ 2,083	$ 5,141	$	$
Cash flows expected to be collected (1)	$ 1,524	$ 4,365	$	$
Fair value of investments acquired	$ 991	$ 2,590	$	$

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

The following table presents activity for the accretable yield on PCI investments for:

	Years Ended December 31,			
	2012	2011	2012	2011
	Fixed Maturity Securities		Mortgage Loans	
	(In millions)			
Accretable yield, January 1,	$ 2,311	$ 541	$ 254	$ 170
Investments purchased	533	1,775		
Accretion recognized in earnings	(203)	(114)	(71)	(56)
Disposals	(102)	(65)		
Reclassification (to) from nonaccretable difference	126	174	1	140
Accretable yield, December 31,	$ 2,665	$ 2,311	$ 184	$ 254

Collectively Significant Equity Method Investments

The Company holds investments in real estate joint ventures, real estate funds and other limited partnership interests consisting of leveraged buy-out funds, hedge funds, private equity funds, joint ventures and other funds. The portion of these investments accounted for under the equity method had a carrying value of $10.6 billion at December 31, 2012. The Company s maximum exposure to loss related to these equity method investments is limited to the carrying value of these investments plus unfunded commitments of $3.0 billion at December 31, 2012. Except for certain real estate joint ventures, the Company s investments in real estate funds and other limited partnership interests are generally of a passive nature in that the Company does not participate in the management of the entities.

As described in Note 1, the Company generally records its share of earnings in its equity method investments using a three-month lag methodology and within net investment income. Aggregate net investment income from these equity method investments exceeded 10% of the Company s consolidated pre-tax income (loss) from continuing operations for two of the three most recent annual periods: 2012 and 2010. The Company is providing the following aggregated summarized financial data for such equity method investments, for the most recent annual periods, in order to provide comparative information. This aggregated summarized financial data does not represent the Company s proportionate share of the assets, liabilities, or earnings of such entities.

The aggregated summarized financial data presented below reflects the latest available financial information and is as of, and for, the years ended December 31, 2012, 2011 and 2010. Aggregate total assets of these entities totaled $285.2 billion and $266.4 billion at December 31, 2012 and 2011, respectively. Aggregate total liabilities of these entities totaled $28.8 billion and $31.2 billion at December 31, 2012 and 2011, respectively. Aggregate net income (loss) of these entities totaled $17.9 billion, $9.7 billion and $18.7 billion for the years ended December 31, 2012, 2011 and 2010, respectively. Aggregate net income (loss) from the underlying entities in which the Company invests is primarily comprised of investment income, including recurring investment income and realized and unrealized investment gains (losses).

Variable Interest Entities

The Company has invested in certain structured transactions that are VIEs. In certain instances, the Company holds both the power to direct the most significant activities of the entity, as well as an economic interest in the entity and, as such, is deemed to be the primary beneficiary or consolidator of the entity.

The 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 December 31, 2012 and 2011. 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.

MetLife, Inc.

Notes to the Consolidated Financial Statements (Continued)

	December 31,			
	2012		2011	
	Total Assets	Total Liabilities	Total Assets	Total Liabilities
	(In millions)			
CSEs (assets (primarily loans) and liabilities (primarily debt)) (1)	$ 2,730	$ 2,545	$ 3,299	$ 3,103
MRSC (collateral financing arrangement (primarily securities)) (2)	3,439		3,333	
Other limited partnership interests	356	8	360	6
FVO and trading securities	71		163	
Other invested assets	85		102	1
Real estate joint ventures	11	14	16	18
Total	$ 6,692	$ 2,567	$ 7,273	$ 3,128

(1) The Company consolidates former 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, and to a lesser extent include FVO and trading securities, accrued investment income, cash and cash equivalents, premiums, reinsurance and other receivables and other liabilities. The Company s exposure was limited to that of its remaining investment in the former QSPEs of $168 million and $172 million at estimated fair value at December 31, 2012 and 2011, respectively. The long-term debt bears interest primarily at fixed rates ranging from 2.25% to 5.57%, payable primarily on a monthly basis. Interest expense related to these obligations, included in other expenses, was $163 million, $324 million and $411 million for the years ended December 31, 2012, 2011 and 2010 respectively.

(2) See Note 13 for a description of the MetLife Reinsurance Company of South Carolina (MRSC) collateral financing arrangement. These assets primarily consist of fixed maturity securities and, to a much lesser extent, mortgage loans and cash and cash equivalents.

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:

	December 31,			
	2012		2011	
	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)	$ 72,605	$ 72,605	$ 74,685	$ 74,685
U.S. and foreign corporate	5,287	5,287	4,998	4,998
Other limited partnership interests	4,436	5,908	4,340	6,084
Other invested assets	1,117	1,431	799	1,194
FVO and trading securities	563	563	671	671
Mortgage loans	351	351	456	456
Real estate joint ventures	150	157	61	79
Equity securities AFS:				
Non-redeemable preferred	32	32		

Total	$ 84,541	$ 86,334	$ 86,010	$ 88,167

(1) The maximum exposure to loss relating to fixed maturity securities and the FVO and trading securities 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 $318 million and $267 million at December 31, 2012 and 2011, 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.

As described in Note 21, 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 years ended December 31, 2012, 2011 and 2010.

MetLife, Inc.

Notes to the Consolidated Financial Statements (Continued)

Net Investment Income

The components of net investment income were as follows:

	Years Ended December 31,		
	2012	2011	2010
		(In millions)	
Investment income:			
Fixed maturity securities	$ 15,218	$ 15,037	$ 12,407
Equity securities	133	141	128
FVO and trading securities Actively Traded Securities and FVO general account securities (1)	88	31	73
Mortgage loans	3,191	3,164	2,824
Policy loans	626	641	649
Real estate and real estate joint ventures	834	688	372
Other limited partnership interests	845	681	879
Cash, cash equivalents and short-term investments	163	167	101
International joint ventures	19	(12)	(92)
Other	131	178	236
Subtotal	21,248	20,716	17,577
Less: Investment expenses	1,090	1,019	882
Subtotal, net	20,158	19,697	16,695
FVO and trading securities FVO contractholder-directed unit-linked investments (1)	1,473	(453)	372
Securitized reverse residential mortgage loans	177		
FVO CSEs - interest income:			
Commercial mortgage loans	172	332	411
Securities	4	9	15
Subtotal	1,826	(112)	798
Net investment income	$ 21,984	$ 19,585	$ 17,493

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

	Years Ended December 31,		
	2012	2011	2010
		(In millions)	
Actively Traded Securities and FVO general account securities	$ 51	$ (3)	$ 30
FVO contractholder-directed unit-linked investments	$ 1,170	$ (647)	$ 322

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

MetLife, Inc.

Notes to the Consolidated Financial Statements (Continued)

Net Investment Gains (Losses)

Components of Net Investment Gains (Losses)

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

	Years Ended December 31,		
	2012	2011	2010
		(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	$ (61)	$ (10)	$ (3)
Finance	(32)	(56)	(126)
Consumer	(19)	(50)	(36)
Communications	(19)	(41)	(16)
Transportation	(17)		
Technology	(6)	(1)	
Industrial	(5)	(11)	(2)
Total U.S. and foreign corporate securities	(159)	(169)	(183)
RMBS	(97)	(214)	(117)
CMBS	(51)	(32)	(86)
ABS	(9)	(54)	(84)
State and political subdivision	(1)		
Foreign government		(486)	
OTTI losses on fixed maturity securities recognized in earnings	(317)	(955)	(470)
Fixed maturity securities net gains (losses) on sales and disposals	253	25	215
Total gains (losses) on fixed maturity securities (1)	(64)	(930)	(255)
Total gains (losses) on equity securities:			
Total OTTI losses recognized by sector:			
Common	(34)	(22)	(7)
Non-redeemable preferred		(38)	(7)
OTTI losses on equity securities recognized in earnings	(34)	(60)	(14)
Equity securities net gains (losses) on sales and disposals	38	37	118
Total gains (losses) on equity securities	4	(23)	104
FVO and trading securities FVO general account securities changes in estimated fair value subsequent to consolidation	17	(2)	
Mortgage loans (1)	57	175	22
Real estate and real estate joint ventures	(36)	134	(54)
Other limited partnership interests	(36)	4	(18)
Other investment portfolio gains (losses)	(151)	(7)	(6)
Subtotal investment portfolio gains (losses) (1)	(209)	(649)	(207)
FVO CSEs changes in estimated fair value subsequent to consolidation:			

Commercial mortgage loans	7	(84)	758
Securities			(78)
Long-term debt related to commercial mortgage loans	25	97	(722)
Long-term debt related to securities	(7)	(8)	48
Non-investment portfolio gains (losses) (2)	(168)	(223)	(207)
Subtotal FVO CSEs and non-investment portfolio gains (losses)	(143)	(218)	(201)
Total net investment gains (losses)	$ (352)	$ (867)	$ (408)

(1) Investment portfolio gains (losses) for the years ended December 31, 2012 and 2011 includes a net gain (loss) of $37 million and ($153) million, respectively, as a result of the MetLife Bank Divestiture, which is comprised of gains (losses) on investments sold of $78 million and $1 million, and impairments of ($41) million and ($154) million, respectively. See Note 3.

(2) Non-investment portfolio gains (losses) for the year ended December 31, 2012 includes a gain of $33 million related to certain dispositions as more fully described in Note 3. Non-investment portfolio gains (losses) for the year ended December 31, 2011 includes a loss of $106 million related to certain dispositions and a goodwill impairment loss of $65 million. See Notes 3 and 11. Non-investment portfolio gains (losses) for the year ended December 31, 2010 includes a loss of $209 million related to a disposition. See Note 3.

MetLife, Inc.

Notes to the Consolidated Financial Statements (Continued)

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

Gains (losses) from foreign currency transactions included within net investment gains (losses) were ($112) million, $37 million and $230 million for the years ended December 31, 2012, 2011 and 2010, 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 table below. Investment gains and losses on sales of securities are determined on a specific identification basis.

	Years Ended December 31,								
	2012	2011	2010	2012	2011	2010	2012	2011	2010
	Fixed Maturity Securities			Equity Securities			Total		
	(In millions)								
Proceeds	$ 59,219	$ 67,449	$ 54,514	$ 1,648	$ 1,241	$ 616	$ 60,867	$ 68,690	$ 55,130
Gross investment gains	$ 944	$ 892	$ 831	$ 73	$ 108	$ 129	$ 1,017	$ 1,000	$ 960
Gross investment losses	(691)	(867)	(616)	(35)	(71)	(11)	(726)	(938)	(627)
Total OTTI losses recognized in earnings:									
Credit-related	(223)	(645)	(423)				(223)	(645)	(423)
Other (1)	(94)	(310)	(47)	(34)	(60)	(14)	(128)	(370)	(61)
Total OTTI losses recognized in earnings	(317)	(955)	(470)	(34)	(60)	(14)	(351)	(1,015)	(484)
Net investment gains (losses)	$ (64)	$ (930)	$ (255)	$ 4	$ (23)	$ 104	$ (60)	$ (953)	$ (151)

(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 OCI:

	Years Ended December 31,	
	2012	2011
	(In millions)	
Balance, at January 1,	$ 471	$ 443
Additions:		
Initial impairments credit loss OTTI recognized on securities not previously impaired	46	45
Additional impairments credit loss OTTI recognized on securities previously impaired	70	143

Reductions:		
Sales (maturities, pay downs or prepayments) during the period of securities previously impaired as credit loss OTTI	(176)	(90)
Securities impaired to net present value of expected future cash flows	(17)	(57)
Increases in cash flows accretion of previous credit loss OTTI	(2)	(13)
Balance, at December 31,	$ 392	$ 471

9. Derivatives

Accounting for Derivatives

See Note 1 for a description of the Company s accounting policies for derivatives and Note 10 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. 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. The Company also purchases certain securities, issues certain insurance policies and investment contracts and engages in certain reinsurance agreements that have embedded derivatives.

MetLife, Inc.

Notes to the Consolidated Financial Statements (Continued)

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

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 also uses interest rate forwards to sell to be announced securities as economic hedges against the risk of changes in the fair value of mortgage loans held-for-sale and interest rate lock commitments. The Company utilizes interest rate forwards in cash flow and non-qualifying hedging relationships.

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.

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.

The Company uses certain of its foreign currency denominated funding agreements to hedge portions of its net investments in foreign operations against adverse movements in exchange rates. Such contracts are included in non-derivative hedging instruments.

To a lesser extent, the Company uses exchange-traded currency futures to hedge currency mismatches between assets and liabilities.

Credit Derivatives

Credit derivatives primarily include credit default swaps that are used by the Company 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. deems that a credit event has occurred. The Company utilizes credit default swaps in non-qualifying hedging relationships.

Credit default swaps are also used 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. The Company also enters into certain credit default swaps held in relation to trading portfolios for the purpose of generating profits on short-term differences in price. These credit default swaps are not designated as hedging instruments.

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

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 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 London Inter-Bank Offered Rate (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.

MetLife, Inc.

Notes to the Consolidated Financial Statements (Continued)

Primary Risks Managed by Derivatives and Non-Derivative Hedging Instruments

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:

		December 31,					
		2012			2011		
		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	$ 5,397	$ 1,921	$ 90	$ 4,580	$ 1,884	$ 92
Foreign currency swaps	Foreign currency exchange rate	3,187	332	85	3,220	500	98
Foreign currency forwards	Foreign currency exchange rate				1,830	2	10
Subtotal		8,584	2,253	175	9,630	2,386	200
Cash flow hedges:							
Interest rate swaps	Interest rate	3,642	705		3,230	947	
Interest rate forwards	Interest rate	675	139		965	210	
Foreign currency swaps	Foreign currency exchange rate	9,038	219	355	6,370	352	306
Credit forwards	Credit				20	4	
Subtotal		13,355	1,063	355	10,585	1,513	306
Foreign operations hedges:							
Foreign currency forwards	Foreign currency exchange rate	2,552	43	61	1,689	53	12
Currency options	Foreign currency exchange rate	4,375	43	3			
Subtotal		6,927	86	64	1,689	53	12
Total qualifying hedges		28,866	3,402	594	21,904	3,952	518
Derivatives Not Designated or Not Qualifying as Hedging Instruments							
Interest rate swaps	Interest rate	83,250	5,201	2,043	71,923	5,410	2,107
Interest rate floors	Interest rate	56,246	1,174	837	23,866	1,246	165
Interest rate caps	Interest rate	49,465	74		49,665	102	
Interest rate futures	Interest rate	11,684	1	38	14,965	25	19
Interest rate options	Interest rate	16,328	640	60	16,988	896	6
Interest rate forwards	Interest rate				13,068	76	91
Synthetic GICs	Interest rate	4,162			4,454		
Foreign currency swaps	Foreign currency exchange rate	8,208	199	736	6,871	320	656
Foreign currency forwards	Foreign currency exchange rate	9,202	26	288	6,630	145	38
Currency futures	Foreign currency exchange rate	1,408	4		633		
Currency options	Foreign currency exchange rate	129	1		1,321	6	
Credit default swaps	Credit	12,553	90	39	13,136	326	113
Equity futures	Equity market	7,008	14	132	7,053	26	10
Equity options	Equity market	22,920	2,825	356	17,099	3,263	179
Variance swaps	Equity market	19,830	122	310	18,801	397	75
Total rate of return swaps	Equity market	3,092	4	103	1,644	10	34

Total non-designated or non-qualifying derivatives	305,485	10,375	4,942	268,117	12,248	3,493
Total	$ 334,351	$ 13,777	$ 5,536	$ 290,021	$ 16,200	$ 4,011

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

Net Derivative Gains (Losses)

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

	Years Ended December 31,		
	2012	2011	2010
		(In millions)	
Derivatives and hedging gains (losses) (1)	$ (3,158)	$ 6,108	$ 122
Embedded derivatives	1,239	(1,284)	(387)
Total net derivative gains (losses)	$ (1,919)	$ 4,824	$ (265)

(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.

MetLife, Inc.

Notes to the Consolidated Financial Statements (Continued)

The following table presents earned income on derivatives for the:

	Years Ended December 31,		
	2012	2011	2010
		(In millions)	
Qualifying hedges:			
Net investment income	$ 111	$ 98	$ 83
Interest credited to policyholder account balances	164	214	233
Other expenses	(5)	(4)	(6)
Non-qualifying hedges:			
Net investment income	(6)	(8)	(3)
Other revenues	47	75	108
Net derivative gains (losses)	476	411	65
Policyholder benefits and claims	(120)	17	
Total	$ 667	$ 803	$ 480

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)	Other Expenses (4)
			(In millions)		
For the Year Ended December 31, 2012:					
Interest rate derivatives	$ (296)	$	$	$ 28	$
Foreign currency exchange rate derivatives	(660)				
Credit derivatives	(148)	(14)			
Equity derivatives	(2,556)	(9)	(419)		
Total	$ (3,660)	$ (23)	$ (419)	$ 28	$
For the Year Ended December 31, 2011:					
Interest rate derivatives	$ 3,940	$ (1)	$	$ 236	$
Foreign currency exchange rate derivatives	343	(9)			
Credit derivatives	175	5			
Equity derivatives	1,178	(35)	(87)		
Total	$ 5,636	$ (40)	$ (87)	$ 236	$
For the Year Ended December 31, 2010:					
Interest rate derivatives	$ 691	$	$ 39	$ 89	$
Foreign currency exchange rate derivatives	196	54			(4)
Credit derivatives	34	(2)			
Equity derivatives	(782)	(41)	(314)		

Total	$	139	$	11	$	(275)	$	89	$	(4)

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

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

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

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

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.

MetLife, Inc.

Notes to the Consolidated Financial Statements (Continued)

The Company recognizes gains and losses on derivatives and the related hedged items in fair value hedges within net derivative gains (losses). The following table 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)	
For the Year Ended December 31, 2012:				
Interest rate swaps:	Fixed maturity securities	$ (4)	$	$ (4)
	Policyholder liabilities (1)	(82)	96	14
Foreign currency swaps:	Foreign-denominated fixed maturity securities	(1)	1	
	Foreign-denominated PABs (2)	3	(20)	(17)
Foreign currency forwards:	Foreign-denominated fixed maturity securities	(51)	50	(1)
Total		$ (135)	$ 127	$ (8)
For the Year Ended December 31, 2011:				
Interest rate swaps:	Fixed maturity securities	$ (25)	$ 22	$ (3)
	Policyholder liabilities (1)	1,054	(1,030)	24
Foreign currency swaps:	Foreign-denominated fixed maturity securities	1	3	4
	Foreign-denominated PABs (2)	(24)	(25)	(49)
Foreign currency forwards:	Foreign-denominated fixed maturity securities	(25)	25	
Total		$ 981	$ (1,005)	$ (24)
For the Year Ended December 31, 2010:				
Interest rate swaps:	Fixed maturity securities	$ (14)	$ 16	$ 2
	Policyholder liabilities (1)	140	(142)	(2)
Foreign currency swaps:	Foreign-denominated fixed maturity securities	14	(14)	
	Foreign-denominated PABs (2)	9	(20)	(11)
Foreign currency forwards:	Foreign-denominated fixed maturity securities			
Total		$ 149	$ (160)	$ (11)

(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 the years ended December 31, 2012 and 2011, ($4) million and ($3) million, respectively, of the change in fair value of derivatives were excluded from the assessment of hedge effectiveness. For the year ended December 31, 2010, no component of the change in fair value of derivatives was excluded from the assessment of hedge effectiveness.

Cash Flow Hedges

The Company designates and accounts for the following as cash flow hedges when they have met the requirements of cash flow hedging: (i) interest rate swaps to convert floating rate 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 $1 million, ($13) million and $9 million from accumulated other comprehensive income (loss) into net derivative gains (losses) for the years ended December 31, 2012, 2011 and 2010, respectively, related to such discontinued cash flow hedges.

At December 31, 2012 and 2011, the maximum length of time over which the Company was hedging its exposure to variability in future cash flows for forecasted transactions did not exceed eight years and nine years, respectively.

At December 31, 2012 and 2011, the balance in accumulated other comprehensive income (loss) associated with cash flow hedges was $1.3 billion and $1.5 billion, respectively.

MetLife, Inc.

Notes to the Consolidated Financial Statements (Continued)

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

Derivatives in Cash Flow Hedging Relationships	Amount of Gains (Losses) Deferred in Accumulated Other Comprehensive Income (Loss) on Derivatives (Effective Portion)	Amount and Location of Gains (Losses) Reclassified from Accumulated Other Comprehensive Income (Loss) into Income (Loss) (Effective Portion)			Amount and Location of Gains (Losses) Recognized in Income (Loss) on Derivatives (Ineffective Portion)
		Net Derivative Gains (Losses)	Net Investment Income	Other Expenses	Net Derivative Gains (Losses)
			(In millions)		
For the Year Ended December 31, 2012:					
Interest rate swaps	$ (34)	$ 1	$ 4	$ (3)	$ 2
Interest rate forwards	(17)	1	2	(1)	
Foreign currency swaps	(164)	23	(5)	1	(6)
Credit forwards			1		
Total	$ (215)	$ 25	$ 2	$ (3)	$ (4)
For the Year Ended December 31, 2011:					
Interest rate swaps	$ 1,023	$ (42)	$ 1	$ (10)	$ 1
Interest rate forwards	336	31	1	(1)	2
Foreign currency swaps	175		(6)	2	2
Credit forwards	18	2	1		
Total	$ 1,552	$ (9)	$ (3)	$ (9)	$ 5
For the Year Ended December 31, 2010:					
Interest rate swaps	$ 13	$	$	$ (1)	$ 3
Interest rate forwards	(117)	14	2		(2)
Foreign currency swaps	34	(79)	(6)	2	
Credit forwards	19				
Total	$ (51)	$ (65)	$ (4)	$ 1	$ 1

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

At December 31, 2012, ($6) million of deferred net gains (losses) on derivatives in accumulated other comprehensive income (loss) was expected to be reclassified to earnings within the next 12 months.

Hedges of Net Investments in Foreign Operations

The Company uses foreign exchange 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. In addition, the Company may also use non-derivative financial instruments to hedge portions of its net investments in foreign operations against adverse movements in exchange rates. The Company measures ineffectiveness on non-derivative financial instruments based upon the change in spot rates.

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

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

Derivatives and Non-Derivative Hedging Instruments in Net Investment Hedging Relationships (1), (2)	Amount of Gains (Losses) Deferred in Accumulated Other Comprehensive Income (Loss) (Effective Portion) Years Ended December 31,		
	2012	2011	2010
		(In millions)	
Foreign currency forwards	$ (50)	$ 62	$ (167)
Currency options	36		
Non-derivative hedging instruments		6	(16)
Total	$ (14)	$ 68	$ (183)

(1) During the years ended December 31, 2012 and 2010, there were no sales or substantial liquidations of net investments in foreign operations that would have required the reclassification of gains or losses from accumulated other comprehensive income (loss) into earnings. During the year ended December 31, 2011, the Company sold its interest in MSI MetLife, which was a hedged item in a net investment hedging relationship. As a result, the Company released losses of $71 million from accumulated other comprehensive income (loss) upon the sale. This release did not impact net income for the year ended December 31, 2011 as such losses were considered in the overall impairment evaluation of the investment prior to sale. See Note 3.

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

At December 31, 2012 and 2011, the cumulative foreign currency translation gain (loss) recorded in accumulated other comprehensive income (loss) related to hedges of net investments in foreign operations was ($98) million and ($84) million, respectively.

MetLife, Inc.

Notes to the Consolidated Financial Statements (Continued)

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 $8.9 billion and $7.7 billion at December 31, 2012 and 2011, 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 December 31, 2012 and 2011, the Company would have received $74 million and paid $41 million, respectively, to terminate all of these contracts.

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

	December 31,					
	2012			2011		
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)	$ 10	$ 777	2.7	$ 5	$ 737	3.5
Credit default swaps referencing indices	42	2,713	2.1	(1)	2,813	3.0
Subtotal	52	3,490	2.2	4	3,550	3.1
Baa						
Single name credit default swaps (corporate)	8	1,314	3.4	(17)	1,234	4.0
Credit default swaps referencing indices	11	3,750	4.9	(26)	2,847	4.9
Subtotal	19	5,064	4.5	(43)	4,081	4.6
Ba						
Single name credit default swaps (corporate)		25	2.7		25	3.5
Credit default swaps referencing indices						
Subtotal		25	2.7		25	3.5
B						
Single name credit default swaps (corporate)						
Credit default swaps referencing indices	3	300	4.9	(2)	25	4.8
Subtotal	3	300	4.9	(2)	25	4.8
Total	$ 74	$ 8,879	3.6	$ (41)	$ 7,681	3.9

(1) The rating agency designations are based on availability and the midpoint of the applicable ratings among Moody s Investors Service (Moody s), 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.

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 $8.9 billion and $7.7 billion from the table above were $150 million and $115 million at December 31, 2012 and 2011, respectively.

Written credit default swaps held in relation to the trading portfolio amounted to $10 million in notional and $0 in fair value at December 31, 2012. Written credit default swaps held in relation to the trading portfolio amounted to $10 million in notional and ($1) million in fair value at December 31, 2011.

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 netting agreements and any collateral received pursuant to credit support annexes.

The Company manages its credit risk related to OTC derivatives by entering into transactions with creditworthy counterparties, maintaining collateral arrangements and through the use of master agreements that provide for netting of payments by product and currency for periodic settlements and a single net payment to be made by one party upon termination. Because exchange-traded futures and options are effected through regulated exchanges, and positions are marked to market on a daily basis, the Company has minimal exposure to credit-related losses in the event of nonperformance by counterparties to such derivatives. See Note 10 for a description of the impact of credit risk on the valuation of derivatives.

MetLife, Inc.

Notes to the Consolidated Financial Statements (Continued)

The Company enters into various collateral arrangements which require both the pledging and accepting of collateral in connection with its OTC derivatives. At December 31, 2012 and 2011, the Company was obligated to return cash collateral under its control of $6.0 billion and $9.5 billion, respectively. This cash collateral is included in cash and cash equivalents or in short-term investments and the obligation to return it is included in payables for collateral under securities loaned and other transactions in the consolidated balance sheets. At December 31, 2012 and 2011, the Company had received collateral consisting of various securities with a fair market value of $3.7 billion and $2.5 billion, respectively, which were held in separate custodial accounts. Subject to certain constraints, the Company is permitted by contract to sell or repledge this collateral, but at December 31, 2012, none of the collateral had been sold or repledged.

The Company s collateral arrangements for its OTC derivatives generally require the counterparty in a net liability position, after considering the effect of netting agreements, to pledge collateral when the fair value of that counterparty s derivatives reaches a pre-determined threshold. Certain of these arrangements also include credit-contingent provisions that provide for a reduction of these thresholds (on a sliding scale that converges toward zero) in the event of downgrades in the credit ratings of the Company and/or the counterparty. In addition, certain of the Company s netting agreements for 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 derivatives that are in a net liability position after considering the effect of netting agreements, together with the estimated fair value and balance sheet location of the collateral pledged. The table also presents the incremental collateral that the Company would be required to provide if there was a one notch downgrade in the Company s credit rating at the reporting date or if the Company s credit rating sustained a downgrade to a level that triggered full overnight collateralization or termination of the derivative position at the reporting date. Derivatives that are not subject to collateral agreements are not included in the scope of this table.

		Estimated Fair Value of Collateral Provided:		Fair Value of Incremental Collateral Provided Upon:	
	Estimated Fair Value of Derivatives in Net Liability Position (1)	Fixed Maturity Securities (2)	Cash (3)	One Notch Downgrade in the Company s Credit Rating	Downgrade in the Company s Credit Rating to a Level that Triggers Full Overnight Collateralization or Termination of the Derivative Position
			(In millions)		
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
December 31, 2011:					
Derivatives subject to credit-contingent provisions	$ 447	$ 405	$ 4	$ 48	$ 104
Derivatives not subject to credit-contingent provisions	28	11	4		
Total	$ 475	$ 416	$ 8	$ 48	$ 104

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

(2)

Included 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.

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

The Company also has exchange-traded futures and options, which require the pledging of collateral. At December 31, 2012 and 2011, the Company pledged securities collateral for exchange-traded futures and options of $40 million and $42 million, respectively, which is included in fixed maturity securities. Subject to certain constraints, the counterparties are permitted by contract to sell or repledge this collateral. At December 31, 2012 and 2011, the Company provided cash collateral for exchange-traded futures and options of $441 million and $680 million, respectively, which is included in premiums, reinsurance and other receivables.

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, 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.

MetLife, Inc.

Notes to the Consolidated Financial Statements (Continued)

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	December 31, 2012	2011
		(In millions)	
Net embedded derivatives within asset host contracts:			
Ceded guaranteed minimum benefits	Premiums, reinsurance and other receivables	$ 439	$ 327
Funds withheld on assumed reinsurance	Other invested assets	66	35
Options embedded in debt or equity securities	Investments	(88)	(70)
Other	Other invested assets	1	1
Net embedded derivatives within asset host contracts		$ 418	$ 293
Net embedded derivatives within liability host contracts:			
Direct guaranteed minimum benefits	PABs	$ 923	$ 2,104
Assumed guaranteed minimum benefits	PABs	2,582	2,340
Funds withheld on ceded reinsurance	Other liabilities	162	122
Other	PABs	17	18
Net embedded derivatives within liability host contracts		$ 3,684	$ 4,584

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

	Years Ended December 31, 2012	2011	2010
		(In millions)	
Net derivative gains (losses) (1)	$ 1,239	$ (1,284)	$ (387)
Policyholder benefits and claims	$ 75	$ 86	$ 8

(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 ($1.7) billion, $1.8 billion and ($96) million for the years ended December 31, 2012, 2011 and 2010, respectively.

10. Fair Value

When developing estimated fair values, the Company considers three broad valuation techniques: (i) the market approach, (ii) the income approach, and (iii) the cost approach. The Company determines the most appropriate valuation technique to use, given what is being measured and the availability of sufficient inputs, giving priority to observable inputs. The Company categorizes its assets and liabilities measured at estimated fair value into a three-level hierarchy, based on the significant input with the lowest level in its valuation. The input levels are as follows:

Level 1 Unadjusted quoted prices in active markets for identical assets or liabilities. The Company defines active markets based on average trading volume for equity securities. The size of the bid/ask spread is used as an indicator of market activity for fixed maturity securities.

Level 2	Quoted prices in markets that are not active or inputs that are observable either directly or indirectly. These inputs can include quoted prices for similar assets or liabilities other than quoted prices in Level 1, quoted prices in markets that are not active, or other significant inputs that are observable or can be derived principally from or corroborated by observable market data for substantially the full term of the assets or liabilities.
Level 3	Unobservable inputs that are supported by little or no market activity and are significant to the determination of estimated fair value of the assets or liabilities. Unobservable inputs reflect the reporting entity s own assumptions about the assumptions that market participants would use in pricing the asset or liability.

Financial markets are susceptible to severe events evidenced by rapid depreciation in asset values accompanied by a reduction in asset liquidity. The Company s ability to sell securities, or the price ultimately realized for these securities, depends upon the demand and liquidity in the market and increases the use of judgment in determining the estimated fair value of certain securities.

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

MetLife, Inc.

Notes to the Consolidated Financial Statements (Continued)

Recurring Fair Value Measurements

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

	December 31, 2012			
	Fair Value Hierarchy			
				Total Estimated
	Level 1	Level 2	Level 3	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:				
Commercial mortgage loans held by CSEs		2,666		2,666
Mortgage loans held-for-sale (2), (3)			49	49
Total mortgage loans		2,666	49	2,715
Other invested assets:				
MSRs (3)				
Other investments	303	123		426
Derivative assets: (4)				
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 (5)		1	505	506
Separate account assets (6)	31,620	202,568	1,205	235,393
Total assets	$ 78,851	$ 556,663	$ 26,958	$ 662,472
Liabilities:				
Derivative liabilities: (4)				
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 (5)		17	3,667	3,684
Long-term debt of CSEs		2,483	44	2,527
Liability related to securitized reverse residential mortgage loans (3), (7)				
Trading liabilities (7)	163			163
Total liabilities	$ 333	$ 7,485	$ 4,092	$ 11,910

MetLife, Inc.

Notes to the Consolidated Financial Statements (Continued)

	December 31, 2011 Fair Value Hierarchy			Total Estimated Fair Value
	Level 1	Level 2	Level 3	
		(In millions)		
Assets:				
Fixed maturity securities:				
U.S. corporate	$	$ 99,001	$ 6,784	$ 105,785
Foreign corporate		59,648	4,370	64,018
Foreign government	76	50,138	2,322	52,536
U.S. Treasury and agency	19,911	20,070	31	40,012
RMBS		41,035	1,602	42,637
CMBS		18,316	753	19,069
ABS		11,129	1,850	12,979
State and political subdivision		13,182	53	13,235
Total fixed maturity securities	19,987	312,519	17,765	350,271
Equity securities:				
Common stock	819	1,105	281	2,205
Non-redeemable preferred stock		380	438	818
Total equity securities	819	1,485	719	3,023
FVO and trading securities:				
Actively Traded Securities		473		473
FVO general account securities		244	23	267
FVO contractholder-directed unit-linked investments	7,572	8,453	1,386	17,411
FVO securities held by CSEs		117		117
Total FVO and trading securities	7,572	9,287	1,409	18,268
Short-term investments (1)	8,150	8,120	590	16,860
Mortgage loans:				
Commercial mortgage loans held by CSEs		3,138		3,138
Mortgage loans held-for-sale (2)		9,302	1,414	10,716
Total mortgage loans		12,440	1,414	13,854
Other invested assets:				
MSRs			666	666
Other investments	312	124		436
Derivative assets: (4)				
Interest rate	32	10,426	338	10,796
Foreign currency exchange rate	1	1,316	61	1,378
Credit		301	29	330
Equity market	29	2,703	964	3,696
Total derivative assets	62	14,746	1,392	16,200
Total other invested assets	374	14,870	2,058	17,302
Net embedded derivatives within asset host contracts (5)		1	362	363
Separate account assets (6)	28,191	173,507	1,325	203,023
Total assets	$ 65,093	$ 532,229	$ 25,642	$ 622,964

Liabilities:				
Derivative liabilities: (4)				
Interest rate	$ 91	$ 2,351	$ 38	$ 2,480
Foreign currency exchange rate		1,103	17	1,120
Credit		85	28	113
Equity market	12	211	75	298
Total derivative liabilities	103	3,750	158	4,011
Net embedded derivatives within liability host contracts (5)		19	4,565	4,584
Long-term debt of CSEs		2,952	116	3,068
Liability related to securitized reverse residential mortgage loans (7)		6,451	1,175	7,626
Trading liabilities (7)	124	3		127
Total liabilities	$ 227	$ 13,175	$ 6,014	$ 19,416

(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.

MetLife, Inc.

Notes to the Consolidated Financial Statements (Continued)

(2) Mortgage loans held-for-sale are comprised of securitized reverse residential mortgage loans and residential mortgage loans held-for-sale. See Fair Value Option for additional information. The amounts in the preceding tables differ from the amount 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) As a result of the MetLife Bank Divestiture described in Note 3, the Company disposed of certain mortgage loans and de-recognized its securitized reverse residential mortgage loans and corresponding liabilities presented in the table above and in the related fair value option disclosures.

(4) 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.

(5) 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 December 31, 2012, fixed maturity securities and equity securities also included embedded derivatives of $0 and ($88) million, respectively. At December 31, 2011, fixed maturity securities and equity securities included embedded derivatives of $2 million and ($72) million, respectively.

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

(7) The liability related to securitized reverse residential mortgage loans and 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, 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 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 reviewing such pricing with 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 0.5% of the total estimated fair value of fixed maturity securities and 9% 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 investments are based on quoted prices in active markets that are readily and regularly obtainable. Generally, these are the most liquid of the Company s securities holdings and valuation of these securities does not involve management s judgment.

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

MetLife, Inc.

Notes to the Consolidated Financial Statements (Continued)

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.

Level 2 Valuation Techniques and Key Inputs:

This level includes fixed maturity securities and equity 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 NAVs 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. Investment grade privately placed securities are valued using discounted cash flow methodologies using standard market observable inputs, and inputs derived from, or corroborated by, market observable data including market yield curve, duration, call provisions, observable prices and spreads for similar publicly traded or privately traded issues that incorporate the credit quality and industry sector of the issuer. This level also includes certain below investment grade privately placed fixed maturity securities priced by independent pricing services that use observable inputs.

Foreign government and state and political subdivision securities

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

Common and non-redeemable preferred stock

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

Level 3 Valuation Techniques and Key Inputs:

In general, fixed maturity securities and equity securities classified within Level 3 use many of the same valuation techniques and inputs as described in the Level 2 Valuation Techniques and Key Inputs. 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 or spreads over below investment grade curves to reflect industry trends or specific credit-related issues; 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. Valuation is 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.

Structured securities comprised of RMBS, CMBS and ABS

These securities are principally valued using the market and income approaches. Valuation is 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 spreads over below investment grade curves to reflect industry trends on specific credit-related issues. Below investment grade securities, alternative residential mortgage loan RMBS 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.

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, MSRs and Liability Related to Securitized Reverse Residential Mortgage Loans

The Company has elected the FVO for commercial mortgage loans held by CSEs, certain residential mortgage loans held-for-sale, securitized reverse residential mortgage loans, MSRs and the liability related to securitized reverse residential mortgage loans. Although MSRs are not financial instruments, the Company has included them in the preceding table as a result of its election to carry them at estimated fair value.

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.

Mortgage Loans Held-For-Sale

Residential mortgage loans held-for-sale are principally valued using the market approach. For securitized reverse residential mortgage loans, valuation is based primarily on readily available observable pricing for securities backed by similar fixed-rate loans. For other residential mortgage loans held-for-sale, valuation is based primarily on readily available observable pricing for securities backed by similar loans. The unobservable adjustments to such prices are insignificant.

Liability Related to Securitized Reverse Residential Mortgage Loans

The estimated fair value of this liability is based on quoted prices when traded as assets in active markets or, if not available, based on market standard valuation methodologies consistent with the Company s methods and assumptions used to estimate the fair value of comparable financial instruments.

Level 3 Valuation Techniques and Key Inputs:

Mortgage Loans Held-for-Sale

For both securitized reverse residential mortgage loans held-for-sale and other residential mortgage loans held-for-sale, for which 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.

MSRs

MSRs, which are valued using an income approach, are carried at estimated fair value and have multiple significant unobservable inputs including assumptions regarding estimates of discount rates, loan prepayments and servicing costs. Sales of MSRs tend to occur in private transactions where the precise terms and conditions of the sales are typically not readily available and observable market valuations are limited. As such, the Company relies primarily on a discounted cash flow model to estimate the fair value of the MSRs. The model requires inputs such as type of loan (fixed vs. variable and agency vs. other), age of loan, loan interest rates and current market interest rates that are generally observable. The model also requires the use of unobservable inputs including assumptions regarding estimates of discount rates, loan prepayments and servicing costs.

Liability Related to Securitized Reverse Residential Mortgage Loans

The estimated fair value of this liability is based on quoted prices when traded as assets in less active markets or, if not available, based on market standard valuation methodologies using unobservable inputs, consistent with the Company s methods and assumptions used to estimate the fair value of comparable financial instruments.

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. Assets within the Company s separate accounts 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 Consolidated Financial Statements (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. Separate account assets within this level also include other limited partnership interests. Other limited partnership interests are valued giving consideration to the value of the underlying holdings of the partnerships and by applying a premium or discount, if appropriate, for factors such as liquidity, bid/ask spreads, the performance record of the fund manager or other relevant variables which may impact the exit value of the particular partnership interest.

Derivatives

The estimated fair value of derivatives is determined through the use of quoted market prices for exchange-traded derivatives and interest rate forwards to sell certain to be announced securities, or through the use of pricing models for OTC derivatives. The determination of estimated fair value, when quoted market values are not available, is based on market standard valuation methodologies and inputs that 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 derivatives are inputs that are observable in the market or can be derived principally from, or corroborated by, observable market data. Significant inputs that are observable generally include: interest rates, foreign currency exchange rates, interest rate curves, credit curves and volatility. However, certain OTC derivatives may rely on inputs that are significant to the estimated fair value that are not observable in the market or cannot be derived principally from, or corroborated by, observable market data. Significant inputs that are unobservable generally include 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.

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

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

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 and interest rate forwards to sell certain to be announced securities 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 LIBOR basis curves.

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

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

Credit

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.

MetLife, Inc.

Notes to the Consolidated Financial Statements (Continued)

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.

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 pull through rates on interest rate lock commitments and the extrapolation beyond observable limits of the swap yield curve and LIBOR basis curves.

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

Foreign currency exchange rate

Non-option-based. Significant unobservable inputs may include the extrapolation beyond observable limits of the swap yield curve, LIBOR 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, LIBOR 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 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:

Transfers between Levels 1 and 2 were not significant for assets and liabilities measured at estimated fair value and still held at December 31, 2012 and 2011.

Transfers into or out of Level 3:

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

Transfers into Level 3 for fixed maturity securities and separate account assets 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 spreads from below investment grade curves.

Transfers out of Level 3 for fixed maturity securities and separate account assets resulted primarily from increased transparency of both new issuances that, subsequent to issuance and establishment of trading activity, became priced by independent pricing services and existing issuances that, over time, the Company was able to obtain pricing from, or corroborate pricing received from, independent pricing services with observable inputs or increases in market activity and upgraded credit ratings.

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 for the more significant asset and liability classes measured at fair value on a recurring basis using significant unobservable inputs (Level 3) at December 31, 2012.

MetLife, Inc.

Notes to the Consolidated Financial Statements (Continued)

	Valuation Techniques	**Significant Unobservable Inputs**	**Range**		**Weighted Average**
Fixed maturity securities:					
U.S. corporate and foreign corporate	Matrix pricing	Delta spread adjustments (1)	(50)	500	90
		Illiquidity premium (1)	30	30	
		Spreads from below investment grade curves (1)	(157)	876	205
		Offered quotes (2)		348	
	Market pricing	Quoted prices (2)	(1,416)	830	132
	Consensus pricing	Offered quotes (2)		555	
Foreign government	Matrix pricing	Spreads from below investment grade curves (1)	(58)	150	72
	Market pricing	Quoted prices (2)	77	146	99
	Consensus pricing	Offered quotes (2)	82	200	
RMBS	Matrix pricing and discounted cash flow	Spreads from below investment grade curves (1)	9	2,980	521
	Market pricing	Quoted prices (2)	13	109	100
	Consensus pricing	Offered quotes (2)	28	100	
CMBS	Matrix pricing and discounted cash flow	Spreads from below investment grade curves (1)	1	9,164	374
	Market pricing	Quoted prices (2)	1	106	99
ABS	Matrix pricing and discounted cash flow	Spreads from below investment grade curves (1)		1,829	109
	Market pricing	Quoted prices (2)	40	105	100
	Consensus pricing	Offered quotes (2)		111	
Derivatives:					
Interest rate	Present value techniques	Swap yield (1)	186	353	
Foreign currency exchange rate	Present value techniques	Swap yield (1)	228	795	
		Currency correlation	43%	57%	
Credit	Present value techniques	Credit spreads (1)	100	100	
	Consensus pricing	Offered quotes (3)			
Equity market	Present value techniques	Volatility	13%	32%	
	or option pricing models	Correlation	65%	65%	
Embedded derivatives:					
Direct and assumed guaranteed minimum benefits	Option pricing techniques	Mortality rates:			
		Ages 0 - 40	0%	0.14%	
		Ages 41 - 60	0.05%	0.88%	
		Ages 61 - 115	0.26%	100%	
		Lapse rates:			
		Durations 1 - 10	0.50%	100%	
		Durations 11 - 20	2%	100%	
		Durations 21 - 116	2%	100%	
		Utilization rates (4)	20%	50%	
		Withdrawal rates	0.07%	20%	
		Long-term equity volatilities	15.18%	40%	
		Nonperformance risk spread	0.10%	1.72%	

(1) For this unobservable input, range and weighted average are presented in basis points.

(2) For this unobservable input, range and weighted average are presented in accordance with the market convention for fixed maturity securities of dollars per hundred dollars of par.

(3) At 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.

(4) This range is attributable to certain GMIB and lifetime withdrawal benefits.

The following is a summary of the valuation techniques and significant unobservable inputs used in the fair value measurement for other assets and liabilities classified within Level 3. These assets and liabilities are subject to the controls described under Investments Valuation Controls and Procedures. Generally, all other classes of securities including those within separate account assets use the same valuation techniques and significant unobservable inputs as previously described for Level 3 fixed maturity 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. Mortgage loans held-for-sale are valued using independent non-binding broker quotations and internal models such as discounted cash flow methodologies using current interest rates. MSRs are valued using discounted cash flow methodologies using inputs such as discount rates, loan prepayments and servicing costs. The long-term debt of CSEs is valued using independent non-binding broker quotations and internal models including matrix pricing and discounted cash flow methodologies using current interest rates. The liability related to securitized reverse residential mortgage loans is valued using quoted prices. 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 below. 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 and Note 11.

A description of the sensitivity of the estimated fair value to changes in the significant unobservable inputs for certain of the major asset and liability classes described above is as follows:

Securities

Significant spread widening in isolation will adversely impact the overall valuation, while significant spread tightening will lead to substantial valuation increases. Significant increases (decreases) in expected default rates in isolation would result in substantially lower (higher) valuations. Significant increases (decreases) in offered quotes in isolation would result in substantially higher (lower) valuations. For U.S. and foreign corporate securities, significant increases (decreases) in illiquidity premiums in isolation would result in substantially lower (higher) valuations. For RMBS, CMBS and ABS, 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.

Interest rate derivatives

Significant increases (decreases) in the unobservable portion of the swap yield curve in isolation will result in substantial valuation changes.

Foreign currency exchange rate derivatives

Significant increases (decreases) in the unobservable portion of the swap yield curve in isolation will result in substantial valuation changes. Increases (decreases) in currency correlation in isolation will increase (decrease) the significance of the change in valuations.

Credit derivatives

Credit derivatives with significant unobservable inputs are primarily comprised of credit default swaps written by the Company. Significant credit spread widening in isolation will result in substantially higher adverse valuations, while significant spread tightening will result in substantially lower adverse valuations. Significant increases (decreases) in offered quotes in isolation will result in substantially higher (lower) valuations.

Equity market derivatives

Significant decreases in equity volatility in isolation will adversely impact overall valuation, while significant increases in equity volatility will result in substantial valuation increases. Increases (decreases) in correlation in isolation will increase (decrease) the significance of the change in valuations. Significant increases (decreases) in offered quotes in isolation will result in substantially higher (lower) valuations.

Direct and assumed guaranteed minimum benefits

For any increase (decrease) in mortality and lapse rates, the fair value of the guarantees will decrease (increase). For any increase (decrease) in utilization and volatility, the fair value of the guarantees will increase (decrease). Specifically for GMWBs, for any increase (decrease) in withdrawal rates, the fair value of the guarantees will increase (decrease). Specifically for GMABs and GMIBs, for any increase (decrease) in withdrawal rates, the fair value of the guarantees will decrease (increase).

MetLife, Inc.

Notes to the Consolidated Financial Statements (Continued)

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

	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	Other
					(In millions)				
Year Ended December 31, 2012:									
Balance, January 1,	$ 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	14	20	14		27	8	18		
Net investment gains (losses)	4	(78)	(3)		(7)	(42)	2		
Net derivative gains (losses)									
Other revenues									
Policyholder benefits and claims									
Other expenses									
Other comprehensive income (loss)	328	294	45		275	(4)	(2)	3	
Purchases (3)	1,718	2,654	431	48	952	682	2,007	5	
Sales (3)	(1,207)	(855)	(673)	(8)	(704)	(397)	(177)	(7)	
Issuances (3)									
Settlements (3)									
Transfers into Level 3 (4)	661	186	28		161	177	6		
Transfers out of Level 3 (4)	(869)	(383)	(350)		(269)	(30)	(48)		
Balance, December 31,	$ 7,433	$ 6,208	$ 1,814	$ 71	$ 2,037	$ 1,147	$ 3,656	$ 54	$
Changes in unrealized gains (losses) included in net income (loss): (5)									
Net investment income	$ 12	$ 19	$ 16	$	$ 27	$ 2	$ 18	$	$
Net investment gains (losses)	$ (4)	$ (30)	$	$	$ (4)	$ (1)	$	$	$
Net derivative gains (losses)	$	$	$	$	$	$	$	$	$
Other revenues	$	$	$	$	$	$	$	$	$
Policyholder benefits and claims	$	$	$	$	$	$	$	$	$
Other expenses	$	$	$	$	$	$	$	$	$

MetLife, Inc.

Notes to the Consolidated Financial Statements (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	Mortgage Loans Held-for-sale	MSRs (6)
	(In millions)							
Year Ended December 31, 2012:								
Balance, January 1,	$ 281	$ 438	$	$ 23	$ 1,386	$ 590	$ 1,414	$ 666
Total realized/unrealized gains (losses) included in:								
Net income (loss): (1), (2)								
Net investment income				18	25	2		
Net investment gains (losses)	(1)	2						
Net derivative gains (losses)								
Other revenues							(35)	(83)
Policyholder benefits and claims								
Other expenses								
Other comprehensive income (loss)	13	40				(26)		
Purchases (3)	99	5	6		604	425	1	
Sales (3)	(140)	(66)		(9)	(1,040)	(559)	(1,348)	(485)
Issuances (3)							7	43
Settlements (3)							(43)	(141)
Transfers into Level 3 (4)	3					5	56	
Transfers out of Level 3 (4)	(65)				(38)	(8)	(3)	
Balance, December 31,	$ 190	$ 419	$ 6	$ 32	$ 937	$ 429	$ 49	$
Changes in unrealized gains (losses) included in net income (loss): (5)								
Net investment income	$	$	$	$ 14	$ 25	$ 1	$	$
Net investment gains (losses)	$ (11)	$	$	$	$	$	$	$
Net derivative gains (losses)	$	$	$	$	$	$	$	$
Other revenues	$	$	$	$	$	$	$ (29)	$
Policyholder benefits and claims	$	$	$	$	$	$	$	$
Other expenses	$	$	$	$	$	$	$	$

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)							
	Net Derivatives: (7)							
	Interest Rate	Foreign Currency Exchange Rate	Credit	Equity Market	Net Embedded Derivatives (8)	Separate Account Assets (9)	Long-term Debt of CSEs	Liability Related to Securitized Reverse Mortgage Loans
	(In millions)							
Year Ended December 31, 2012:								
Balance, January 1,	$ 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								
Net investment gains (losses)						99	(7)	
Net derivative gains (losses)	15	10	48	(606)	1,305			
Other revenues	(67)							1
Policyholder benefits and claims				29	75			
Other expenses								
Other comprehensive income (loss)				(3)	259			
Purchases (3)				19		244		
Sales (3)						(443)		1,149
Issuances (3)			(3)	(44)		2		
Settlements (3)	(71)	(17)	(3)	(156)	(598)	(1)	79	23
Transfers into Level 3 (4)						24		
Transfers out of Level 3 (4)						(45)		2
Balance, December 31,	$ 177	$ 37	$ 43	$ 128	$ (3,162)	$ 1,205	$ (44)	$
Changes in unrealized gains (losses) included in net income (loss): (5)								
Net investment income	$	$	$	$	$	$	$	$
Net investment gains (losses)	$	$	$	$	$	$	$ (7)	$
Net derivative gains (losses)	$	$ (12)	$ 47	$ (593)	$ 1,275	$	$	$
Other revenues	$	$	$	$	$	$	$	$
Policyholder benefits and claims	$	$	$	$ 29	$ 78	$	$	$
Other expenses	$	$	$	$	$	$	$	$

MetLife, Inc.

Notes to the Consolidated Financial Statements (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	Other
				(In millions)					
Year Ended December 31, 2011:									
Balance, January 1,	$ 7,149	$ 5,726	$ 3,134	$ 79	$ 2,541	$ 1,011	$ 3,026	$ 46	$ 4
Total realized/unrealized gains (losses) included in:									
Net income (loss): (1), (2)									
Net investment income	11	27	18		10	25	24		
Net investment gains (losses)	17	(9)			(41)	(16)	(18)		
Net derivative gains (losses)									
Other revenues									
Policyholder benefits and claims									
Other expenses									
Other comprehensive income (loss)	327	(66)		3	(5)	71	81	(8)	
Purchases (3)	912	1,740	529	6	393	283	1,033	11	
Sales (3)	(887)	(2,094)	(179)	(1)	(213)	(178)	(659)	(4)	(4)
Issuances (3)									
Settlements (3)									
Transfers into Level 3 (4)	169	211	123		20	52	14	10	
Transfers out of Level 3 (4)	(914)	(1,165)	(1,303)	(56)	(1,103)	(495)	(1,651)	(2)	
Balance, December 31,	$ 6,784	$ 4,370	$ 2,322	$ 31	$ 1,602	$ 753	$ 1,850	$ 53	$
Changes in unrealized gains (losses) included in net income (loss): (5)									
Net investment income	$ 10	$ 19	$ 18	$	$ 11	$ 24	$ 20	$	$
Net investment gains (losses)	$ (27)	$ (31)	$ (3)	$	$ (41)	$ (14)	$ (10)	$	$
Net derivative gains (losses)	$	$	$	$	$	$	$	$	$
Other revenues	$	$	$	$	$	$	$	$	$
Policyholder benefits and claims	$	$	$	$	$	$	$	$	$
Other expenses	$	$	$	$	$	$	$	$	$

MetLife, Inc.

Notes to the Consolidated Financial Statements (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	Mortgage Loans Held-for-sale	MSRs (6)
	(In millions)							
Year Ended December 31, 2011:								
Balance, January 1,	$ 268	$ 905	$ 10	$ 77	$ 735	$ 858	$ 24	$ 950
Total realized/unrealized gains (losses) included in:								
Net income (loss): (1), (2)								
Net investment income				(7)	5	3		
Net investment gains (losses)	14	(71)				(2)		
Net derivative gains (losses)								
Other revenues							5	(314)
Policyholder benefits and claims								
Other expenses								
Other comprehensive income (loss)	5	5				2		
Purchases (3)	106	3			1,246	600	3	
Sales (3)	(46)	(416)	(8)	(33)	(478)	(870)		
Issuances (3)							1,361	173
Settlements (3)							(87)	(143)
Transfers into Level 3 (4)		12			121		109	
Transfers out of Level 3 (4)	(66)		(2)	(14)	(243)	(1)	(1)	
Balance, December 31,	$ 281	$ 438	$	$ 23	$ 1,386	$ 590	$ 1,414	$ 666
Changes in unrealized gains (losses) included in net income (loss): (5)								
Net investment income	$	$	$	$ (8)	$ (4)	$	$	$
Net investment gains (losses)	$ (6)	$ (19)	$	$	$	$ (1)	$	$
Net derivative gains (losses)	$	$	$	$	$	$	$	$
Other revenues	$	$	$	$	$	$	$ 5	$ (282)
Policyholder benefits and claims	$	$	$	$	$	$	$	$
Other expenses	$	$	$	$	$	$	$	$

Fair Value Measurements Using Significant Unobservable Inputs (Level 3)

	Net Derivatives: (7)							
	Interest Rate	Foreign Currency Exchange Rate	Credit	Equity Market	Net Embedded Derivatives (8)	Separate Account Assets (9)	Long-term Debt of CSEs	Liability Related to Securitized Reverse Mortgage Loans
				(In millions)				
Year Ended December 31, 2011:								
Balance, January 1,	$ (86)	$ 73	$ 44	$ 142	$ (2,438)	$ 1,983	$ (184)	$
Total realized/unrealized gains (losses) included in:								
Net income (loss): (1), (2)								
Net investment income				(3)				
Net investment gains (losses)						39	(8)	
Net derivative gains (losses)	41	(28)	(43)	601	(1,277)			
Other revenues	62							
Policyholder benefits and claims				7	86			
Other expenses								
Other comprehensive income (loss)	329		14	1	(119)			
Purchases (3)	(1)		1	228		284		
Sales (3)						(743)		
Issuances (3)			(3)	(4)				(1,175)
Settlements (3)	(44)	(1)	(12)	(8)	(455)		76	
Transfers into Level 3 (4)	(1)					19		
Transfers out of Level 3 (4)				(75)		(257)		
Balance, December 31,	$ 300	$ 44	$ 1	$ 889	$ (4,203)	$ 1,325	$ (116)	$ (1,175)
Changes in unrealized gains (losses) included in net income (loss): (5)								
Net investment income	$	$	$	$	$	$	$	$
Net investment gains (losses)	$	$	$	$	$	$	$ (8)	$
Net derivative gains (losses)	$ 24	$ (24)	$ (42)	$ 601	$ (1,303)	$	$	$
Other revenues	$ 68	$	$	$	$	$	$	$
Policyholder benefits and claims	$	$	$	$ 7	$ 94	$	$	$
Other expenses	$	$	$	$	$	$	$	$

	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	Other
					(In millions)				
Year Ended December 31, 2010:									
Balance, January 1,	$ 6,694	$ 5,244	$ 378	$ 37	$ 2,884	$ 139	$ 1,659	$ 69	$ 6
Total realized/unrealized gains (losses) included in:									
Net income (loss): (1), (2)									
Net investment income	22	15	6		64	1	9		1
Net investment gains (losses)	(13)	(34)	(5)		(59)	(6)	(40)		
Net derivative gains (losses)									
Other revenues									
Policyholder benefits and claims									
Other expenses									
Other comprehensive income (loss)	277	318	(95)	2	305	89	168	(2)	2
Purchases, sales, issuances and settlements (3)	(415)	305	2,965	(6)	(445)	684	1,435	9	(5)
Transfers into Level 3 (4)	898	502	40	46	91	132	28		
Transfers out of Level 3 (4)	(314)	(624)	(155)		(299)	(28)	(233)	(30)	
Balance, December 31,	$ 7,149	$ 5,726	$ 3,134	$ 79	$ 2,541	$ 1,011	$ 3,026	$ 46	$ 4
Changes in unrealized gains (losses) included in net income (loss): (5)									
Net investment income	$ 13	$ 15	$ 10	$	$ 63	$ 1	$ 9	$	$ 1
Net investment gains (losses)	$ (44)	$ (43)	$	$	$ (29)	$ (6)	$ (23)	$	$
Net derivative gains (losses)	$	$	$	$	$	$	$	$	$
Other revenues	$	$	$	$	$	$	$	$	$
Policyholder benefits and claims	$	$	$	$	$	$	$	$	$
Other expenses	$	$	$	$	$	$	$	$	$

MetLife, Inc.

Notes to the Consolidated Financial Statements (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	Mortgage Loans Held-for-sale	MSRs (6)
	(In millions)							
Year Ended December 31, 2010:								
Balance, January 1,	$ 136	$ 1,102	$ 32	$ 51	$	$ 23	$ 25	$ 878
Total realized/unrealized gains (losses) included in:								
Net income (loss): (1), (2)								
Net investment income				8	(15)	2		
Net investment gains (losses)	5	46						
Net derivative gains (losses)								
Other revenues							(2)	(79)
Policyholder benefits and claims								
Other expenses								
Other comprehensive income (loss)	7	12				(9)		
Purchases, sales, issuances and settlements (3)	128	(250)	(22)	(1)	750	842		151
Transfers into Level 3 (4)	1			37			10	
Transfers out of Level 3 (4)	(9)	(5)		(18)			(9)	
Balance, December 31,	$ 268	$ 905	$ 10	$ 77	$ 735	$ 858	$ 24	$ 950
Changes in unrealized gains (losses) included in net income (loss): (5)								
Net investment income	$	$	$	$ 12	$ (15)	$ 2	$	$
Net investment gains (losses)	$ (2)	$ (3)	$	$	$	$	$	$
Net derivative gains (losses)	$	$	$	$	$	$	$	$
Other revenues	$	$	$	$	$	$	$ (2)	$ (28)
Policyholder benefits and claims	$	$	$	$	$	$	$	$
Other expenses	$	$	$	$	$	$	$	$

MetLife, Inc.

Notes to the Consolidated Financial Statements (Continued)

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)						
	Net Derivatives: (7)						
	Interest Rate	Foreign Currency Exchange Rate	Credit	Equity Market	Net Embedded Derivatives (8)	Separate Account Assets (9)	Long-term Debt of CSEs (10)
				(In millions)			
Year Ended December 31, 2010:							
Balance, January 1,	$ 7	$ 108	$ 42	$ 199	$ (1,455)	$ 1,797	$
Total realized/unrealized gains (losses) included in:							
Net income (loss): (1), (2)							
Net investment income							
Net investment gains (losses)						132	48
Net derivative gains (losses)	36	46	4	(88)	(343)		
Other revenues	1						
Policyholder benefits and claims					8		
Other expenses		(4)					
Other comprehensive income (loss)	(107)	2	13	11	(226)		
Purchases, sales, issuances and settlements (3)	(23)	(57)	(15)	20	(422)	242	(232)
Transfers into Level 3 (4)						46	
Transfers out of Level 3 (4)		(22)				(234)	
Balance, December 31,	$ (86)	$ 73	$ 44	$ 142	$ (2,438)	$ 1,983	$ (184)
Changes in unrealized gains (losses) included in net income (loss): (5)							
Net investment income	$	$	$	$	$	$	$
Net investment gains (losses)	$	$	$	$	$	$	$ 48
Net derivative gains (losses)	$ 36	$ 45	$ 6	$ (82)	$ (363)	$	$
Other revenues	$ 5	$	$	$	$	$	$
Policyholder benefits and claims	$	$	$	$	$ 8	$	$
Other expenses	$	$	$	$	$	$	$

(1) Amortization of premium/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) The amount reported within purchases, sales, issuances and settlements is the purchase or issuance price and the sales or settlement proceeds based upon the actual date purchased or issued and sold or settled, respectively. Items purchased/issued and 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 other comprehensive income (loss), 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) Relates to assets and liabilities still held at the end of the respective periods.

(6) Other revenues represent the changes in estimated fair value due to changes in valuation model inputs or assumptions. For the years ended December 31, 2012, 2011 and 2010, there were no other changes in estimated fair value affecting MSRs.

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

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

(9) 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).

(10) The long-term debt of the CSEs consolidated as of January 1, 2010 is reported within the purchases, sales, issuances and settlements caption of the rollforward.

Fair Value Option

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

MetLife, Inc.

Notes to the Consolidated Financial Statements (Continued)

	Residential Mortgage Loans Held-for-Sale (1)		Securitized Reverse Residential Mortgage Loans (2)		Assets and Liabilities Held by CSEs (3)	
	December 31,		December 31,		December 31,	
	2012	2011	2012	2011	2012	2011
	(In millions)					
Assets:						
Unpaid principal balance	$ 80	$ 2,935	$	$ 6,914	$ 2,539	$ 3,019
Difference between estimated fair value and unpaid principal balance	(31)	129		738	127	119
Carrying value at estimated fair value	$ 49	$ 3,064	$	$ 7,652	$ 2,666	$ 3,138
Loans in non-accrual status	$ 3	$ 3	$	$	$	$
Loans more than 90 days past due	$ 23	$ 20	$	$ 59	$	$
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)	$ (2)	$	$	$	$
Liabilities:						
Contractual principal balance			$	$ 6,914	$ 2,430	$ 2,954
Difference between estimated fair value and contractual principal balance				712	97	114
Carrying value at estimated fair value			$	$ 7,626	$ 2,527	$ 3,068

(1) Interest income on residential mortgage loans held-for-sale is recorded based on the stated rate of the loan and is recorded 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. Such changes in estimated fair value for these loans were due to the following:

	Years Ended December 31,		
	2012	2011	2010
	(In millions)		
Instrument-specific credit risk based on changes in credit spreads for non-agency loans and adjustments in individual loan quality	$ (1)	$ (3)	$ (1)
Other changes in estimated fair value	68	511	487
Total gains (losses) recognized in other revenues	$ 67	$ 508	$ 486

(2) Gains and losses from initial measurement and subsequent changes in estimated fair value are recognized in other revenues for securitized reverse residential mortgage loans and related liabilities.

(3) Assets and liabilities held by CSEs are comprised of the commercial mortgage loans and long-term debt held by CSEs. Gains and losses from initial measurement, subsequent changes in estimated fair value and gains or losses on sales of these assets and liabilities 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.

Nonrecurring Fair Value Measurements

The following table presents information for assets measured at estimated fair value on a nonrecurring basis during the periods presented; 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).

	Years Ended December 31,								
	2012			2011			2010		
	Carrying Value Prior to	Carrying Value	Gains (Losses)	Carrying Value Prior to	Carrying Value	Gains (Losses)	Carrying Value Prior to	Carrying Value	Gains (Losses)

	Measurement	After Measurement		Measurement	After Measurement		Measurement	After Measurement	
					(In millions)				
Mortgage loans: (1)									
Held-for-investment	$ 439	$ 428	$ (11)	$ 166	$ 151	$ (15)	$ 179	$ 164	$ (15)
Held-for-sale	$ 350	$ 319	$ (31)	$ 61	$ 58	$ (3)	$ 35	$ 33	$ (2)
Other limited partnership interests (2)	$ 87	$ 54	$ (33)	$ 18	$ 13	$ (5)	$ 35	$ 23	$ (12)
Real estate joint ventures (3)	$ 16	$ 10	$ (6)	$	$	$	$ 33	$ 8	$ (25)
Goodwill (4)	$ 1,868	$	$ (1,868)	$ 65	$	$ (65)	$	$	$
Other assets (5)	$ 109	$ 32	$ (77)	$	$	$	$	$	$

(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.

MetLife, Inc.

Notes to the Consolidated Financial Statements (Continued)

(2) These investments were accounted for using the cost method. 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 December 31, 2012 and 2011 were not significant.

(3) These investments were accounted for using the cost method. 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. 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 December 31, 2012 and 2011 were not significant.

(4) As discussed in Note 11, in 2012, the Company recorded an impairment of goodwill associated with the Retail Annuities reporting unit. In addition, in 2011, the Company recorded an impairment of goodwill associated with MetLife Bank.

(5) As discussed in Note 5, in 2012, the Company recorded an impairment of VOCRA, which is included in other assets.

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 these financial instruments, which are primarily classified in Level 2 and, to a lesser extent, in Level 1, approximate 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. The tables below also exclude financial instruments reported at estimated fair value on a recurring basis. See Recurring Fair Value Measurements. All remaining balance sheet amounts excluded from the table below are not considered financial instruments subject to this disclosure.

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:

	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

MetLife, Inc.

Notes to the Consolidated Financial Statements (Continued)

	December 31, 2011	
	Carrying Value	Estimated Fair Value
	(In millions)	
Assets:		
Mortgage loans:		
Held-for-investment	$ 53,777	$ 56,422
Held-for-sale	4,462	4,462
Mortgage loans, net	$ 58,239	$ 60,884
Policy loans	$ 11,892	$ 14,213
Real estate joint ventures	$ 130	$ 183
Other limited partnership interests	$ 1,318	$ 1,656
Other invested assets	$ 1,434	$ 1,434
Premiums, reinsurance and other receivables	$ 4,639	$ 5,232
Other assets	$ 310	$ 308
Liabilities:		
PABs	$ 146,890	$ 153,304
Bank deposits	$ 10,507	$ 10,507
Long-term debt	$ 20,587	$ 22,514
Collateral financing arrangements	$ 4,647	$ 4,136
Junior subordinated debt securities	$ 3,192	$ 3,491
Other liabilities	$ 4,087	$ 4,087
Separate account liabilities	$ 49,610	$ 49,610
Commitments: (1)		
Mortgage loan commitments	$	$ 3
Commitments to fund bank credit facilities, bridge loans and private corporate bond investments	$	$ 51

(1) Commitments are off-balance sheet obligations. Negative estimated fair values represent off-balance sheet liabilities. See Note 21 for additional information on these off-balance sheet obligations.

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 was 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 was primarily determined from pricing for similar loans.

Mortgage loans held-for-sale

For these mortgage loans, 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 amounts disclosed in the preceding tables consist of those investments accounted for using the cost method. The estimated fair values for such 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

Other invested assets within the preceding tables are principally comprised of funds withheld, 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.

MetLife, Inc.

Notes to the Consolidated Financial Statements (Continued)

Premiums, Reinsurance and Other Receivables

Premiums, reinsurance and other receivables in the preceding tables 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.

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

Other assets in the preceding tables are primarily composed 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. 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

PABs in the preceding tables 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 valued 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.

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 included in the preceding tables 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 reflected in the above tables represent the difference between the discounted expected future cash flows using interest rates that incorporate current credit risk for similar instruments on the reporting date and the principal amounts of the commitments.

11. Goodwill

Goodwill is the excess of cost over the estimated fair value of net assets acquired. Goodwill is not amortized but is tested for impairment at least annually or more frequently if events or circumstances, such as adverse changes in the business climate, indicate that there may be justification for conducting an interim test. Step 1 of the goodwill impairment process requires a comparison of the fair value of a reporting unit to its carrying value. In performing the Company s goodwill impairment tests, the estimated fair values of the reporting units are first determined using a market multiple valuation approach. When further corroboration is required, the Company uses a discounted cash flow valuation approach. For reporting units which are particularly sensitive to market assumptions, such as the Retail Annuities and Life & Other reporting units, the Company may use additional valuation methodologies to estimate the reporting units fair values.

The market multiple valuation approach utilizes market multiples of companies with similar businesses and the projected operating earnings of the reporting unit. The discounted cash flow valuation approach requires judgments about revenues, operating earnings projections, capital market assumptions and discount rates. The key inputs, judgments and assumptions necessary in determining estimated fair value of the reporting units include projected operating earnings, current book value, the level of economic capital required to support the mix of business, long-term growth rates, comparative market multiples, the account value of in-force business, projections of new and renewal business, as well as margins on such business, the level of interest rates, credit spreads, equity market levels, and the discount rate that the Company believes is appropriate for the respective reporting unit. The estimated fair values of the Retail Annuities and Life & Other reporting units are particularly sensitive to equity market levels.

When testing goodwill for impairment, the Company also considers its market capitalization in relation to the aggregate estimated fair value of its reporting units. The Company applies significant judgment when determining the estimated fair value of the Company s reporting units and when assessing the relationship of market capitalization to the aggregate estimated fair value of its reporting units. As of December 31, 2012, the Company s market capitalization was below its consolidated book value. The Company reviewed the assumptions used in the valuation of its reporting units and concluded that the assumptions were reasonable. In addition, the Company concluded that the control premium in relation to the lower market environment reflected an amount which management believes is within an acceptable range.

The valuation methodologies utilized are subject to key judgments and assumptions that are sensitive to change. Estimates of fair value are inherently uncertain and represent only management s reasonable expectation regarding future developments. These estimates and the judgments and assumptions upon which the estimates are based will, in all likelihood, differ in some respects from actual future results. Declines in the estimated fair value of the Company s reporting units could result in goodwill impairments in future periods which could materially adversely affect the Company s results of operations or financial position.

In connection with its annual goodwill impairment testing, the market multiple and discounted cash flow valuation approaches indicated that the fair value of the Retail Annuities reporting unit was below its carrying value. As a result, an actuarial appraisal, which estimates the net worth of the reporting unit, the value of existing business and the value of new business, was also performed. This appraisal also resulted in a fair value of the Retail Annuities reporting unit that was less than the carrying value, indicating a potential for goodwill impairment. The growing concern regarding an extended period of low interest rates was reflected in the fair value estimate, particularly on the returns a market buyer would assume on the fixed income portion of separate account annuity products. In addition, industry-wide inquiries by regulators on the use of affiliated captive reinsurers for off-shore entities to reinsure insurance risks may limit access to this type of capital structure. As a result, a market buyer may discount the ability to fully utilize these structures, which also affected the fair value estimate of the reporting unit. Accordingly, the Company performed Step 2 of the goodwill impairment process, which compares the implied fair value of goodwill with the carrying value of that goodwill in the reporting unit to calculate the amount of goodwill impairment. The Company determined that all of the recorded goodwill associated with the Retail Annuities reporting unit was not recoverable and recorded a non-cash charge of $1.9 billion ($1.6 billion, net of income tax) for the impairment of the entire goodwill balance in the consolidated statements of operations for the year ended December 31, 2012. Of this amount, $1.4 billion was impaired at MetLife, Inc. There was no impact on income taxes.

In addition, the Company performed its annual goodwill impairment tests of its other reporting units and concluded that the fair values of all such reporting units were in excess of their carrying values and, therefore, their goodwill was not impaired.

MetLife, Inc.

Notes to the Consolidated Financial Statements (Continued)

Information regarding goodwill by segment, as well as Corporate & Other, was as follows:

	Retail	Group, Voluntary & Worksite Benefits	Corporate Benefit Funding	Latin America	Asia (1)	EMEA	Corporate & Other (2)	Unallocated Goodwill	Total
					(In millions)				
Balance at January 1, 2010									
Goodwill	$ 3,125	$ 138	$ 900	$ 214	$ 160	$ 40	$ 470	$	$ 5,047
Accumulated impairment									
Total goodwill, net	3,125	138	900	214	160	40	470		5,047
Acquisitions								6,959	6,959
Effect of foreign currency translation and other				15	(88)	(2)		(150)	(225)
Balance at December 31, 2010									
Goodwill	3,125	138	900	229	72	38	470	6,809	11,781
Accumulated impairment									
Total goodwill, net	3,125	138	900	229	72	38	470	6,809	11,781
Goodwill allocation (3)				312	5,163	1,334		(6,809)	
Acquisitions (4)					39				39
Impairments (5)							(65)		(65)
Effect of foreign currency translation and other				(40)	259	(39)			180
Balance at December 31, 2011									
Goodwill	3,125	138	900	501	5,533	1,333	470		12,000
Accumulated impairment							(65)		(65)
Total goodwill, net	3,125	138	900	501	5,533	1,333	405		11,935
Acquisitions						1			1
Impairments	(1,692)						(176)		(1,868)
Effect of foreign currency translation and other				26	(146)	5			(115)
Balance at December 31, 2012									
Goodwill	3,125	138	900	527	5,387	1,339	470		11,886
Accumulated impairment	(1,692)						(241)		(1,933)
Total goodwill, net	$ 1,433	$ 138	$ 900	$ 527	$ 5,387	$ 1,339	$ 229	$	$ 9,953

(1) Includes goodwill of $5.2 billion and $5.4 billion from the Japan operations at December 31, 2012 and 2011, respectively.

(2) The $405 million of net goodwill in Corporate & Other at December 31, 2011 relates to goodwill acquired as a part of the 2005 Travelers acquisition. For purposes of goodwill impairment testing, the $405 million of Corporate & Other goodwill was allocated to business units of the Retail; Group, Voluntary & Worksite Benefits; and Corporate Benefit Funding segments in the amounts of $210 million, $9 million and $186 million, respectively. The Retail segment amount was further allocated within the segment to the Life & Other and the Annuities reporting units in the amounts of $34 million and $176 million, respectively. As reflected in the table, the $176 million related to the Retail Annuities reporting unit was impaired in the third quarter of 2012.

(3) Goodwill associated with the ALICO Acquisition was allocated among the Company s segments in the first quarter of 2011.

(4) As of November 1, 2011, American Life s current and deferred income taxes were affected by measurement period adjustments, which resulted in a $39 million increase to the goodwill recorded as part of the ALICO Acquisition related to Japan which is included in the Asia segment. See Note 19.

(5) In 2011, the Company performed a goodwill impairment test on MetLife Bank, which was a separate reporting unit in Corporate & Other. A comparison of the fair value of the reporting unit, using a market multiple approach, to its carrying value indicated a potential for goodwill impairment. A further comparison of the implied fair value of the reporting unit s goodwill with its carrying amount indicated that the entire amount of goodwill associated with MetLife Bank was impaired. Consequently, the Company recorded a $65 million goodwill impairment charge that is reflected as a net investment loss for the year ended December 31, 2011.

MetLife, Inc.

Notes to the Consolidated Financial Statements (Continued)

12. Long-term and Short-term Debt

Long-term and short-term debt outstanding was as follows:

	Interest Rates (1)			December 31,	
	Range	Weighted Average	Maturity	2012	2011
				(In millions)	
Senior notes	0.79% - 7.72%	4.83%	2013 - 2045	$ 15,669	$ 15,666
Advances agreements	0.23% - 4.86%	2.33%	2012		4,179
Surplus notes	7.63% -7.88%	7.84%	2015 - 2025	700	700
Other notes	0.22% -8.00%	4.47%	2016 - 2030	133	42
Capital lease obligations				33	37
Total long-term debt (2)				16,535	20,624
Total short-term debt				100	686
Total				$ 16,635	$ 21,310

(1) Range of interest rates and weighted average interest rates are for the year ended December 31, 2012.

(2) Excludes $2.5 billion and $3.1 billion of long-term debt relating to CSEs at December 31, 2012 and 2011, respectively. See Note 8.

The aggregate maturities of long-term debt at December 31, 2012 for the next five years and thereafter are $753 million in 2013, $1.3 billion in 2014, $1.2 billion in 2015, $1.2 billion in 2016, $504 million in 2017 and $11.5 billion thereafter.

Advances agreements and capital lease obligations are collateralized and rank highest in priority, followed by unsecured senior debt which consists of senior notes and other notes, followed by subordinated debt which consists of junior subordinated debt securities (see Note 14). Payments of interest and principal on the Company s surplus notes, which are subordinate to all other obligations at the operating company level and are senior to obligations at MetLife, Inc., may be made only with the prior approval of the insurance department of the state of domicile. Collateral financing arrangements (see Note 13) are supported by either surplus notes of subsidiaries or financing arrangements with MetLife, Inc. and, accordingly, have priority consistent with other such obligations.

Certain of the Company s debt instruments, credit facilities and committed facilities contain various administrative, reporting, legal and financial covenants. The Company believes it was in compliance with all such covenants at December 31, 2012.

Senior Notes Senior Debt Securities Underlying Common Equity Units

In connection with the financing of the ALICO Acquisition, in November 2010, MetLife, Inc. issued to AM Holdings $3.0 billion (estimated fair value of $3.0 billion) of three series of Debt Securities, which constitute a part of the common equity units more fully described in Note 15.

In October 2012, MetLife, Inc. closed the successful remarketing of the Series C Debt Securities underlying the common equity units. The Series C Debt Securities were remarketed as 1.756% Series C senior debt securities Tranche 1 and 3.048% Series C senior debt securities Tranche 2, due December 2017 and December 2022, respectively. MetLife, Inc. did not receive any proceeds from the remarketing.

The Series D Debt Securities and Series E Debt Securities initially bear interest at 1.92% and 2.46%, respectively (an average rate of 2.19%), initially mature in June 2024 and June 2045, respectively, and are subject to remarketing. The interest rates will be reset in connection with the successful remarketings of the Debt

Securities. Prior to the first scheduled attempted remarketing of the Series E Debt Securities, such Debt Securities will be divided into two tranches equal in principal amount with maturity dates of June 2018 and June 2045.

Senior Notes Other Issuances

In August 2012, MetLife, Inc. issued $750 million of senior notes due in August 2042. The senior notes bear interest at a fixed rate of 4.125%, payable semi-annually. In connection with the issuance, MetLife, Inc. incurred $7 million of related costs which have been capitalized and included in other assets. These costs are being amortized over the term of the senior notes.

In August 2010, in anticipation of the ALICO Acquisition, MetLife, Inc. issued senior notes as follows:

- $1.0 billion senior notes due February 6, 2014, which bear interest at a fixed rate of 2.375%, payable semiannually;
- $1.0 billion senior notes due February 8, 2021, which bear interest at a fixed rate of 4.75%, payable semiannually;
- $750 million senior notes due February 6, 2041, which bear interest at a fixed rate of 5.875%, payable semiannually; and
- $250 million floating rate senior notes due August 6, 2013, which bear interest at a rate equal to three-month LIBOR, reset quarterly, plus 1.25%, payable quarterly.

In connection with these senior note issuances, MetLife, Inc. incurred $15 million of issuance costs which have been capitalized and included in other assets. These costs are being amortized over the terms of the senior notes.

Advances from the Federal Home Loan Bank of New York

MetLife Bank has been a member of the FHLB of NY and, in connection with such membership, entered into advances agreements with the FHLB of NY under which MetLife Bank received cash advances, which were reflected in long-term debt or short-term debt according to the tenor of the advances. In January 2012, MetLife Bank discontinued taking advances from the FHLB of NY. In April 2012, MetLife Bank transferred cash to MLIC related to $3.8 billion of outstanding advances which had been included in long-term debt, and MLIC assumed the associated obligations under terms similar to those of the transferred advances by issuing funding agreements for which the liability is included in PABs. During the year ended December 31, 2012, MetLife Bank did not receive advances. During the years ended December 31, 2011 and 2010, MetLife Bank received advances totaling $1.3 billion and $2.1 billion, respectively. During the years ended December 31, 2012, 2011 and 2010, MetLife Bank made repayments totaling $374 million, $750 million, and $349 million, respectively, related to long-term borrowings under the advances agreements. The amount of MetLife Bank s liability for advances was $4.8 billion at December 31, 2011, which was included in long-term debt and short-term debt depending upon the original tenor of the advance. There was no long-term debt or short-term debt liability for advances at December 31, 2012.

MetLife, Inc.

Notes to the Consolidated Financial Statements (Continued)

Short-term Debt

Short-term debt with maturities of one year or less was as follows:

	December 31, 2012	December 31, 2011
	(In millions)	
Commercial paper	$ 100	$ 101
MetLife Bank, N.A. - Advances agreements with the FHLB of NY		585
Total short-term debt	$ 100	$ 686
Average daily balance	$ 119	$ 447
Average days outstanding	40 days	19 days

During the years ended December 31, 2012, 2011 and 2010, the weighted average interest rate on short-term debt was 0.17%, 0.33% and 0.35%, respectively.

Interest Expense

Interest expense related to long-term and short-term debt included in other expenses was $871 million, $975 million and $815 million for the years ended December 31, 2012, 2011 and 2010, respectively. Such amounts do not include interest expense on collateral financing arrangements, junior subordinated debt securities, common equity units or long-term debt related to CSEs. See Notes 8, 13, 14 and 15.

Credit and Committed Facilities

The Company maintains unsecured credit facilities and committed facilities, which aggregated $4.0 billion and $12.4 billion, respectively, at December 31, 2012. When drawn upon, these facilities bear interest at varying rates in accordance with the respective agreements.

Credit Facilities

The unsecured credit facilities are used for general corporate purposes, to support the borrowers commercial paper programs and for the issuance of letters of credit. Total fees expensed associated with these credit facilities were $30 million, $35 million and $17 million for the years ended December 31, 2012, 2011 and 2010, respectively, and are included in other expenses. Information on these credit facilities at December 31, 2012 was as follows:

Borrower(s)	Expiration	Capacity	Letter of Credit Issuances	Drawdowns	Unused Commitments
				(In millions)	
MetLife, Inc. and MetLife Funding, Inc.	September 2017 (1)	$ 1,000	$ 365	$	$ 635
MetLife, Inc. and MetLife Funding, Inc.	August 2016	3,000	2,203		797
Total		$ 4,000	$ 2,568	$	$ 1,432

(1) In September 2012, MetLife, Inc. and MetLife Funding, Inc. entered into a $1.0 billion five-year credit agreement which amended and restated the three-year agreement dated October 2010. All borrowings under the 2012 five-year credit agreement must be repaid by September 2017, except that letters of credit outstanding on that date may remain outstanding until no later than September 2018. MetLife, Inc. incurred costs of $4 million related to the amended and restated credit facility, which have been capitalized and included in other assets. These costs will be amortized over the remaining term of the amended and restated credit facility.

Committed Facilities

The committed facilities are used for collateral for certain of the Company s affiliated reinsurance liabilities. Total fees expensed associated with these committed facilities were $96 million, $93 million and $92 million for the years ended December 31, 2012, 2011 and 2010, respectively, and are included in other expenses. Information on these committed facilities at December 31, 2012 was as follows:

MetLife, Inc.

Notes to the Consolidated Financial Statements (Continued)

Account Party/Borrower(s)	**Expiration**	**Capacity**	**Letter of Credit Issuances**	**Drawdowns**	**Unused Commitments**
			(In millions)		
MetLife, Inc.	August 2013	$ 300	$ 300	$	$
Exeter Reassurance Company, Ltd., MetLife, Inc. & Missouri Reinsurance, Inc.	June 2016	500	490		10
MetLife Reinsurance Company of Vermont & MetLife, Inc.	December 2020 (1)	350	350		
Exeter Reassurance Company, Ltd.	December 2027 (1)	650	555		95
MetLife Reinsurance Company of South Carolina & MetLife, Inc.	June 2037 (2)	3,500		2,797	703
MetLife Reinsurance Company of Vermont & MetLife, Inc.	December 2037 (1)	2,896	1,825		1,071
MetLife Reinsurance Company of Vermont & MetLife, Inc.	September 2038 (1)	4,250	2,018		2,232
Total		$ 12,446	$ 5,538	$ 2,797	$ 4,111

(1) MetLife, Inc. is guarantor under this agreement.

(2) The drawdown on this facility is associated with a collateral financing arrangement described more fully in Note 13.

As a result of the offerings of certain senior notes (see Senior Notes Other Issuances) and common stock (see Note 16), the commitment letter for a $5.0 billion senior credit facility, which MetLife, Inc. signed to partially finance the ALICO Acquisition, was terminated. During March 2010, MetLife, Inc. paid $28 million in fees related to this senior credit facility, all of which were included in other expenses during the year ended December 31, 2010.

13. Collateral Financing Arrangements

Associated with the Closed Block

In December 2007, MLIC reinsured a portion of its closed block liabilities to MRC, a wholly-owned subsidiary of MetLife, Inc. In connection with this transaction, MRC issued, to investors placed by an unaffiliated financial institution, $2.5 billion in aggregate principal amount of 35-year surplus notes to provide statutory reserve support for the assumed closed block liabilities. Interest on the surplus notes accrues at an annual rate of three-month LIBOR plus 0.55%, payable quarterly. The ability of MRC to make interest and principal payments on the surplus notes is contingent upon South Carolina regulatory approval.

Simultaneous with the issuance of the surplus notes, MetLife, Inc. entered into an agreement with the unaffiliated financial institution, under which MetLife, Inc. is entitled to the interest paid by MRC on the surplus notes of three-month LIBOR plus 0.55% in exchange for the payment of three-month LIBOR plus 1.12%, payable quarterly on such amount as adjusted, as described below. MetLife, Inc. may also be required to pledge collateral or make payments to the unaffiliated financial institution related to any decline in the estimated fair value of the surplus notes. Any such payments would be accounted for as a receivable and included in other assets on the Company s consolidated balance sheets and would not reduce the principal amount outstanding of the surplus notes. Such payments would, however, reduce the amount of interest payments due from MetLife, Inc. under the agreement. Any payment received from the unaffiliated financial institution would reduce the receivable by an amount equal to such payment and would also increase the amount of interest payments due from MetLife, Inc. under the agreement. In addition, the unaffiliated financial institution may be required to pledge collateral to MetLife, Inc. related to any increase in the estimated fair value of the surplus notes. MetLife, Inc. may also be required to make a payment to the unaffiliated financial institution in connection with any early termination of this agreement.

In June 2012 and December 2011, following regulatory approval, MRC repurchased and canceled $451 million and $650 million, respectively, in aggregate principal amount of the surplus notes. Payments made by the Company in June 2012 and December 2011 associated with the partial repurchases, which also included payments made to the unaffiliated financial institution, totaled $451 million and $650 million, respectively, exclusive of accrued interest on the surplus notes. In connection with the partial repurchases, in June 2012 and December 2011, the amount of the receivable from the unaffiliated financial institution decreased $59 million and $84 million, respectively.

In addition, in June 2011, MetLife, Inc. received $100 million from the unaffiliated financial institution related to an increase in the estimated fair value of the surplus notes. No such payments were made or received by MetLife, Inc. during 2012 and 2010.

At December 31, 2012 and 2011, the amount of the surplus notes outstanding was $1.4 billion and $1.9 billion, respectively. At December 31, 2012 and 2011, the amount of the receivable from the unaffiliated financial institution was $182 million and $241 million, respectively.

In addition, at December 31, 2012 and 2011, MetLife, Inc. had pledged collateral with an estimated fair value of $120 million and $125 million, respectively, to the unaffiliated financial institution.

A majority of the proceeds from the offering of the surplus notes was placed in a trust, which is consolidated by the Company, to support MRC s statutory obligations associated with the assumed closed block liabilities. At December 31, 2012 and 2011, the estimated fair value of assets held in trust by the Company was $1.6 billion and $2.0 billion, respectively. The assets are principally invested in fixed maturity securities and are presented as such within the Company s consolidated balance sheets, with the related income included within net investment income in the Company s consolidated statements of operations. Interest expense on the collateral financing arrangement is included as a component of other expenses.

Interest expense related to this collateral financing arrangement was $26 million, $35 million and $36 million for the years ended December 31, 2012, 2011 and 2010, respectively.

MetLife, Inc.

Notes to the Consolidated Financial Statements (Continued)

Associated with Secondary Guarantees

In May 2007, MetLife, Inc. and MRSC, a wholly-owned subsidiary of MetLife, Inc., entered into a 30-year collateral financing arrangement with an unaffiliated financial institution that provides up to $3.5 billion of statutory reserve support for MRSC associated with reinsurance obligations under intercompany reinsurance agreements. Such statutory reserves are associated with universal life secondary guarantees and are required under U.S. Valuation of Life Policies Model Regulation (commonly referred to as Regulation A-XXX). At both December 31, 2012 and 2011, $2.8 billion had been drawn upon under the collateral financing arrangement. Proceeds from the collateral financing arrangement were placed in trusts to support MRSC s statutory obligations associated with the reinsurance of secondary guarantees. The trusts are VIEs which are consolidated by the Company. The unaffiliated financial institution is entitled to the return on the investment portfolio held by the trusts. At December 31, 2012 and 2011, the Company held assets in trust with an estimated fair value of $3.4 billion and $3.3 billion, respectively, associated with the collateral financing arrangement. The assets are principally invested in fixed maturity securities and are presented as such within the Company s consolidated balance sheets, with the related income included within net investment income in the Company s consolidated statements of operations. Interest expense on the collateral financing arrangement is included as a component of other expenses. The collateral financing arrangement may be extended by agreement of MetLife, Inc. and the unaffiliated financial institution on each anniversary of the closing.

In connection with the collateral financing arrangement, MetLife, Inc. entered into an agreement with the same unaffiliated financial institution under which MetLife, Inc. is entitled to the return on the investment portfolio held by the trusts established in connection with this collateral financing arrangement in exchange for the payment of a stated rate of return to the unaffiliated financial institution of three-month LIBOR plus 0.70%, payable quarterly. MetLife, Inc. may also be required to make payments to the unaffiliated financial institution, for deposit into the trusts, related to any decline in the estimated fair value of the assets held by the trusts, as well as amounts outstanding upon maturity or early termination of the collateral financing arrangement. During 2012, 2011 and 2010, no payments were made or received by MetLife, Inc. Cumulatively, since May 2007, MetLife, Inc. has contributed a total of $680 million as a result of declines in the estimated fair value of the assets in the trusts, all of which was deposited into the trusts.

In addition, MetLife, Inc. may be required to pledge collateral to the unaffiliated financial institution under this agreement. At December 31, 2012 and 2011, MetLife, Inc. had pledged $78 million and $92 million under this agreement, respectively.

Interest expense related to this collateral financing arrangement was $33 million, $29 million and $30 million for the years ended December 31, 2012, 2011 and 2010, respectively.

14. Junior Subordinated Debt Securities

Outstanding Junior Subordinated Debt Securities

Outstanding junior subordinated debt securities and trust securities which MetLife, Inc. will exchange for junior subordinated debt securities prior to redemption or repayment were as follows:

					Interest Rate Subsequent to Scheduled		Carrying Value at December 31,	
				Scheduled				
Issuer	Issue Date	Face Value	Interest Rate (2)	Redemption Date	Redemption Date (3)	Final Maturity	2012	2011
		(In millions)					(In millions)	
MetLife, Inc.	July 2009	$ 500	10.750%	August 2039	LIBOR +7.548%	August 2069	$ 500	$ 500
MetLife Capital Trust X (1)	April 2008	$ 750	9.250%	April 2038	LIBOR +5.540%	April 2068	750	750
MetLife Capital Trust IV (1)	December 2007	$ 700	7.875%	December 2037	LIBOR +3.960%	December 2067	694	694
MetLife, Inc.	December 2006	$ 1,250	6.400%	December 2036	LIBOR +2.205%	December 2066	1,248	1,248
							$ 3,192	$ 3,192

(1) MetLife Capital Trust X and MetLife Capital Trust IV are VIEs which are consolidated in the financial statements of the Company. The securities issued by these entities are exchangeable surplus trust securities, which will be exchanged for a like amount of MetLife, Inc. s junior subordinated debt securities on the scheduled redemption date; mandatorily under certain circumstances, and at any time upon MetLife, Inc. exercising its option to redeem the securities. The exchangeable surplus trust securities are classified as junior subordinated debt securities for purposes of financial statement presentation.

(2) Prior to the scheduled redemption date, interest is payable semiannually in arrears.

(3) In the event the securities are not redeemed on or before the scheduled redemption date, interest will accrue after such date at an annual rate of three-month LIBOR plus the indicated margin, payable quarterly in arrears.

In connection with each of the securities described above, MetLife, Inc. may redeem or may cause the redemption of the securities (i) in whole or in part, at any time on or after the date five years prior to the scheduled redemption date at their principal amount plus accrued and unpaid interest to, but excluding, the date of redemption, or (ii) in certain circumstances, in whole or in part, prior to the date five years prior to the scheduled redemption date at their principal amount plus accrued and unpaid interest to, but excluding, the date of redemption or, if greater, a make-whole price. MetLife, Inc. also has the right to, and in certain circumstances the requirement to, defer interest payments on the securities for a period up to 10 years. Interest compounds during such periods of deferral. If interest is deferred for more than five consecutive years, MetLife, Inc. is required to use proceeds from the sale of its common stock or warrants on common stock to satisfy this interest payment obligation. In connection with each of the securities described above, MetLife, Inc. entered into a separate replacement capital covenant (RCC). As part of each RCC, MetLife, Inc. agreed that it will not repay, redeem, or purchase the securities on or before a date 10 years prior to the final maturity date of each issuance, unless, subject to certain limitations, it has received cash proceeds during a specified period from the sale of specified replacement securities. Each RCC will terminate upon the occurrence of certain events, including an acceleration of the applicable securities due to the occurrence of an event of default. The RCCs are not intended for the benefit of holders of the securities and may not be enforced by them. Rather, each RCC is for the benefit of the holders of a designated series of MetLife, Inc. s other indebtedness (the Covered Debt). Initially, the Covered Debt for each of the securities described above was MetLife, Inc. s 5.70% senior notes due 2035 (the Senior Notes). As a result of the issuance of MetLife, Inc. s 10.750% Fixed-to-Floating Rate Junior Subordinated Debentures due 2069 (the 10.750% JSDs), the 10.750% JSDs became the Covered Debt with respect to, and in accordance with, the terms of the RCC relating to MetLife, Inc. s 6.40% Fixed-to-Floating Rate Junior Subordinated Debentures due 2066. The Senior Notes continue to be the Covered Debt with respect to, and in accordance with, the terms of the RCCs relating to each of MetLife Capital Trust IV s 7.875% Fixed-to-Floating Rate Exchangeable Surplus Trust Securities, MetLife Capital Trust X s 9.250% Fixed-to-Floating Rate Exchangeable Surplus Trust Securities and the 10.750% JSDs. MetLife, Inc. also entered into a replacement capital obligation which will commence during the six month period prior to the scheduled redemption date of each of the securities described above and under which MetLife, Inc. must use reasonable commercial efforts to raise replacement capital to permit repayment of the securities through the issuance of certain qualifying capital securities.

Interest expense on outstanding junior subordinated debt securities was $258 million for each of the years ended December 31, 2012, 2011 and 2010.

15. Common Equity Units

Acquisition of ALICO

In connection with the financing of the ALICO Acquisition in November 2010, MetLife, Inc. issued to AM Holdings 40.0 million common equity units with an aggregate stated amount at issuance of $3.0 billion and an estimated fair value of $3.2 billion. Each common equity unit has an initial stated amount of $75 per unit and initially consists of: (i) the Purchase Contracts, obligating the holder to purchase, on a subsequent settlement date, a variable number of shares of MetLife, Inc. common stock, par value $0.01 per share, for a purchase price of $25 ($75 in the aggregate); and (ii) a 1/40 undivided beneficial ownership interest in each of three series of Debt Securities issued by MetLife, Inc., each series of Debt Securities having an aggregate principal amount of $1.0 billion. Distributions on the common equity units will be made quarterly, and will consist of contract payments on the Purchase Contracts and interest payments on the Debt Securities, at an aggregate annual rate of 5.00% of the stated amount at any time. The excess of the estimated fair value of the common equity units over the estimated fair value of the Debt Securities (see Note 12), after accounting for the present value of future contract payments recorded in other liabilities, resulted in a net decrease to additional paid-in capital of $69 million, representing the fair value of the Purchase Contracts discussed below. On March 8, 2011, AM Holdings sold, in a public offering, all the common equity units it received as consideration from MetLife in connection with the ALICO Acquisition. The common equity units are listed on the New York Stock Exchange (NYSE).

Purchase Contracts

Settlement of the Purchase Contracts of each series will occur upon the successful remarketing of the related series of Debt Securities, or upon a final failed remarketing of the related series, as described below under Debt Securities. On each settlement date subsequent to a successful remarketing, the holder will pay $25 per common equity unit and MetLife, Inc. will issue to such holder a variable number of shares of its common stock in settlement of the applicable Purchase Contract. The number of shares to be issued will depend on the average of the daily volume-weighted average prices of MetLife, Inc. s common stock during the 20 trading day periods ending on, and including, the third day prior to the initial scheduled settlement date for each series of Purchase Contracts. The Series C Purchase Contracts have been settled as described in Remarketing of Debt Securities and Settlement of Purchase Contracts. The initially-scheduled settlement dates for the remaining contracts are September 11, 2013 for the Series D Purchase Contracts and October 8, 2014 for the Series E Purchase Contracts. If the average value of MetLife, Inc. s common stock as calculated pursuant to the stock purchase agreement dated as of March 7, 2010, as amended, by and among MetLife, Inc., AIG and AM Holdings (the Stock Purchase Agreement) during the applicable 20 trading day period is less than or equal to $35.42, as such amount may be adjusted (the Reference Price), the number of shares to be issued in settlement of the Purchase Contract will equal $25 divided by the Reference Price, as calculated pursuant to the Stock Purchase Agreement (the Maximum Settlement Rate). If the market value of MetLife, Inc. s common stock is greater than or equal to $44.275, as such amount may be adjusted (the Threshold Appreciation Price), the number of shares to be issued in settlement of the Purchase Contract will equal $25 divided by the Threshold Appreciation Price, as so calculated (the Minimum Settlement Rate). If the market value of MetLife, Inc. s common stock is greater than the Reference Price and less than the Threshold Appreciation Price, the number of shares to be issued will equal $25 divided by the applicable market value, as so calculated. In the event of an unsuccessful remarketing of any series of Debt Securities and the postponement of settlement to a later date, the average market value used to calculate the settlement rate for a particular series will not be recalculated, although certain corporate events may require adjustments to the settlement rate. After settlement of the remaining Purchase Contracts, MetLife, Inc. will receive proceeds of $2.0 billion and issue between 45.2 million and 56.5 million shares of its common stock, subject to certain adjustments, in addition to the proceeds received and shares issued upon settlement of the Series C Purchase Contracts in October 2012. The holder of a common equity unit may, at its option, settle the related Purchase Contracts before the applicable settlement date. However, upon early settlement, the holder will receive the Minimum Settlement Rate.

Distributions on the Purchase Contracts will be made quarterly at an average annual rate of 3.02%. The value of the Purchase Contracts at issuance of $247 million was calculated as the present value of the future contract payments and was recorded in other liabilities with an offsetting decrease in additional paid-in capital. The other liabilities balance will be reduced as contract payments are made. Contract payments of $84 million and $102 million were made for the years ended December 31, 2012 and 2011, respectively.

Debt Securities

The Debt Securities are senior, unsecured notes of MetLife, Inc. which, in the aggregate, pay quarterly distributions at an initial average annual rate of 1.98% and are included in long-term debt (see Note 12 for further discussion of terms). The Debt Securities are pledged as collateral to secure the obligations of each common equity unit holder under the related Purchase Contracts. Each series of the Debt Securities will be subject to a remarketing and sold on behalf of participating holders to investors. The proceeds of a remarketing, net of any related fees, will be applied on behalf of participating holders who so elect to settle any obligation of the holder to pay cash under the related Purchase Contract on the applicable settlement dates. The Series C Purchase Contracts have been settled as described in Remarketing of Debt Securities and Settlement of Purchase Contracts. The initially-scheduled settlement dates for the remaining contracts are September 11, 2013 for the Series D Debt Securities and October 8, 2014 for the Series E Debt Securities, subject to delay if there are one or more unsuccessful remarketings. If the initial attempted remarketing of a series is unsuccessful, up to two additional remarketing attempts will occur. At the remarketing date, the remarketing agent may reset the interest rate on the Debt Securities, subject to a reset cap for each of the first two attempted remarketings of each series. If a remarketing is successful, the reset rate will apply to all outstanding Debt Securities of the applicable tranche of the remarketed series, whether or not the holder participated in the remarketing and will become effective on the settlement date of such remarketing. If the first remarketing attempt with respect to a series is unsuccessful, the applicable Purchase Contract settlement date will be delayed for three calendar months, at which time a second remarketing attempt will occur in connection with settlement. If the second remarketing attempt is unsuccessful, one additional delay may occur on the same basis. If both additional remarketing attempts are unsuccessful, a final failed remarketing will have occurred, and the interest rate on such series of Debt Securities will not be reset and the holder may put such series of Debt Securities to MetLife, Inc. at a price equal to its principal amount plus accrued and unpaid interest, if any, and apply the principal amount against the holder s obligations under the related Purchase Contract.

Remarketing of Debt Securities and Settlement of Purchase Contracts

In October 2012, MetLife, Inc. closed the successful remarketing of the Series C Debt Securities underlying the common equity units. The Series C Debt Securities were remarketed as 1.756% Series C senior debt securities Tranche 1 and 3.048% Series C senior debt securities Tranche 2, due December 2017 and December 2022, respectively. MetLife, Inc. did not receive any proceeds from the remarketing. Common equity unit holders used the remarketing proceeds to settle their payment obligations under the applicable Series C Purchase Contracts. The subsequent settlement of the Series C Purchase Contracts occurred in October 2012, providing proceeds to MetLife, Inc. of $1.0 billion in exchange for shares of MetLife, Inc. s common stock. MetLife, Inc. delivered 28,231,956 shares of its newly issued common stock to settle the stock purchase contracts.

16. Equity

Preferred Stock

There are 200,000,000 authorized shares of preferred stock, of which 6,857,000 shares were designated for issuance of convertible preferred stock in connection with the financing of the ALICO Acquisition in 2010. See Convertible Preferred Stock below.

MetLife, Inc. has outstanding 24 million shares of Floating Rate Non-Cumulative Preferred Stock, Series A (the Series A preferred shares) with a $0.01 par value per share, and a liquidation preference of $25 per share.

MetLife, Inc. has outstanding 60 million shares of 6.50% Non-Cumulative Preferred Stock, Series B (the Series B preferred shares), with a $0.01 par value per share, and a liquidation preference of $25 per share.

The preferred stock ranks senior to the common stock with respect to dividends and liquidation rights. Dividends on the preferred stock are not cumulative. Holders of the preferred stock will be entitled to receive dividend payments only when, as and if declared by MetLife, Inc. s Board of Directors or a duly authorized committee of the Board. If dividends are declared on the Series A preferred shares, they will be payable quarterly, in arrears, at an annual rate of the greater of: (i) 1.00% above three-month LIBOR on the related LIBOR determination date; or (ii) 4.00%. Any dividends declared on the Series B preferred shares will be payable quarterly, in arrears, at an annual fixed rate of 6.50%. Accordingly, in the event that dividends are not declared on the preferred stock for payment on any dividend payment date, then those dividends will cease to accrue and be payable. If a dividend is not declared before the dividend payment date, MetLife, Inc. has no obligation to pay dividends accrued for that dividend period whether or not dividends are declared and paid in future periods. No dividends may, however, be paid or declared on MetLife, Inc. s common stock or any other securities ranking junior to the preferred stock unless the full dividends for the latest completed dividend period on all preferred stock, and any parity stock, have been declared and paid or provided for.

MetLife, Inc. is prohibited from declaring dividends on the preferred stock if it fails to meet specified capital adequacy, net income and equity levels. See Dividend Restrictions.

The preferred stock does not have voting rights except in certain circumstances where the dividends have not been paid for an equivalent of six or more dividend payment periods whether or not those periods are consecutive. Under such circumstances, the holders of the preferred stock have certain voting rights with respect to members of the Board of Directors of MetLife, Inc.

The preferred stock is not subject to any mandatory redemption, sinking fund, retirement fund, purchase fund or similar provisions. The preferred stock is redeemable at MetLife, Inc. s option in whole or in part, at a redemption price of $25 per share of preferred stock, plus declared and unpaid dividends.

In December 2008, MetLife, Inc. entered into an RCC related to the preferred stock. As part of such RCC, MetLife, Inc. agreed that it will not repay, redeem or purchase the preferred shares on or before December 31, 2018, unless, subject to certain limitations, it has received proceeds during a specified period from the sale of specified replacement securities. The RCC is for the benefit of the holders of the related Covered Debt, which was initially the Senior Notes. As a result of the issuance of the 10.750% JSDs, the 10.750% JSDs became the Covered Debt with respect to, and in accordance with, the terms of the RCC relating to the preferred shares. The RCC will terminate upon the occurrence of certain events, including the date on which MetLife, Inc. has no series of outstanding eligible debt securities.

Information on the declaration, record and payment dates, as well as per share and aggregate dividend amounts, for the Series A and Series B preferred shares was as follows:

MetLife, Inc.

Notes to the Consolidated Financial Statements (Continued)

				Dividend		
Declaration Date	Record Date	Payment Date	Series A Per Share	Series A Aggregate	Series B Per Share	Series B Aggregate
				(In millions, except per share data)		
November 15, 2012	November 30, 2012	December 17, 2012	$ 0.253	$ 7	$ 0.406	$ 24
August 15, 2012	August 31, 2012	September 17, 2012	$ 0.256	6	$ 0.406	24
May 15, 2012	May 31, 2012	June 15, 2012	$ 0.256	7	$ 0.406	24
March 5, 2012	February 29, 2012	March 15, 2012	$ 0.253	6	$ 0.406	24
				$ 26		$ 96
November 15, 2011	November 30, 2011	December 15, 2011	$ 0.253	$ 7	$ 0.406	$ 24
August 15, 2011	August 31, 2011	September 15, 2011	$ 0.256	6	$ 0.406	24
May 16, 2011	May 31, 2011	June 15, 2011	$ 0.256	7	$ 0.406	24
March 7, 2011	February 28, 2011	March 15, 2011	$ 0.250	6	$ 0.406	24
				$ 26		$ 96
November 15, 2010	November 30, 2010	December 15, 2010	$ 0.253	$ 7	$ 0.406	$ 24
August 16, 2010	August 31, 2010	September 15, 2010	$ 0.256	6	$ 0.406	24
May 17, 2010	May 31, 2010	June 15, 2010	$			