

METLIFE INC
Form 10-Q
November 04, 2010

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

Form 10-Q

(Mark One)

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

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2010

OR

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

FOR THE TRANSITION PERIOD FROM TO

Commission file number: 001-15787

MetLife, Inc.

(Exact name of registrant as specified in its charter)

Delaware

*(State or other jurisdiction of
incorporation or organization)*

13-4075851

*(I.R.S. Employer
Identification No.)*

200 Park Avenue, New York, N.Y.
(Address of principal executive offices)

10166-0188

(Zip Code)

(212) 578-2211

(Registrant's telephone number, including area code)

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

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

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

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company)

Smaller reporting company

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

At November 1, 2010, 985,254,724 shares of the registrant's common stock, \$0.01 par value per share, were outstanding.

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

Note Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q, including the Management's Discussion and Analysis of Financial Condition and Results of Operations, may contain or incorporate by reference information that includes or is based upon forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements give expectations or forecasts of future events. These statements can be identified by the fact that they do not relate strictly to historical or current facts. They use words such as anticipate, estimate, expect, project, intend, plan, believe and other words and terms of similar meaning in connection with a discussion of 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. See Management's Discussion and Analysis of Financial Condition and Results of Operations.

Any or all forward-looking statements may turn out to be wrong. They can be affected by inaccurate assumptions or by known or unknown risks and uncertainties. Many such factors will be important in determining MetLife's actual future results. These statements are based on current expectations and the current economic environment. They involve a number of risks and uncertainties that are difficult to predict. These statements are not guarantees of future performance. Actual results could differ materially from those expressed or implied in the forward-looking statements. Risks, uncertainties, and other factors that might cause such differences include the risks, uncertainties and other factors identified in MetLife, Inc.'s filings with the U.S. Securities and Exchange Commission (the SEC). These factors include: (1) the imposition of onerous conditions following the acquisition of American Life Insurance Company (ALICO), a subsidiary of ALICO Holdings LLC (ALICO Holdings) and Delaware American Life Insurance Company (DelAm) (collectively, the Acquisition); (2) difficulties in integrating the business acquired in the Acquisition (the Alico Business); (3) uncertainty with respect to the outcome of the closing agreement entered into between ALICO and the United States Internal Revenue Service in connection with the Acquisition; (4) uncertainty with respect to the making of elections under Section 338 of the U.S. Internal Revenue Code of 1986, as amended, and any benefits therefrom; (5) an inability to manage the growth of the Alico Business; (6) a writedown of the goodwill established in connection with the Acquisition; (7) exchange rate fluctuations; (8) an inability to predict the financial impact of the Acquisition on MetLife's business and financial results; (9) events relating to American International Group, Inc. (AIG) that could adversely affect the Alico Business or MetLife; (10) the dilutive impact on MetLife, Inc.'s stockholders resulting from the issuance of equity securities to ALICO Holdings in connection with the Acquisition; (11) a decrease in MetLife, Inc.'s stock price as a result of ALICO Holdings' ability to sell its equity securities; (12) the conditional payment obligation of approximately \$300 million to ALICO Holdings if the conversion of the Series B Contingent Convertible Junior Participating Non-Cumulative Perpetual Preferred Stock (Series B Preferred Stock) issued to ALICO Holdings in connection with the Acquisition into MetLife, Inc.'s common stock is not approved; (13) change of control provisions in the Alico Business agreements; (14) effects of guarantees within certain of the Alico Business variable life and annuity products; (15) regulatory action in the financial services industry affecting the combined business; (16) financial instability in Europe and possible writedowns of sovereign debt of European nations; (17) difficult conditions in the global capital markets; (18) increased volatility and disruption of the capital and credit markets, which may affect MetLife's ability to seek financing or access its credit facilities; (19) uncertainty about the effectiveness of the U.S. government's programs to stabilize the financial system, the imposition of fees relating thereto, or the promulgation of additional regulations; (20) impact of comprehensive financial services regulation reform on MetLife; (21) exposure to financial and capital market risk; (22) changes in general economic conditions, including the performance of financial markets and interest rates, which may affect MetLife's ability to raise capital, generate fee income and market-related revenue and finance statutory reserve

requirements and may require MetLife to pledge collateral or make payments related to declines in value of specified assets; (23) potential liquidity and other risks resulting from MetLife's participation in a securities lending program and other transactions; (24) investment losses and defaults, and changes to investment valuations; (25) impairments of goodwill and realized losses or market value impairments to illiquid assets; (26) defaults on MetLife's mortgage loans; (27) the impairment of other financial institutions; (28) MetLife's ability to address unforeseen liabilities, asset impairments, or rating actions arising from any future acquisitions or dispositions, and to successfully

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integrate acquired businesses with minimal disruption; (29) economic, political, currency and other risks relating to MetLife's international operations; (30) 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; (31) downgrades in MetLife, Inc.'s and its affiliates' claims paying ability, financial strength or credit ratings; (32) ineffectiveness of risk management policies and procedures; (33) availability and effectiveness of reinsurance or indemnification arrangements, as well as default or failure of counterparties to perform; (34) discrepancies between actual claims experience and assumptions used in setting prices for MetLife's products and establishing the liabilities for MetLife's obligations for future policy benefits and claims; (35) catastrophe losses; (36) heightened competition, including with respect to pricing, entry of new competitors, consolidation of distributors, the development of new products by new and existing competitors, distribution of amounts available under U.S. government programs, and for personnel; (37) unanticipated changes in industry trends; (38) changes in accounting standards, practices and/or policies; (39) changes in assumptions related to deferred policy acquisition costs (DAC), deferred sales inducements (DSI), value of business acquired (VOBA) or goodwill; (40) increased expenses relating to pension and postretirement benefit plans, as well as health care and other employee benefits; (41) 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; (42) deterioration in the experience of the closed block established in connection with the reorganization of MLIC; (43) adverse results or other consequences from litigation, arbitration or regulatory investigations; (44) discrepancies between actual experience and assumptions used in establishing liabilities related to other contingencies or obligations; (45) regulatory, legislative or tax changes relating to MetLife's insurance, banking, international, or other operations that may affect the cost of, or demand for, MetLife's products or services, impair its ability to attract and retain talented and experienced management and other employees, or increase the cost or administrative burdens of providing benefits to employees; (46) the effects of business disruption or economic contraction due to terrorism, other hostilities, or natural catastrophes; (47) the effectiveness of MetLife's programs and practices in avoiding giving its associates incentives to take excessive risks; (48) other risks and uncertainties described from time to time in MetLife, Inc.'s filings with the SEC; and (49) any of the foregoing factors as they relate to the Alico Business and its operations.

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

Note Regarding Reliance on Statements in Our Contracts

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

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

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

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

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

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

Table of Contents**Part I Financial Information****Item 1. Financial Statements****MetLife, Inc.****Interim Condensed Consolidated Balance Sheets
September 30, 2010 (Unaudited) and December 31, 2009****(In millions, except share and per share data)**

	September 30, 2010	December 31, 2009
Assets		
Investments:		
Fixed maturity securities available-for-sale, at estimated fair value (amortized cost: \$245,659 and \$229,709, respectively; includes \$3,283 and \$3,171, respectively, relating to variable interest entities)	\$ 260,564	\$ 227,642
Equity securities available-for-sale, at estimated fair value (cost: \$2,936 and \$3,187, respectively)	2,865	3,084
Trading securities, at estimated fair value (cost: \$3,870 and \$2,249, respectively; includes \$231 and \$0, respectively, relating to variable interest entities)	3,987	2,384
Mortgage loans:		
Held-for-investment, principally at amortized cost (net of valuation allowances of \$666 and \$721, respectively; includes \$7,093 and \$0, respectively, at estimated fair value, relating to variable interest entities)	57,098	48,181
Held-for-sale, principally at estimated fair value	2,840	2,728
Mortgage loans, net	59,938	50,909
Policy loans	10,230	10,061
Real estate and real estate joint ventures held-for-investment (includes \$18 and \$18, respectively, relating to variable interest entities)	6,981	6,852
Real estate held-for-sale	9	44
Other limited partnership interests (includes \$197 and \$236, respectively, relating to variable interest entities)	5,948	5,508
Short-term investments	11,590	8,374
Other invested assets (includes \$102 and \$137, respectively, relating to variable interest entities)	16,571	12,709
Total investments	378,683	327,567
Cash and cash equivalents (includes \$62 and \$68, respectively, relating to variable interest entities)	14,557	10,112
Accrued investment income (includes \$37 and \$0, respectively, relating to variable interest entities)	3,469	3,173
Premiums, reinsurance and other receivables	18,654	16,752
Deferred policy acquisition costs and value of business acquired	17,463	19,256

Current income tax recoverable	178	316
Deferred income tax assets		1,228
Goodwill	4,966	5,047
Other assets (includes \$7 and \$16, respectively, relating to variable interest entities)	6,913	6,822
Separate account assets	172,372	149,041
Total assets	\$ 617,255	\$ 539,314

Liabilities and Stockholders Equity**Liabilities**

Future policy benefits	\$ 143,686	\$ 135,879
Policyholder account balances	145,360	138,673
Other policyholder funds	8,912	8,446
Policyholder dividends payable	834	761
Policyholder dividend obligation	2,014	
Payables for collateral under securities loaned and other transactions	31,891	24,196
Bank deposits	9,362	10,211
Short-term debt	2,057	912
Long-term debt (includes \$7,130 and \$64, respectively, at estimated fair value, relating to variable interest entities)	24,512	13,220
Collateral financing arrangements	5,297	5,297
Junior subordinated debt securities	3,191	3,191
Deferred income tax liability	3,543	
Other liabilities (includes \$100 and \$26, respectively, relating to variable interest entities)	17,455	15,989
Separate account liabilities	172,372	149,041
Total liabilities	570,486	505,816

Contingencies, Commitments and Guarantees (Note 8)**Stockholders Equity**

MetLife, Inc. s stockholders equity:

Preferred stock, par value \$0.01 per share; 200,000,000 shares authorized; 84,000,000 shares issued and outstanding; \$2,100 aggregate liquidation preference	1	1
Common stock, par value \$0.01 per share; 3,000,000,000 shares authorized; 910,103,484 and 822,359,818 shares issued at September 30, 2010 and December 31, 2009, respectively; 906,909,597 and 818,833,810 shares outstanding at September 30, 2010 and December 31, 2009, respectively	9	8
Additional paid-in capital	20,451	16,859
Retained earnings	22,096	19,501
Treasury stock, at cost; 3,193,887 and 3,526,008 shares at September 30, 2010 and December 31, 2009, respectively	(172)	(190)
Accumulated other comprehensive income (loss)	4,030	(3,058)
Total MetLife, Inc. s stockholders equity	46,415	33,121
Noncontrolling interests	354	377
Total equity	46,769	33,498

Total liabilities and stockholders equity	\$	617,255	\$	539,314
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See accompanying notes to the interim condensed consolidated financial statements.

Table of Contents**MetLife, Inc.****Interim Condensed Consolidated Statements of Operations
For the Three Months and Nine Months Ended September 30, 2010 and 2009 (Unaudited)****(In millions, except per share data)**

	Three Months Ended September 30, 2010		Nine Months Ended September 30, 2009	
Revenues				
Premiums	\$ 6,562	\$ 6,601	\$ 20,078	\$ 19,299
Universal life and investment-type product policy fees	1,453	1,251	4,345	3,650
Net investment income	4,391	3,923	12,822	10,914
Other revenues	624	602	1,681	1,728
Net investment gains (losses):				
Other-than-temporary impairments on fixed maturity securities	(143)	(650)	(538)	(1,769)
Other-than-temporary impairments on fixed maturity securities transferred to other comprehensive income (loss)	24	245	181	479
Other net investment gains (losses)	(223)	(327)	33	(1,500)
Total net investment gains (losses)	(342)	(732)	(324)	(2,790)
Net derivatives gains (losses)	(244)	(1,407)	1,278	(4,084)
Total revenues	12,444	10,238	39,880	28,717
Expenses				
Policyholder benefits and claims	7,397	7,173	21,952	20,701
Interest credited to policyholder account balances	1,266	1,258	3,458	3,655
Policyholder dividends	392	439	1,157	1,297
Other expenses	2,996	2,543	9,358	7,576
Total expenses	12,051	11,413	35,925	33,229
Income (loss) from continuing operations before provision for income tax	393	(1,175)	3,955	(4,512)
Provision for income tax expense (benefit)	71	(551)	1,259	(1,884)
Income (loss) from continuing operations, net of income tax	322	(624)	2,696	(2,628)
Income (loss) from discontinued operations, net of income tax	(2)	(1)	5	37
Net income (loss)	320	(625)	2,701	(2,591)
Less: Net income (loss) attributable to noncontrolling interests	4	(5)	(7)	(25)

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Net income (loss) attributable to MetLife, Inc.	316	(620)	2,708	(2,566)
Less: Preferred stock dividends	30	30	91	91
Net income (loss) available to MetLife, Inc. s common shareholders	\$ 286	\$ (650)	\$ 2,617	\$ (2,657)
Income (loss) from continuing operations, net of income tax, available to MetLife, Inc. s common shareholders per common share:				
Basic	\$ 0.33	\$ (0.79)	\$ 3.10	\$ (3.30)
Diluted	\$ 0.32	\$ (0.79)	\$ 3.08	\$ (3.30)
Net income (loss) available to MetLife, Inc. s common shareholders per common share:				
Basic	\$ 0.33	\$ (0.79)	\$ 3.11	\$ (3.25)
Diluted	\$ 0.32	\$ (0.79)	\$ 3.09	\$ (3.25)

See accompanying notes to the interim condensed consolidated financial statements.

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	\$ 1	\$ 9	\$ 20,451	\$ 22,096	\$ (172)	\$ 5,901	\$ (145)	\$ (275)	\$ (1,451)	\$ 46,415	\$ 354

See accompanying notes to the interim condensed consolidated financial statements.

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MetLife, Inc.

**Interim Condensed Consolidated Statements of Stockholders' Equity (Continued)
For the Nine Months Ended September 30, 2009 (Unaudited)
(In millions)**

	Preferred Stock	Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock at Cost	Accumulated Other Comprehensive Income (Loss)			Total MetLife, Inc.'s Stockholders' Equity	Noncontrolling Interests	Total Equity	
						Net Investment Gains (Losses)	Other-Than-Temporary Impairments	Currency Translation Adjustments				
at September 31,	\$ 1	\$ 8	\$ 15,811	\$ 22,403	\$ (236)	\$ (12,564)	\$	\$ (246)	\$ (1,443)	\$ 23,734	\$ 251	\$ 24,236
Change in:												
Net change in accounting												
Change in net of tax				76				(76)				
Change in newly issued shares			1,035							1,035		
Change in treasury stock					42							
Change in net of tax			20							62		
Change in used												
Change in assets on			(1)							(1)		
Change in stock				(91)						(91)		
Change in												
Change in												
Change in comprehensive											109	
Change in comprehensive (loss):				(2,566)						(2,566)	(25)	
Change in comprehensive (loss):												
Change in net of tax												
Change in net of tax (losses)												
Change in net of tax												

Table of Contents**MetLife, Inc.****Interim Condensed Consolidated Statements of Cash Flows
For the Nine Months Ended September 30, 2010 and 2009 (Unaudited)****(In millions)**

	Nine Months Ended September 30,	
	2010	2009
Net cash provided by operating activities	\$ 5,193	\$ 2,718
Cash flows from investing activities		
Sales, maturities and repayments of:		
Fixed maturity securities	55,618	48,802
Equity securities	1,002	1,900
Mortgage loans	4,474	5,145
Real estate and real estate joint ventures	135	23
Other limited partnership interests	311	824
Purchases of:		
Fixed maturity securities	(69,997)	(63,363)
Equity securities	(638)	(1,543)
Mortgage loans	(5,888)	(4,204)
Real estate and real estate joint ventures	(474)	(466)
Other limited partnership interests	(745)	(570)
Cash received in connection with freestanding derivatives	1,717	3,062
Cash paid in connection with freestanding derivatives	(1,949)	(4,672)
Sales of businesses, net of cash disposed of \$0 and \$180, respectively		(50)
Disposal of subsidiary		(19)
Net change in policy loans	(169)	(199)
Net change in short-term investments	(3,152)	7,022
Net change in other invested assets	501	1,080
Other, net	(115)	(129)
Net cash used in investing activities	(19,369)	(7,357)
Cash flows from financing activities		
Policyholder account balances:		
Deposits	53,709	62,229
Withdrawals	(50,126)	(64,382)
Net change in payables for collateral under securities loaned and other transactions	7,695	(6,696)
Net change in bank deposits	(959)	1,368
Net change in short-term debt	1,145	(528)
Long-term debt issued	4,590	2,625
Long-term debt repaid	(689)	(244)

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Collateral financing arrangements issued		105
Cash received in connection with collateral financing arrangements		400
Cash paid in connection with collateral financing arrangements		(400)
Junior subordinated debt securities issued		500
Debt issuance costs	(14)	(22)
Common stock issued, net of issuance costs	3,557	
Common stock issued to settle stock forward contracts		1,035
Dividends on preferred stock	(91)	(91)
Other, net	(188)	(25)
Net cash provided by (used in) financing activities	18,629	(4,126)
Effect of change in foreign currency exchange rates on cash balances	(8)	88
Change in cash and cash equivalents	4,445	(8,677)
Cash and cash equivalents, beginning of period	10,112	24,239
Cash and cash equivalents, end of period	\$ 14,557	\$ 15,562
Cash and cash equivalents, subsidiaries held-for-sale, beginning of period	\$	\$ 32
Cash and cash equivalents, subsidiaries held-for-sale, end of period	\$	\$
Cash and cash equivalents, from continuing operations, beginning of period	\$ 10,112	\$ 24,207
Cash and cash equivalents, from continuing operations, end of period	\$ 14,557	\$ 15,562
Supplemental disclosures of cash flow information:		
Net cash paid during the period for:		
Interest	\$ 997	\$ 611
Income tax	\$ 109	\$ 298
Non-cash transactions during the period:		
Remarketing of debt securities:		
Fixed maturity securities redeemed	\$	\$ 32
Long-term debt issued	\$	\$ 1,035
Junior subordinated debt securities redeemed	\$	\$ 1,067
Real estate and real estate joint ventures acquired in satisfaction of debt	\$ 92	\$ 211
Purchase money mortgages on sales of real estate joint ventures	\$	\$ 74

See accompanying notes to the interim condensed consolidated financial statements.

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MetLife, Inc.

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)

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

Business

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

Basis of Presentation

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

On November 1, 2010, the Holding Company acquired all of the issued and outstanding capital stock of American Life Insurance Company (ALICO), and Delaware American Life Insurance Company (DelAm) from ALICO Holdings LLC (ALICO Holdings), a subsidiary of American International Group, Inc., (collectively, the Acquisition) which is more fully described in Note 15. The assets acquired and liabilities assumed, the consideration paid for the acquired business (the Alico Business) and the results of operations of the Alico Business, are not reflected in the accompanying interim condensed consolidated financial statements. However, the Company has issued senior debt and common stock, as well as incurred certain costs through September 30, 2010 associated with the transaction prior to the Acquisition closing date that are reflected in the accompanying interim condensed consolidated financial statements, which are more fully described in Notes 7, 10 and 11.

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

The accompanying interim condensed consolidated financial statements include the accounts of the Holding Company and its subsidiaries, as well as partnerships and joint ventures in which the Company has control, and variable interest entities (VIEs) for which the Company is the primary beneficiary. See Adoption of New Accounting Pronouncements. Closed block assets, liabilities, revenues and expenses are combined on a line-by-line basis with the assets, liabilities, revenues and expenses outside the closed block based on the nature of the particular item. See Note 6. Intercompany accounts and transactions have been eliminated.

The Company uses the equity method of accounting for investments in equity securities in which it has a significant influence or more than a 20% interest and for real estate joint ventures and other limited partnership interests in which it has more than a minor equity interest or more than a minor influence over the joint ventures or partnership's operations, but does not have a controlling interest and is not the primary beneficiary. The Company uses the cost method of accounting for investments in real estate joint ventures and other limited partnership interests in which it

has a minor equity investment and virtually no influence over the joint venture's or the partnership's operations.

Certain amounts in the prior year periods' interim condensed consolidated financial statements have been reclassified to conform with the 2010 presentation. Such reclassifications include (\$1,407) million and (\$4,084) million reclassified from other net investment gains (losses), to net derivatives gains (losses) in the interim condensed consolidated statements of operations for the three months and nine months ended

Table of Contents**MetLife, Inc.****Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) (Continued)**

September 30, 2009, respectively. In addition, \$1,368 million was reclassified from policyholder account balances to net change in bank deposits within cash flows from financing activities and \$3,062 million and (\$4,672) million were reclassified from net change in other invested assets to cash received in connection with freestanding derivatives and cash paid in connection with freestanding derivatives, respectively, within cash flows from investing activities, all in the interim condensed consolidated statement of cash flows for the nine months ended September 30, 2009. See also Note 14 for reclassifications related to discontinued operations.

The accompanying interim condensed consolidated financial statements reflect all adjustments (including normal recurring adjustments) necessary to present fairly the consolidated financial position of the Company at September 30, 2010, its consolidated results of operations for the three months and nine months ended September 30, 2010 and 2009, its consolidated cash flows for the nine months ended September 30, 2010 and 2009, and its consolidated statements of stockholders' equity for the nine months ended September 30, 2010 and 2009, in conformity with GAAP. Interim results are not necessarily indicative of full year performance. The December 31, 2009 consolidated balance sheet data was derived from audited consolidated financial statements included in MetLife's Annual Report on Form 10-K for the year ended December 31, 2009 (the 2009 Annual Report) filed with the U.S. Securities and Exchange Commission (SEC), which includes all disclosures required by GAAP. Therefore, these interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements of the Company included in the 2009 Annual Report.

Adoption of New Accounting Pronouncements***Financial Instruments***

Effective July 1, 2010, the Company adopted new 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 if they require bifurcation and separate accounting.

As a result of the adoption of this guidance, the Company elected the fair value option 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 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 accumulated other comprehensive income (loss) as of July 1, 2010.

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

beneficiary of the VIE. The guidance requires a quarterly 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 this guidance, the Company consolidated certain former QSPEs that were previously accounted for as fixed maturity commercial mortgage-backed securities and equity security collateralized debt obligations. The Company also elected the fair value option for all of the consolidated assets and liabilities of these entities. Upon consolidation, the Company recorded \$278 million of securities

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classified as trading securities, \$6,769 million of commercial mortgage loans and \$6,822 million of long-term debt based on estimated fair values at January 1, 2010 and de-recognized \$179 million in fixed maturity securities and less than \$1 million in equity securities. The consolidation also resulted in a decrease in retained earnings of \$12 million, net of income tax, and an increase in accumulated other comprehensive income (loss) of \$42 million, net of income tax, at January 1, 2010. For the three months and nine months ended September 30, 2010, the Company recorded \$106 million and \$324 million, respectively, of net investment income on the consolidated assets, \$103 million and \$312 million, respectively, of interest expense in other expenses on the related long-term debt, and \$16 million and \$24 million, respectively, in net investment gains (losses) to remeasure the assets and liabilities at their estimated fair values at September 30, 2010.

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

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

Fair Value

Effective January 1, 2010, the Company adopted new guidance that requires new disclosures about significant transfers in and/or out of Levels 1 and 2 of the fair value hierarchy and activity in Level 3. In addition, this guidance provides clarification of existing disclosure requirements about level of disaggregation and inputs and valuation techniques. The adoption of this guidance did not have an impact on the Company's consolidated financial statements.

Future Adoption of New Accounting Pronouncements

In October 2010, the Financial Accounting Standards Board (FASB) issued new guidance regarding accounting for deferred acquisition costs (Accounting Standards Update (ASU) 2010-26, *Accounting for Costs Associated with Acquiring or Renewing Insurance Contracts*) effective for the first quarter of 2012. This guidance clarifies the costs that should be deferred by insurance entities when issuing and renewing insurance contracts. The guidance also specifies that only costs related directly to successful acquisition of new or renewal contracts can be capitalized. All other acquisition-related costs should be expensed as incurred. The Company is currently evaluating the impact of this guidance on its consolidated financial statements.

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

disclosures required for the first quarter of 2011. The Company is currently evaluating the impact of this guidance on its consolidated financial statements.

In April 2010, the FASB issued new guidance regarding accounting for investment funds determined to be VIEs (ASU 2010-15, *How Investments Held through Separate Accounts Affect an Insurer's Consolidation Analysis of Those Investments*). Under this guidance, an insurance entity would not be required to consolidate a voting-interest investment fund when it holds the majority of the voting interests of the fund through its separate accounts.

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In addition, an insurance entity would not consider the interests held through separate accounts for the benefit of policyholders in the insurer's evaluation of its economics in a VIE, unless the separate account contract holder is a related party. The guidance is effective for the first quarter of 2011. The Company does not expect the adoption of this new guidance to have a material impact on its consolidated financial statements.

2. Pending Disposition

In October 2010, the Company and its joint venture partner, MS&AD Insurance Group Holdings, Inc. (MS&AD) reached an agreement under which the Company intends to sell its 50% interest in Mitsui Sumitomo MetLife Insurance Co., Ltd. (MSI MetLife), a Japan domiciled life insurance company, to MS&AD for approximately \$275 million (¥22.5 billion). During the three months ended September 30, 2010, the Company recorded a net investment loss of \$141 million, net of income tax, as a result of recording its investment in MSI MetLife at its estimated recoverable amount. It is anticipated that the sale will close on or about April 1, 2011, subject to customary closing conditions, including obtaining required regulatory approvals.

During the second quarter of 2010, the Company entered into a definitive agreement with a third party to sell MetLife Taiwan Insurance Company Limited (MetLife Taiwan). On October 5, 2010, the Taiwan Financial Supervising Commission rejected the third party's application for approval of the sale of MetLife Taiwan to such third party. Following the rejection, the agreement with the third party was terminated. The Company continues to explore strategic options with respect to MetLife Taiwan.

3. Investments***Fixed Maturity and Equity Securities Available-for-Sale***

The following tables present the cost or amortized cost, gross unrealized gain and loss, estimated fair value of the Company's fixed maturity and equity securities and the percentage that each sector represents by the respective total holdings for the periods shown. The unrealized loss amounts presented below include the noncredit loss component of other-than-temporary impairment (OTTI) loss:

	Cost or Amortized Cost	September 30, 2010			Estimated Fair Value	% of Total
		Gain	Gross Unrealized Temporary Loss	OTTI Loss (In millions)		
Fixed Maturity Securities:						
U.S. corporate securities	\$ 75,648	\$ 6,615	\$ 1,243	\$	\$ 81,020	31.1%
Residential mortgage-backed securities (RMBS)	45,358	1,945	1,193	210	45,900	17.6
Foreign corporate securities (1)	41,614	3,909	554	(1)	44,970	17.2
U.S. Treasury, agency and government guaranteed securities (2)	31,325	3,062	27		34,360	13.2

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Commercial mortgage-backed securities (CMBS)	15,082	794	343		15,533	6.0
Foreign government securities	12,632	2,232	20		14,844	5.7
Asset-backed securities (ABS)	14,797	344	801	34	14,306	5.5
State and political subdivision securities	9,186	596	168		9,614	3.7
Other fixed maturity securities	17	1	1		17	
Total fixed maturity securities (3),(4)	\$ 245,659	\$ 19,498	\$ 4,350	\$ 243	\$ 260,564	100.0%
Equity Securities:						
Common stock	\$ 1,508	\$ 73	\$ 10	\$	\$ 1,571	54.8%
Non-redeemable preferred stock (3)	1,428	85	219		1,294	45.2
Total equity securities (5)	\$ 2,936	\$ 158	\$ 229	\$	\$ 2,865	100.0%

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	Cost or Amortized Cost	Gain	December 31, 2009		Estimated Fair Value	% of Total
			Gross Unrealized Temporary Loss	OTTI Loss		
			(In millions)			
Fixed Maturity Securities:						
U.S. corporate securities	\$ 72,075	\$ 2,821	\$ 2,699	\$ 10	\$ 72,187	31.7%
RMBS	45,343	1,234	1,957	600	44,020	19.3
Foreign corporate securities	37,254	2,011	1,226	9	38,030	16.7
U.S. Treasury, agency and government guaranteed securities (2)	25,712	745	1,010		25,447	11.2
CMBS	16,555	191	1,106	18	15,622	6.9
Foreign government securities	11,010	1,076	139		11,947	5.2
ABS	14,272	189	1,077	222	13,162	5.8
State and political subdivision securities	7,468	151	411		7,208	3.2
Other fixed maturity securities	20	1	2		19	
Total fixed maturity securities (3),(4)	\$ 229,709	\$ 8,419	\$ 9,627	\$ 859	\$ 227,642	100.0%
Equity Securities:						
Common stock	\$ 1,537	\$ 92	\$ 8	\$	\$ 1,621	52.6%
Non-redeemable preferred stock (3)	1,650	80	267		1,463	47.4
Total equity securities (5)	\$ 3,187	\$ 172	\$ 275	\$	\$ 3,084	100.0%

- (1) OTTI loss as presented above, represents the noncredit portion of OTTI loss that is included in accumulated other comprehensive income (loss). OTTI loss includes 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 loss for foreign corporate securities was in an unrealized gain position of \$1 million at September 30, 2010 due to increases in estimated fair value subsequent to initial recognition of noncredit losses on such securities. See also Net Unrealized Investment Gains (Losses).
- (2) The Company has classified within the U.S. Treasury, agency and government guaranteed securities caption certain corporate fixed maturity securities issued by U.S. financial institutions that were guaranteed by the Federal Deposit Insurance Corporation (FDIC) pursuant to the FDIC s Temporary Liquidity Guarantee Program of \$357 million and \$407 million at estimated fair value with unrealized gains of \$5 million and \$2 million at September 30, 2010 and December 31, 2009, respectively.
- (3)

Upon acquisition, the Company classifies perpetual securities that have attributes of both debt and equity as fixed maturity securities if the security has an interest rate step-up feature which, when combined with other qualitative factors, indicates that the security has more debt-like characteristics. The Company classifies perpetual securities with an interest rate step-up feature which, when combined with other qualitative factors, indicates that the security has more equity-like characteristics, as equity securities within non-redeemable preferred stock. Many of such securities have been issued by non-U.S. financial institutions that are accorded Tier 1 and Upper Tier 2

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capital treatment by their respective regulatory bodies and are commonly referred to as perpetual hybrid securities. The following table presents the perpetual hybrid securities held by the Company at:

Consolidated Balance Sheets	Classification Sector Table	Primary Issuers	September 30, 2010	December 31, 2009
			Estimated Fair Value (In millions)	Estimated Fair Value
Equity securities	Non-redeemable preferred stock	Non-U.S. financial institutions	\$ 1,030	\$ 988
Equity securities	Non-redeemable preferred stock	U.S. financial institutions	\$ 238	\$ 349
Fixed maturity securities	Foreign corporate securities	Non-U.S. financial institutions	\$ 2,427	\$ 2,626
Fixed maturity securities	U.S. corporate securities	U.S. financial institutions	\$ 95	\$ 91

- (4) Redeemable preferred stock with stated maturity dates are included in the U.S. corporate securities sector within fixed maturity securities. These securities, commonly referred to as capital securities, are primarily issued by U.S. financial institutions and have cumulative interest deferral features. The Company held \$2.4 billion and \$2.5 billion at estimated fair value of such securities at September 30, 2010 and December 31, 2009, respectively.
- (5) Equity securities primarily consist of investments in common and preferred stocks, including certain perpetual hybrid securities and mutual fund interests. Privately-held equity securities were \$1.2 billion and \$1.0 billion at estimated fair value at September 30, 2010 and December 31, 2009, respectively.

The below investment grade and non-income producing amounts presented below are based on rating agency designations and equivalent designations of the National Association of Insurance Commissioners (NAIC), with the exception of non-agency RMBS held by the Company's domestic insurance subsidiaries. Non-agency RMBS, including RMBS backed by sub-prime mortgage loans reported within ABS, held by the Company's domestic insurance subsidiaries are presented based on final ratings from the revised NAIC rating methodology (i.e., NAIC 1-6) which became effective December 31, 2009 (which may not correspond to rating agency designations). All NAIC designation amounts and percentages presented herein are based on the revised NAIC methodology described above. All rating agency designation (i.e., Aaa/AAA) amounts and percentages presented herein are based on rating agency designations without adjustment for the revised NAIC methodology described above. Rating agency designations are based on availability of applicable ratings from rating agencies on the NAIC acceptable rating organization list, including Moody's Investors Service (Moody's), Standard & Poor's Ratings Services (S&P) and Fitch Ratings (Fitch).

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

	September 30, 2010	December 31, 2009
	(In millions)	
Below investment grade or non-rated fixed maturity securities:		
Estimated fair value	\$ 21,448	\$ 20,201
Net unrealized loss	\$ 539	\$ 2,609
Non-income producing fixed maturity securities:		
Estimated fair value	\$ 302	\$ 312
Net unrealized loss	\$	\$ 31
Fixed maturity securities credit enhanced by financial guarantor insurers by sector at estimated fair value:		
State and political subdivision securities	\$ 2,284	\$ 2,154
U.S. corporate securities	1,901	1,750
ABS	822	803
Other	51	43
Total fixed maturity securities credit enhanced by financial guarantor insurers	\$ 5,058	\$ 4,750
Ratings of the financial guarantor insurers providing the credit enhancement:		
Portion rated Aa/AA	20%	18%
Portion rated A	2%	2%
Portion rated Baa/BBB	36%	36%

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

The Company was not exposed to any concentrations of credit risk of any single issuer greater than 10% of the Company's stockholders' equity, other than the U.S. and Mexican government securities described below. The Company's holdings in U.S. Treasury, agency and government guaranteed fixed maturity securities at estimated fair value were \$34.4 billion and \$25.4 billion at September 30, 2010 and December 31, 2009, respectively. The Company's holdings in Mexican government and certain Mexican government agency fixed maturity securities at estimated fair value were \$4.9 billion and \$4.8 billion at September 30, 2010 and December 31, 2009, respectively.

Concentrations of Credit Risk (Fixed Maturity Securities) U.S. and Foreign Corporate Securities. The Company maintains a diversified portfolio of corporate fixed maturity securities across industries and issuers. This portfolio

does not have exposure to any single issuer in excess of 1% of total investments. The tables below present

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

	September 30, 2010		December 31, 2009	
	Estimated Fair Value	% of Total	Estimated Fair Value	% of Total
	(In millions)			
Corporate fixed maturity securities by industry type:				
Foreign (1)	\$ 44,970	35.7%	\$ 38,030	34.5%
Industrial	20,293	16.1	17,246	15.6
Consumer	20,113	16.0	16,924	15.4
Utility	17,044	13.5	14,785	13.4
Finance	13,452	10.7	13,756	12.5
Communications	6,730	5.3	6,580	6.0
Other	3,388	2.7	2,896	2.6
Total	\$ 125,990	100.0%	\$ 110,217	100.0%

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

	September 30, 2010		December 31, 2009	
	Estimated Fair Value	% of Total Investments	Estimated Fair Value	% of Total Investments
	(In millions)			
Concentrations within corporate fixed maturity securities:				
Largest exposure to a single issuer	\$ 937	0.2%	\$ 1,038	0.3%
Holdings in ten issuers with the largest exposures	\$ 7,269	1.9%	\$ 7,506	2.3%

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

September 30, 2010	December 31, 2009
Estimated	Estimated

	Fair Value	% of Total	Fair Value	% of Total
	(In millions)			
By security type:				
Collateralized mortgage obligations	\$ 23,131	50.4%	\$ 24,480	55.6%
Pass-through securities	22,769	49.6	19,540	44.4
Total RMBS	\$ 45,900	100.0%	\$ 44,020	100.0%
By risk profile:				
Agency	\$ 35,139	76.6%	\$ 33,334	75.7%
Prime	6,393	13.9	6,775	15.4
Alternative residential mortgage loans	4,368	9.5	3,911	8.9
Total RMBS	\$ 45,900	100.0%	\$ 44,020	100.0%
Portion rated Aaa/AAA	\$ 36,982	80.6%	\$ 35,626	80.9%
Portion rated NAIC 1	\$ 40,394	88.0%	\$ 38,464	87.4%

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

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

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

Vintage Year:	September 30, 2010		December 31, 2009	
	Estimated Fair Value	% of Total	Estimated Fair Value	% of Total
	(In millions)			
2004 & Prior	\$ 100	2.3%	\$ 109	2.8%
2005	1,569	35.9	1,395	35.7
2006	1,033	23.6	825	21.1
2007	930	21.3	814	20.8
2008	6	0.1		
2009	697	16.0	768	19.6
2010	33	0.8		
Total	\$ 4,368	100.0%	\$ 3,911	100.0%

	September 30, 2010		December 31, 2009	
	Amount	% of Total	Amount	% of Total
	(In millions)			
Net unrealized loss	\$ 758		\$ 1,248	
Rated Aa/AA or better		17.2%		26.3%
Rated NAIC 1		35.3%		31.3%

By collateral type:		
Fixed rate mortgage loans collateral	90.8%	89.3%
Hybrid adjustable rate mortgage loans collateral	9.2	10.7
Total Alt-A RMBS	100.0%	100.0%

Concentrations of Credit Risk (Fixed Maturity Securities) – CMBS. The Company's holdings in CMBS were \$15.5 billion and \$15.6 billion at estimated fair value at September 30, 2010 and December 31, 2009, respectively. The Company had no exposure to CMBS index securities at September 30, 2010 and December 31, 2009. The Company held commercial real estate collateralized debt obligations securities of \$123 million and \$111 million at estimated fair value at September 30, 2010 and December 31, 2009, respectively.

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

September 30, 2010

	Aaa		Aa		A		Baa		Below Investment Grade		Total
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value							
	\$ 6,989	\$ 7,266	\$ 241	\$ 242	\$ 133	\$ 130	\$ 60	\$ 56	\$ 28	\$ 24	\$ 7,451
	1,944	2,101	113	109	52	44	79	72	78	56	2,266
	2,517	2,731	30	25	58	47	58	39			2,663
	1,508	1,599	20	19	22	22	56	47	89	71	1,695
	683	586	126	102	62	40	121	93	11	8	1,003
	2	2									2
	2	2									2
	\$ 13,645	\$ 14,287	\$ 530	\$ 497	\$ 327	\$ 283	\$ 374	\$ 307	\$ 206	\$ 159	\$ 15,082
tribution		92.0%		3.2%		1.8%		2.0%		1.0%	

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

December 31, 2009

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

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

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

Concentrations of Credit Risk (Fixed Maturity Securities) - ABS. The Company's holdings in ABS were \$14.3 billion and \$13.2 billion at estimated fair value at September 30, 2010 and December 31, 2009, respectively. The Company's ABS are diversified both by collateral type and by issuer.

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

	September 30, 2010		December 31, 2009	
	Estimated Fair Value	% of Total	Estimated Fair Value	% of Total
	(In millions)			
By collateral type:				
Credit card loans	\$ 6,783	47.4%	\$ 7,057	53.6%
Student loans	2,528	17.7	1,855	14.1
RMBS backed by sub-prime mortgage loans	1,082	7.6	1,044	7.9
Automobile loans	721	5.0	963	7.3
Other loans	3,192	22.3	2,243	17.1
Total	\$ 14,306	100.0%	\$ 13,162	100.0%
Portion rated Aaa/AAA	\$ 10,570	73.9%	\$ 9,354	71.1%
Portion rated NAIC 1	\$ 12,883	90.1%	\$ 11,573	87.9%
RMBS backed by sub-prime mortgage loans portion credit enhanced by financial guarantor insurers		39.0%		37.6%
Of the 39.0% and 37.6% credit enhanced, the financial guarantor insurers were rated as follows:				
By financial guarantor insurers rated Aa/AA		24.3%		17.2%
By financial guarantor insurers rated A		8.9%		7.9%

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

September 30, 2010

	Aaa		Aa		A		Baa		Below Investment Grade		Total	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value
	(In millions)											
Pre-2007	\$ 44	\$ 42	\$ 61	\$ 52	\$ 14	\$ 12	\$ 6	\$ 6	\$ 90	\$ 56	\$ 215	\$ 186
2007-2009	87	71	298	231	29	23	3	2	44	28	461	370

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	57	46	102	89	23	15	94	87	243	153	519	
			51	31	12	8			106	73	169	
			78	41					29	16	107	
2010												
	\$ 188	\$ 159	\$ 590	\$ 444	\$ 78	\$ 58	\$ 103	\$ 95	\$ 512	\$ 326	\$ 1,471	\$ 1,471
s Distribution		14.7%		41.0%		5.4%		8.8%		30.1%		100%

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

December 31, 2009

	Aaa		Aa		A		Baa		Below Investment Grade		Total	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value						
	(In millions)											
& Prior	\$ 57	\$ 48	\$ 73	\$ 58	\$ 11	\$ 8	\$ 7	\$ 6	\$ 98	\$ 56	\$ 246	\$ 199
	99	68	316	222	39	27	24	15	31	15	509	316
	64	45	226	144	40	26	24	18	209	139	563	384
	6	6	62	22			22	5	115	72	205	143
			78	28					36	16	114	80
o 2009	\$ 226	\$ 167	\$ 755	\$ 474	\$ 90	\$ 61	\$ 77	\$ 44	\$ 489	\$ 298	\$ 1,637	\$ 1,000
s Distribution		16.0%		45.4%		5.8%		4.2%		28.6%		10.0%

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

	September 30, 2010	December 31, 2009
NAIC 1	73.9%	69.1%
NAIC 2	4.1%	4.2%
NAIC 3	11.6%	12.2%
NAIC 4	6.3%	6.2%
NAIC 5	3.5%	8.3%
NAIC 6	0.6%	%

Concentrations of Credit Risk (Equity Securities). The Company was not exposed to any concentrations of credit risk in its equity securities holdings of any single issuer greater than 10% of the Company's stockholders' equity at September 30, 2010 and December 31, 2009.

Maturities of Fixed Maturity Securities. The amortized cost and estimated fair value of fixed maturity securities, by contractual maturity date (excluding scheduled sinking funds), were as follows at:

September 30, 2010 December 31, 2009

	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
	(In millions)			
Due in one year or less	\$ 8,883	\$ 8,989	\$ 6,845	\$ 6,924
Due after one year through five years	42,267	44,153	38,408	39,399
Due after five years through ten years	46,925	51,756	40,448	41,568
Due after ten years	72,347	79,927	67,838	66,947
Subtotal	170,422	184,825	153,539	154,838
RMBS, CMBS and ABS	75,237	75,739	76,170	72,804
Total fixed maturity securities	\$ 245,659	\$ 260,564	\$ 229,709	\$ 227,642

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

Table of Contents**MetLife, Inc.****Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) (Continued)*****Evaluating Available-for-Sale Securities for Other-Than-Temporary Impairment***

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

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

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

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

Table of Contents**MetLife, Inc.****Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) (Continued)*****Net Unrealized Investment Gains (Losses)***

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

	September 30, 2010	December 31, 2009
	(In millions)	
Fixed maturity securities	\$ 15,148	\$ (1,208)
Fixed maturity securities with noncredit OTTI losses in other comprehensive income (loss)	(243)	(859)
Total fixed maturity securities	14,905	(2,067)
Equity securities	(71)	(103)
Derivatives	482	(144)
Other	48	71
Subtotal	15,364	(2,243)
Amounts allocated from:		
Insurance liability loss recognition	(2,910)	(118)
DAC and VOBA related to noncredit OTTI losses recognized in other comprehensive income (loss)	18	71
DAC and VOBA	(1,768)	145
Policyholder dividend obligation	(2,014)	
Subtotal	(6,674)	98
Deferred income tax benefit (expense) related to noncredit OTTI losses recognized in other comprehensive income (loss)	80	275
Deferred income tax benefit (expense)	(3,016)	539
Net unrealized investment gains (losses)	5,754	(1,331)
Net unrealized investment gains (losses) attributable to noncontrolling interests	2	1
Net unrealized investment gains (losses) attributable to MetLife, Inc.	\$ 5,756	\$ (1,330)

Fixed maturity securities with noncredit OTTI losses in accumulated other comprehensive income (loss), as presented above, of (\$243) million at September 30, 2010, includes (\$859) million recognized prior to January 1, 2010, (\$24) million and (\$181) million ((\$18) million and (\$180) million, net of DAC) of noncredit losses recognized in the three months and nine months ended September 30, 2010, respectively, \$16 million transferred to retained earnings in

connection with the adoption of new guidance related to the consolidation of VIEs (see Note 1) for the nine months ended September 30, 2010, \$46 million and \$100 million related to securities sold during the three months and nine months ended September 30, 2010, respectively, for which a noncredit loss was previously recognized in accumulated other comprehensive income (loss) and \$541 million and \$681 million of subsequent increases in estimated fair value during the three months and nine months ended September 30, 2010, respectively, on such securities for which a noncredit loss was previously recognized in accumulated other comprehensive income (loss).

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

Table of Contents**MetLife, Inc.****Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) (Continued)**

was previously recognized in accumulated comprehensive income (loss) and \$186 million of subsequent increases in estimated fair value during the year ended December 31, 2009 on such securities for which a noncredit loss was previously recognized in accumulated other comprehensive income (loss).

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

	Nine Months Ended September 30, 2010 (In millions)
Balance, beginning of period	\$ (1,330)
Cumulative effect of change in accounting principles, net of income tax	52
Fixed maturity securities on which noncredit OTTI losses have been recognized	600
Unrealized investment gains (losses) during the period	16,927
Unrealized investment gains (losses) relating to:	
Insurance liability gain (loss) recognition	(2,792)
DAC and VOBA related to noncredit OTTI losses recognized in other comprehensive income (loss)	(53)
DAC and VOBA	(1,913)
Policyholder dividend obligation	(2,014)
Deferred income tax benefit (expense) related to noncredit OTTI losses recognized in other comprehensive income (loss)	(190)
Deferred income tax benefit (expense)	(3,532)
Net unrealized investment gains (losses)	5,755
Net unrealized investment gains (losses) attributable to noncontrolling interests	1
Balance, end of period	\$ 5,756
Change in net unrealized investment gains (losses)	\$ 7,085
Change in net unrealized investment gains (losses) attributable to noncontrolling interests	1
Change in net unrealized investment gains (losses) attributable to MetLife, Inc.	\$ 7,086

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

The following tables present the estimated fair value and gross unrealized loss of the Company's fixed maturity and equity securities in an unrealized loss position, aggregated by sector and by length of time that the securities have been in a continuous unrealized loss position. The unrealized loss amounts presented below include the noncredit component of OTTI loss. Fixed maturity securities on which a noncredit OTTI loss has been recognized in

accumulated other comprehensive income (loss) are categorized by length of time as being less than 12 months or equal to or greater than 12 months in a continuous unrealized loss position based on the point in

Table of Contents**MetLife, Inc.****Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) (Continued)**

time that the estimated fair value initially declined to below the amortized cost basis and not the period of time since the unrealized loss was deemed a noncredit OTTI loss.

	Less than 12 Months		September 30, 2010 Equal to or Greater than 12 Months		Total	
	Estimated Fair Value	Gross Unrealized Loss	Estimated Fair Value	Gross Unrealized Loss	Estimated Fair Value	Gross Unrealized Loss
	(In millions, except number of securities)					
Fixed Maturity Securities:						
U.S. corporate securities	\$ 2,718	\$ 120	\$ 9,855	\$ 1,123	\$ 12,573	\$ 1,243
RMBS	1,939	54	7,440	1,349	9,379	1,403
Foreign corporate securities	1,611	73	4,483	480	6,094	553
U.S. Treasury, agency and government guaranteed securities	2,035	10	150	17	2,185	27
CMBS	399	5	1,497	338	1,896	343
Foreign government securities	181	3	220	17	401	20
ABS	1,851	44	3,365	791	5,216	835
State and political subdivision securities	288	5	1,083	163	1,371	168
Other fixed maturity securities			5	1	5	1
Total fixed maturity securities	\$ 11,022	\$ 314	\$ 28,098	\$ 4,279	\$ 39,120	\$ 4,593
Equity Securities:						
Common stock	46	9	8	1	54	10
Non-redeemable preferred stock	27	9	877	210	904	219
Total equity securities	\$ 73	\$ 18	\$ 885	\$ 211	\$ 958	\$ 229
Total number of securities in an unrealized loss position	2,101		1,937			

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

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

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

Table of Contents**MetLife, Inc.****Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) (Continued)**

percentage of cost or amortized cost and number of securities for fixed maturity and equity securities where the estimated fair value had declined and remained below cost or amortized cost by less than 20%, or 20% or more at:

	Cost or Amortized Cost		September 30, 2010		Number of Securities	
			Gross Unrealized Loss			
	Less than 20%	20% or more	Less than 20%	20% or more	Less than 20%	20% or more
(In millions, except number of securities)						
Fixed Maturity Securities:						
Less than six months	\$ 9,447	\$ 1,137	\$ 134	\$ 285	1,431	159
Six months or greater but less than nine months	767	145	39	43	91	18
Nine months or greater but less than twelve months	796	228	47	77	101	20
Twelve months or greater	24,627	6,566	1,817	2,151	1,448	383
Total	\$ 35,637	\$ 8,076	\$ 2,037	\$ 2,556		
Percentage of amortized cost			6%	32%		
Equity Securities:						
Less than six months	\$ 56	\$ 84	\$ 7	\$ 25	330	90
Six months or greater but less than nine months	8	47	1	17	61	3
Nine months or greater but less than twelve months	11	1	2		20	
Twelve months or greater	629	351	57	120	42	19
Total	\$ 704	\$ 483	\$ 67	\$ 162		
Percentage of cost			10%	34%		

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	Cost or Amortized Cost		December 31, 2009		Number of Securities	
			Gross Unrealized Loss			
	Less than 20%	20% or more	Less than 20%	20% or more	Less than 20%	20% or more
(In millions, except number of securities)						
Fixed Maturity Securities:						
Less than six months	\$ 35,163	\$ 2,658	\$ 933	\$ 713	1,725	186
Six months or greater but less than nine months	4,908	674	508	194	124	49
Nine months or greater but less than twelve months	1,723	1,659	167	517	106	79
Twelve months or greater	41,721	12,067	3,207	4,247	2,369	724
Total	\$ 83,515	\$ 17,058	\$ 4,815	\$ 5,671		
Percentage of amortized cost			6%	33%		
Equity Securities:						
Less than six months	\$ 66	\$ 63	\$ 7	\$ 14	199	8
Six months or greater but less than nine months	6	1	1	1	15	2
Nine months or greater but less than twelve months	13	94	2	39	8	6
Twelve months or greater	610	488	73	138	50	24
Total	\$ 695	\$ 646	\$ 83	\$ 192		
Percentage of cost			12%	30%		

Equity securities with a gross unrealized loss of 20% or more for twelve months or greater decreased from \$138 million at December 31, 2009 to \$120 million at September 30, 2010. As shown in the section *Evaluating Temporarily Impaired Available-for-Sale Securities* below, the \$120 million of equity securities with a gross unrealized loss of 20% or more for twelve months or greater at September 30, 2010 were investment grade non-redeemable preferred stock, of which \$116 million were financial services industry investment grade non-redeemable preferred stock, of which 78% were rated A or better.

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

The Company's gross unrealized losses related to its fixed maturity and equity securities, including the portion of OTTI loss on fixed maturity securities recognized in accumulated other comprehensive income (loss) of

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Table of Contents**MetLife, Inc.****Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) (Continued)**

\$4.8 billion and \$10.8 billion at September 30, 2010 and December 31, 2009, respectively, were concentrated, calculated as a percentage of gross unrealized loss and OTTI loss, by sector and industry as follows:

	September 30, 2010	December 31, 2009
Sector:		
RMBS	29%	24%
U.S. corporate securities	26	25
ABS	17	12
Foreign corporate securities	11	11
CMBS	7	10
State and political subdivision securities	4	4
U.S. Treasury, agency and government guaranteed securities	1	9
Other	5	5
Total	100%	100%
Industry:		
Mortgage-backed	36%	34%
Finance	24	22
Asset-backed	17	12
Consumer	5	4
State and political subdivision securities	4	4
Utility	3	4
Communications	2	2
Industrial	2	1
U.S. Treasury, agency and government guaranteed securities	1	9
Other	6	8
Total	100%	100%

Evaluating Temporarily Impaired Available-for-Sale Securities

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

September 30, 2010		December 31, 2009	
Fixed		Fixed	
Maturity	Equity	Maturity	Equity

	Securities	Securities	Securities	Securities
	(In millions, except number of securities)			
Number of securities	97	7	223	9
Total gross unrealized loss	\$ 1,715	\$ 112	\$ 4,465	\$ 132
Percentage of total gross unrealized loss	37%	49%	43%	48%

Fixed maturity and equity securities, each with a gross unrealized loss greater than \$10 million, decreased \$2.8 billion during the nine months ended September 30, 2010. The cause of the decline in, or improvement in, gross unrealized losses for the nine months ended September 30, 2010, was primarily attributable to a decrease in interest rates. These securities were included in the Company's OTTI review process. Based upon the Company's current evaluation of these securities and other available-for-sale securities in an unrealized loss position in accordance with its impairment policy, and the Company's current intentions and assessments (as applicable to the

Table of Contents**MetLife, Inc.****Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) (Continued)**

type of security) about holding, selling and any requirements to sell these securities, the Company has concluded that these securities are not other-than-temporarily impaired.

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

The following table presents certain information about the Company's equity securities available-for-sale with a gross unrealized loss of 20% or more at September 30, 2010:

	All Types of			Non-Redeemable Preferred Stock				
	All Equity Securities Gross Unrealized Loss	Non-Redeemable Preferred Stock % of All		All Industries		Investment Grade Financial Services Industry		
		Gross Unrealized Loss	Gross Unrealized Loss	% of All Equity Securities	Gross Unrealized Loss	% of All Non-Redeemable Preferred Stock (In millions)	Gross Unrealized Loss	% of All Industries
Less than six months	\$ 25	\$ 20	80%	\$ 20	100%	\$ 20	100%	10%
Six months or greater but less than twelve months	17	17	100%	17	100%	17	100%	94%
Twelve months or greater	120	120	100%	120	100%	116	97%	78%
All equity securities with a gross unrealized loss of 20% or more	\$ 162	\$ 157	97%	\$ 157	100%	\$ 153	97%	71%

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

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

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

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

Table of Contents**MetLife, Inc.****Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) (Continued)****Net Investment Gains (Losses)**

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

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

	Three Months Ended September 30, 2010		Nine Months Ended September 30, 2009	
	2010	2009	2010	2009
	(In millions)			
Total losses on fixed maturity securities:				
Total OTTI losses recognized	\$ (143)	\$ (650)	\$ (538)	\$ (1,769)
Less: Noncredit portion of OTTI losses transferred to and recognized in other comprehensive income (loss)	24	245	181	479
Net OTTI losses on fixed maturity securities recognized in earnings	(119)	(405)	(357)	(1,290)
Fixed maturity securities net gains (losses) on sales and disposals	54	(50)	99	(152)
Total losses on fixed maturity securities	(65)	(455)	(258)	(1,442)
Other net investment gains (losses):				
Equity securities	(1)	(53)	100	(430)
Mortgage loans	37	(129)	20	(400)
Real estate and real estate joint ventures	(1)	(70)	(50)	(163)
Other limited partnership interests	(4)	(12)	(15)	(356)
Other investment portfolio gains (losses)	(67)	(26)	9	(36)
Subtotal investment portfolio gains (losses)	(101)	(745)	(194)	(2,827)
Consolidated securitization entities:				
Trading securities fair value option	(26)		(47)	
Commercial mortgage loans fair value option	114		767	
Long-term debt related to trading securities fair value option	37		48	
Long-term debt related to commercial mortgage loans fair value option	(109)		(744)	
Other gains (losses) (1)	(257)	13	(154)	37

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Subtotal consolidated securitization entities and other gains (losses)	(241)	13	(130)	37
Total net investment gains (losses)	\$ (342)	\$ (732)	\$ (324)	\$ (2,790)

- (1) Other gains (losses) for the three months and nine months ended September 30, 2010 includes a loss of \$217 million related to recording the Company's investment in MSI MetLife at its estimated recoverable amount (see Note 2).

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

Table of Contents**MetLife, Inc.****Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) (Continued)**

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

	Three Months Ended September 30,					
	2010	2009	2010	2009	2010	2009
	Fixed Maturity Securities		Equity Securities		Total	
	(In millions)					
Proceeds	\$ 10,747	\$ 11,041	\$ 102	\$ 334	\$ 10,849	\$ 11,375
Gross investment gains	190	228	7	41	197	269
Gross investment losses	(136)	(278)	(7)	(58)	(143)	(336)
Total OTTI losses recognized in earnings:						
Credit-related	(107)	(223)			(107)	(223)
Other (1)	(12)	(182)	(1)	(36)	(13)	(218)
Total OTTI losses recognized in earnings	(119)	(405)	(1)	(36)	(120)	(441)
Net investment gains (losses)	\$ (65)	\$ (455)	\$ (1)	\$ (53)	\$ (66)	\$ (508)

	Nine Months Ended September 30,					
	2010	2009	2010	2009	2010	2009
	Fixed Maturity Securities		Equity Securities		Total	
	(In millions)					
Proceeds	\$ 32,625	\$ 30,392	\$ 547	\$ 587	\$ 33,172	\$ 30,979
Gross investment gains	569	773	114	61	683	834
Gross investment losses	(470)	(925)	(11)	(125)	(481)	(1,050)
Total OTTI losses recognized in earnings:						
Credit-related	(339)	(966)			(339)	(966)

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Other (1)	(18)	(324)	(3)	(366)	(21)	(690)
Total OTTI losses recognized in earnings	(357)	(1,290)	(3)	(366)	(360)	(1,656)
Net investment gains (losses)	\$ (258)	\$ (1,442)	\$ 100	\$ (430)	\$ (158)	\$ (1,872)

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

Table of Contents**MetLife, Inc.****Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) (Continued)**

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
	(In millions)			
Sector:				
U.S. and foreign corporate securities by industry:				
Finance	\$ 54	\$ 241	\$ 82	\$ 429
Consumer	8	42	31	206
Communications	9	29	12	232
Utility		8	3	84
Industrial		7		27
Other industries				26
Total U.S. and foreign corporate securities	71	327	128	1,004
ABS	26	17	89	111
RMBS	19	40	76	118
CMBS	3	20	64	56
Foreign government securities		1		1
Total	\$ 119	\$ 405	\$ 357	\$ 1,290

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
	(In millions)			
Sector:				
Common stock	\$ 1	\$ 2	\$ 3	\$ 52
Non-redeemable preferred stock		34		314
Total	\$ 1	\$ 36	\$ 3	\$ 366

Industry:

Financial services industry:

Perpetual hybrid securities	\$	\$ 34	\$	\$ 294
Common and remaining non-redeemable preferred stock				30
Total financial services industry		34		324
Other industries	1	2	3	42
Total	\$ 1	\$ 36	\$ 3	\$ 366

Table of Contents**MetLife, Inc.****Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) (Continued)*****Credit Loss Rollforward Rollforward of the Cumulative Credit Loss Component of OTTI Loss Recognized in Earnings on Fixed Maturity Securities Still Held for Which a Portion of the OTTI Loss Was Recognized in Other Comprehensive Income (Loss)***

The table below presents a rollforward of the cumulative credit loss component of OTTI loss recognized in earnings on fixed maturity securities still held by the Company at September 30, 2010 for which a portion of the OTTI loss was recognized in other comprehensive income (loss):

	Three Months Ended September 30, 2010		Nine Months Ended September 30, 2010	
	2010	2009	2010	2009
	(In millions)			
Balance, beginning of period	\$ 491	\$ 380	\$ 581	\$
Credit loss component of OTTI loss not reclassified to other comprehensive income (loss) in the cumulative effect transition adjustment				230
Additions:				
Initial impairments credit loss OTTI recognized on securities not previously impaired	13	53	94	205
Additional impairments credit loss OTTI recognized on securities previously impaired	34	50	104	55
Reductions:				
Due to sales (maturities, pay downs or prepayments) during the period of securities previously credit loss OTTI impaired	(97)	(15)	(231)	(22)
Due to securities de-recognized in connection with the adoption of new guidance related to the consolidation of VIEs			(100)	
Due to increases in cash flows accretion of previous credit loss OTTI	(2)		(9)	
Balance, end of period	\$ 439	\$ 468	\$ 439	\$ 468

Table of Contents**MetLife, Inc.****Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) (Continued)*****Net Investment Income***

The components of net investment income were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
	(In millions)			
Fixed maturity securities	\$ 3,081	\$ 2,955	\$ 9,187	\$ 8,709
Equity securities	19	37	83	130
Trading securities	194	163	217	310
Trading securities held by consolidated securitization entities	4		12	
Mortgage loans	713	677	2,082	2,055
Commercial mortgage loans held by consolidated securitization entities	102		312	
Policy loans	157	163	494	481
Real estate and real estate joint ventures	141	(25)	330	(184)
Other limited partnership interests	170	128	596	(53)
Cash, cash equivalents and short-term investments	26	27	64	109
International joint ventures (1)	19	(16)	(61)	(86)
Other	(7)	37	181	156
Total investment income	4,619	4,146	13,497	11,627
Less: Investment expenses	228	223	675	713
Net investment income	\$ 4,391	\$ 3,923	\$ 12,822	\$ 10,914

(1) Amounts are presented net of changes in estimated fair value of derivatives related to economic hedges of the Company's investment in these equity method international joint venture investments that do not qualify for hedge accounting of (\$12) million and \$65 million for the three months and nine months ended September 30, 2010, respectively, and \$1 million and (\$115) million for the three months and nine months ended September 30, 2009, respectively.

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

Securities Lending

The Company participates in securities lending programs whereby blocks of securities, which are included in fixed maturity securities and short-term investments, are loaned to third parties, primarily brokerage firms and commercial

banks. These transactions are treated as financing arrangements and the associated liability is recorded at the amount of the cash received. The Company generally obtains collateral in an amount equal to 102% of the estimated fair value of the securities loaned. Securities loaned under such transactions may be sold or repledged by the transferee. The Company is liable to return to its counterparties the cash collateral under its control, the amounts of which by aging category are presented below.

Table of Contents**MetLife, Inc.****Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) (Continued)**

Elements of the securities lending programs are presented below at:

	September 30, 2010	December 31, 2009
	(In millions)	
Securities on loan:		
Cost or amortized cost	\$ 23,155	\$ 21,012
Estimated fair value	\$ 25,069	\$ 20,949
Aging of cash collateral liability:		
Open (1)	\$ 3,118	\$ 3,290
Less than thirty days	13,704	13,605
Thirty days or greater but less than sixty days	4,476	3,534
Sixty days or greater but less than ninety days	1,337	92
Ninety days or greater	2,634	995
Total cash collateral liability	\$ 25,269	\$ 21,516
Security collateral on deposit from counterparties	\$ 373	\$ 6
Reinvestment portfolio estimated fair value	\$ 24,738	\$ 20,339

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

The estimated fair value of the securities on loan related to the cash collateral on open at September 30, 2010 was \$3,039 million, of which \$2,497 million were U.S. Treasury, agency and government guaranteed securities which, if put to the Company, can be immediately sold to satisfy the cash requirements. The remainder of the securities on loan was primarily U.S. Treasury, agency and government guaranteed securities, and very liquid RMBS. The reinvestment portfolio acquired with the cash collateral consisted principally of fixed maturity securities (including RMBS, U.S. corporate, U.S. Treasury, agency and government guaranteed, ABS, foreign corporate and CMBS securities).

Security collateral on deposit from counterparties in connection with the securities lending transactions may not be sold or repledged, unless the counterparty is in default, and is not reflected in the consolidated financial statements. Separately, the Company had \$51 million and \$46 million, at estimated fair value, of cash and security collateral on deposit from a counterparty to secure its interest in a pooled investment that is held by a third party trustee, as custodian, at September 30, 2010 and December 31, 2009, respectively. This pooled investment is included within fixed maturity securities and had an estimated fair value of \$60 million and \$51 million at September 30, 2010 and December 31, 2009, respectively.

Table of Contents**MetLife, Inc.****Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) (Continued)*****Invested Assets on Deposit, Held in Trust and Pledged as Collateral***

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

	September 30,		December 31, 2009
	2010		(In millions)
Invested assets on deposit:			
Regulatory agencies (1)	\$ 1,334	\$	1,383
Invested assets held in trust:			
Collateral financing arrangements (2)	5,288		5,653
Reinsurance arrangements (3)	3,360		2,719
Invested assets pledged as collateral:			
Funding agreements and advances FHLB of NY (4)	22,402		20,612
Funding agreements FHLB of Boston (4)	415		419
Funding agreements Farmer Mac (5)	3,160		2,871
Federal Reserve Bank of New York (6)	2,019		1,537
Collateral financing arrangements (7)	130		80
Derivative transactions (8)	1,266		1,671
Short sale agreements (9)	572		496
Total invested assets on deposit, held in trust and pledged as collateral	\$ 39,946	\$	37,441

- (1) The Company has investment assets on deposit with regulatory agencies consisting primarily of cash and cash equivalents, fixed maturity and equity securities and short-term investments.
- (2) The Company held in trust cash and securities, primarily fixed maturity and equity securities, to satisfy collateral requirements.
- (3) The Company has pledged certain investments, primarily fixed maturity securities, in connection with certain reinsurance transactions.
- (4) The Company has pledged fixed maturity securities and mortgage loans in support of its funding agreements with, and advances from, the Federal Home Loan Bank of New York (FHLB of NY) and has pledged fixed maturity securities in support of its funding agreements with the Federal Home Loan Bank of Boston (FHLB of Boston). The nature of these Federal Home Loan Bank arrangements is described in Note 7 herein and Note 8 of the Notes to the Consolidated Financial Statements included in the 2009 Annual Report.

- (5) The Company has pledged certain agricultural real estate mortgage loans in connection with funding agreements issued to certain special purpose entities that have issued securities guaranteed by the Federal Agricultural Mortgage Corporation (Farmer Mac). The nature of these Farmer Mac arrangements is described in Note 8 of the Notes to the Consolidated Financial Statements included in the 2009 Annual Report.
- (6) The Company has pledged qualifying mortgage loans and fixed maturity securities in connection with collateralized borrowings from the Federal Reserve Bank of New York's Term Auction Facility. The nature of the Federal Reserve Bank of New York arrangements is described in Note 11 of the Notes to the Consolidated Financial Statements included in the 2009 Annual Report.
- (7) The Holding Company has pledged certain collateral in support of the collateral financing arrangements described in Note 12 of the Notes to the Consolidated Financial Statements included in the 2009 Annual Report.

Table of Contents**MetLife, Inc.****Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) (Continued)**

- (8) Certain of the Company's invested assets are pledged as collateral for various derivative transactions as described in Note 4.
- (9) Certain of the Company's trading securities and cash and cash equivalents are pledged to secure liabilities associated with short sale agreements in the trading securities portfolios as described in the following section.

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

Trading Securities

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

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

	September 30, 2010		December 31, 2009	
	(In millions)			
Trading securities at estimated fair value	\$	3,756	\$	2,384
Securities held by consolidated securitization entities at estimated fair value		231		
Total trading securities at estimated fair value	\$	3,987	\$	2,384
Short sale agreement liabilities at estimated fair value (included in other liabilities)	\$	38	\$	106
Investments pledged to secure short sale agreement liabilities	\$	572	\$	496

	Three Months Ended September 30, 2010		Nine Months Ended September 30, 2009	
	(In millions)			
Trading securities:				
Net investment income (1)	\$ 194	\$ 163	\$ 217	\$ 310

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Changes in estimated fair value included in net investment income	\$ 153	\$ 101	\$ 127	\$ 242
Securities held by consolidated securitization entities:				
Net investment income (2)	\$ 4	\$	\$ 12	\$
Changes in estimated fair value included in net investment gains (losses) (3)	\$ (26)	\$	\$ (47)	\$

- (1) Includes interest and dividends earned on trading securities, in addition to the net realized gains (losses) and changes in estimated fair value subsequent to purchase, recognized on the trading securities and the related short sale agreement liabilities.
- (2) Includes interest and dividends earned on securities held by consolidated securitization entities.
- (3) Includes net realized gains (losses) and changes in estimated fair value subsequent to consolidation recognized on securities held by consolidated securitization entities accounted for under the fair value option.

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

Table of Contents**MetLife, Inc.****Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) (Continued)*****Mortgage Loans***

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

	September 30, 2010		December 31, 2009	
	Carrying	% of	Carrying	% of
	Value	Total	Value	Total
	(In millions)			
Mortgage loans held-for-investment, net:				
Commercial mortgage loans	\$ 35,517	59.3%	\$ 34,587	67.9%
Agricultural mortgage loans	12,522	20.9	12,140	23.8
Residential and consumer loans	1,966	3.3	1,454	2.9
Subtotal mortgage loans held-for-investment, net	50,005	83.5%	48,181	94.6%
Commercial mortgage loans held by consolidated securitization entities — fair value option	7,093	11.8		
Total mortgage loans held-for-investment, net	57,098	95.3%	48,181	94.6%
Mortgage loans held-for-sale:				
Residential — fair value option	2,141	3.5	2,470	4.9
Agricultural and residential — lower of amortized cost or estimated fair value	699	1.2	258	0.5
Total mortgage loans held-for-sale	2,840	4.7	2,728	5.4
Total mortgage loans, net	\$ 59,938	100.0%	\$ 50,909	100.0%

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

The (provision) release for credit losses on mortgage loans (charged) credited to net investment gains (losses) was \$23 million and (\$11) million for the three months and nine months ended September 30, 2010, respectively, and (\$141) million and (\$416) million for the three months and nine months ended September 30, 2009, respectively.

Table of Contents**MetLife, Inc.****Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) (Continued)**

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

	September 30, 2010		December 31, 2009	
	Carrying	% of	Carrying	% of
	Value	Total	Value	Total
	(In millions)			
Region:				
Pacific	\$ 8,520	24.0%	\$ 8,684	25.1%
South Atlantic	7,637	21.5	7,342	21.2
Middle Atlantic	6,302	17.7	5,948	17.2
International	3,546	10.0	3,564	10.3
East North Central	2,966	8.4	2,487	7.2
West South Central	2,925	8.2	2,870	8.3
New England	1,400	3.9	1,414	4.1
Mountain	892	2.5	944	2.7
West North Central	627	1.8	641	1.9
East South Central	452	1.3	443	1.3
Other	250	0.7	250	0.7
Total	\$ 35,517	100.0%	\$ 34,587	100.0%
Property Type:				
Office	\$ 15,728	44.2%	\$ 14,986	43.3%
Retail	8,154	23.0	7,870	22.8
Apartments	3,695	10.4	3,696	10.7
Hotel	3,006	8.5	2,947	8.5
Industrial	2,862	8.1	2,759	8.0
Other	2,072	5.8	2,329	6.7
Total	\$ 35,517	100.0%	\$ 34,587	100.0%

Table of Contents**MetLife, Inc.****Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) (Continued)*****Mortgage Servicing Rights***

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

	At or For the Three Months Ended September 30, 2010		At or For the Nine Months Ended September 30, 2009	
	2010	2009	2010	2009
	(In millions)			
Estimated fair value, beginning of period	\$ 660	\$ 670	\$ 878	\$ 191
Acquisition of MSRs	124		124	117
Origination of MSRs	45	138	151	427
Reductions due to loan payments	(31)	(24)	(74)	(85)
Reductions due to loan sales			(43)	
Changes in estimated fair value due to:				
Changes in valuation model inputs or assumptions	(91)	(64)	(329)	70
Other changes in estimated fair value				
Estimated fair value, end of period	\$ 707	\$ 720	\$ 707	\$ 720

The Company recognizes the rights to service residential mortgage loans as MSRs. MSRs are either acquired or are generated from the sale of originated residential mortgage loans where the servicing rights are retained by the Company. MSRs are carried at estimated fair value and changes in estimated fair value, primarily due to changes in valuation inputs and assumptions and to the collection of expected cash flows, are reported in other revenues in the period in which the change occurs. Valuation inputs and assumptions include generally observable inputs such as type and age of loan, loan interest rates, current market interest rates and certain unobservable inputs, including assumptions regarding estimates of discount rates, loan prepayments and servicing costs, all of which are sensitive to changing market conditions. See Note 5 for further information about how the estimated fair value of MSRs is determined and other related information.

Short-term Investments

The carrying value of short-term investments, which includes investments with remaining maturities of one year or less, but greater than three months, at the time of acquisition was \$11.6 billion and \$8.4 billion at September 30, 2010 and December 31, 2009, respectively. The Company is exposed to concentrations of credit risk related to securities of the U.S. government and certain U.S. government agencies included within short-term investments, which were \$10.6 billion and \$7.5 billion at September 30, 2010 and December 31, 2009, respectively.

Cash Equivalents

The carrying value of cash equivalents, which includes investments with an original or remaining maturity of three months or less, at the time of acquisition was \$12.2 billion and \$8.4 billion at September 30, 2010 and December 31, 2009, respectively. The Company is exposed to concentrations of credit risk related to securities of the U.S. government and certain U.S. government agencies included within cash equivalents, which were \$8.5 billion and \$6.0 billion at September 30, 2010 and December 31, 2009, respectively.

Variable Interest Entities

The Company holds investments in certain entities that are VIEs. In certain instances, the Company holds both the power to direct the most significant activities of the entity, as well as an economic interest in the entity and, as such, consistent with the new guidance described in Note 1, is deemed to be the primary beneficiary or consolidator of the entity. The following table presents the total assets and total liabilities relating to VIEs for which the Company has concluded that it is the primary beneficiary and which are consolidated in the Company's financial statements at September 30, 2010 and December 31, 2009. Creditors or beneficial interest holders of VIEs where

Table of Contents**MetLife, Inc.****Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) (Continued)**

the Company is the primary beneficiary have no recourse to the general credit of the Company, as the Company's obligation to the VIEs is limited to the amount of its committed investment.

	September 30, 2010		December 31, 2009	
	Total	Total	Total	Total
	Assets	Liabilities	Assets	Liabilities
	(In millions)			
Consolidated securitization entities (1)	\$ 7,408	\$ 7,157	\$	\$
MRSC collateral financing arrangement (2)	3,291		3,230	
Other limited partnership interests	203	56	367	72
Other invested assets	108	1	27	1
Real estate joint ventures	20	16	22	17
Total	\$ 11,030	\$ 7,230	\$ 3,646	\$ 90

(1) As discussed in Note 1, upon the adoption of new guidance effective January 1, 2010, the Company consolidated former QSPEs that are structured as CMBS and former QSPEs that are structured as collateralized debt obligations. At September 30, 2010, these entities held total assets of \$7,408 million consisting of \$231 million of securities classified by the Company as trading securities, \$7,093 million of commercial mortgage loans, \$37 million of accrued investment income and \$47 million of cash. These entities had total liabilities of \$7,157 million, consisting of \$7,075 million of long-term debt and \$82 million of other liabilities. The assets of these entities can only be used to settle their respective liabilities, and under no circumstances is the Company or any of its subsidiaries or affiliates liable for any principal or interest shortfalls should any arise. The Company's exposure is limited to that of its remaining investment in the former QSPEs of \$202 million at estimated fair value at September 30, 2010. The long-term debt referred to above bears interest at primarily fixed rates ranging from 2.25% to 5.57%, payable primarily on a monthly basis and is expected to be repaid over the next 7 years. Interest expense related to these obligations, included in other expenses, was \$103 million and \$312 million for the three months and nine months ended September 30, 2010, respectively.

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

	September 30,		December 31, 2009	
	2010		(In millions)	
Fixed maturity securities available-for-sale:				
ABS	\$	1,228	\$	963

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U.S. corporate securities	937	1,049
RMBS	576	672
CMBS	378	348
Foreign corporate securities	129	80
U.S. Treasury, agency and government guaranteed securities		33
State and political subdivision securities	30	21
Foreign government securities	5	5
Cash and cash equivalents (including cash held in trust of \$0 and less than \$1 million, respectively)	8	59
Total	\$ 3,291	\$ 3,230

Table of Contents**MetLife, Inc.****Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) (Continued)**

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

	September 30, 2010		December 31, 2009	
	Carrying	Maximum	Carrying	Maximum
	Amount	Exposure	Amount	Exposure
		to Loss (1)		to Loss (1)
	(In millions)			
Fixed maturity securities available-for-sale:				
RMBS (2)	\$ 45,900	\$ 45,900	\$	\$
CMBS (2)	15,533	15,533		
ABS (2)	14,306	14,306		
U.S. corporate securities	2,487	2,487	1,216	1,216
Foreign corporate securities	2,250	2,250	1,254	1,254
Other limited partnership interests	3,947	5,859	2,543	2,887
Other invested assets	498	576	416	409
Real estate joint ventures	16	62	30	30
Equity securities available-for-sale:				
Non-redeemable preferred stock			31	31
Total	\$ 84,937	\$ 86,973	\$ 5,490	\$ 5,827

- (1) The maximum exposure to loss relating to the fixed maturity and equity securities available-for-sale is equal to the carrying amounts or carrying amounts of retained interests. The maximum exposure to loss relating to the other limited partnership interests and real estate joint ventures is equal to the carrying amounts plus any unfunded commitments. Such a maximum loss would be expected to occur only upon bankruptcy of the issuer or investee. For certain of its investments in other invested assets, the Company's return is in the form of tax credits which are guaranteed by a creditworthy third party. For such investments, the maximum exposure to loss is equal to the carrying amounts plus any unfunded commitments, reduced by amounts guaranteed by third parties of \$239 million and \$232 million at September 30, 2010 and December 31, 2009, respectively.
- (2) As discussed in Note 1, the Company adopted new guidance effective January 1, 2010 which eliminated the concept of a QSPE. As a result, the Company concluded it held variable interests in RMBS, CMBS and ABS. For these interests, the Company's involvement is limited to that of a passive investor.

As described in Note 8, the Company makes commitments to fund partnership investments in the normal course of business. Excluding these commitments, the Company did not provide financial or other support to investees designated as VIEs during the nine months ended September 30, 2010.

4. Derivative Financial Instruments

Accounting for Derivative Financial Instruments

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

Table of Contents**MetLife, Inc.****Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) (Continued)**

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

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

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

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

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

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

Table of Contents**MetLife, Inc.****Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) (Continued)**

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

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

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

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

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

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

The Company is also a party to financial instruments that contain terms which are deemed to be embedded derivatives. The Company assesses each identified embedded derivative to determine whether it is required to be bifurcated. If the instrument would not be accounted for in its entirety at estimated fair value and it is determined that

the terms of the embedded derivative are not clearly and closely related to the economic characteristics of the host contract, and that a separate instrument with the same terms would qualify as a derivative instrument, the embedded derivative is bifurcated from the host contract and accounted for as a freestanding derivative. Such embedded derivatives are carried in the consolidated balance sheets at estimated fair value with the host contract and changes in their estimated fair value are generally reported in net derivatives gains (losses) except for those in policyholder benefits and claims related to ceded reinsurance of guaranteed minimum income benefits (GMIBs). If the Company is unable to properly identify and measure an embedded derivative for separation from its host

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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. There is a risk that embedded derivatives requiring bifurcation may not be identified and reported at estimated fair value in the consolidated financial statements and that their related changes in estimated fair value could materially affect reported net income.

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

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

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

Primary Underlying Risk Exposure	Instrument Type	September 30, 2010			December 31, 2009		
		Notional Amount	Estimated Fair Value (1)		Notional Amount	Estimated Fair Value (1)	
			Assets	Liabilities		Assets	Liabilities
(In millions)							
Interest rate	Interest rate swaps	\$ 46,625	\$ 4,487	\$ 1,234	\$ 38,152	\$ 1,570	\$ 1,255
	Interest rate floors	23,941	1,036	116	23,691	461	37
	Interest rate caps	34,112	95	1	28,409	283	
	Interest rate futures	8,026	22	2	7,563	8	10
	Interest rate options	2,342	100	26	4,050	117	57
	Interest rate forwards	12,666	92	37	9,921	66	27
	Synthetic GICs	4,367			4,352		
	Foreign currency swaps	17,834	1,673	1,228	16,879	1,514	1,392
Foreign currency	Foreign currency forwards	7,320	81	155	6,485	83	57
	Currency options	364	29	2	822	18	
	Non-derivative hedging instruments (2)	169		180			
Credit		10,254	148	108	6,723	74	130

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	Credit default swaps						
	Credit forwards	155	15		220	2	6
Equity market	Equity futures	7,830	37	13	7,405	44	21
	Equity options	32,575	2,375	654	27,175	1,712	1,018
	Variance swaps	17,496	365	61	13,654	181	58
	Total rate of return swaps	1,349		40	376		47
	Total	\$ 227,425	\$ 10,555	\$ 3,857	\$ 195,877	\$ 6,133	\$ 4,115

- (1) The estimated fair value of all derivatives in an asset position is reported within other invested assets in the consolidated balance sheets and the estimated fair value of all derivatives in a liability position is reported within other liabilities in the consolidated balance sheets.
- (2) The estimated fair value of non-derivative hedging instruments represents the amortized cost of the instruments, as adjusted for foreign currency transaction gains or losses. Non-derivative hedging instruments are reported within policyholder account balances in the consolidated balance sheets.

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

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

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

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

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

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

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

Swaptions are used by the Company to hedge interest rate risk associated with the Company's long-term liabilities and invested assets. A swaption is an option to enter into a swap with a forward starting effective date. In certain instances, the Company locks in the economic impact of existing purchased swaptions by entering into offsetting written swaptions. The Company pays a premium for purchased swaptions and receives a premium for written swaptions. Swaptions are included in interest rate options in the preceding table. The Company utilizes swaptions in non-qualifying hedging relationships.

The Company writes covered call options on its portfolio of U.S. Treasuries as an income generation strategy. In a covered call transaction, the Company receives a premium at the inception of the contract in exchange for giving the derivative counterparty the right to purchase the referenced security from the Company at a

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

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

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

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

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

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

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

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

The Company uses certain of its foreign currency denominated funding agreements to hedge portions of its net investments in foreign operations against adverse movements in exchange rates. Such contracts are included in non-derivative hedging instruments in the preceding table.

Swap spreadlocks are used by the Company to hedge invested assets on an economic basis against the risk of changes in credit spreads. Swap spreadlocks are forward transactions between two parties whose underlying reference index is a forward starting interest rate swap where the Company agrees to pay a coupon based on a predetermined reference swap spread in exchange for receiving a coupon based on a floating rate. The Company

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

has the option to cash settle with the counterparty in lieu of maintaining the swap after the effective date. The Company utilizes swap spreadlocks in non-qualifying hedging relationships.

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

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

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

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

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

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

non-qualifying hedging relationships.

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

Table of Contents**MetLife, Inc.****Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) (Continued)****Hedging**

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

Derivatives Designated as Hedging Instruments	September 30, 2010			December 31, 2009		
	Notional Amount	Estimated Fair Value		Notional Amount	Estimated Fair Value	
		Assets	Liabilities		Assets	Liabilities
	(In millions)					
Fair Value Hedges:						
Foreign currency swaps	\$ 4,602	\$ 920	\$ 126	\$ 4,807	\$ 854	\$ 132
Interest rate swaps	5,107	1,274	120	4,824	500	75
Subtotal	9,709	2,194	246	9,631	1,354	207
Cash Flow Hedges:						
Foreign currency swaps	5,511	237	310	4,108	127	347
Interest rate swaps	4,155	451	39	1,740		48
Interest rate forwards	1,065	21	8			
Credit forwards	155	15		220	2	6
Subtotal	10,886	724	357	6,068	129	401
Foreign Operations Hedges:						
Foreign currency forwards	2,266	1	69	1,880	27	13
Non-derivative hedging instruments	169		180			
Subtotal	2,435	1	249	1,880	27	13
Total Qualifying Hedges	\$ 23,030	\$ 2,919	\$ 852	\$ 17,579	\$ 1,510	\$ 621

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

Derivatives Not Designated or Not Qualifying as Hedging Instruments	September 30, 2010			December 31, 2009		
	Notional Amount	Estimated Fair Value		Notional Amount	Estimated Fair Value	
		Assets	Liabilities		Assets	Liabilities
	(In millions)					

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Interest rate swaps	\$ 37,363	\$ 2,762	\$ 1,075	\$ 31,588	\$ 1,070	\$ 1,132
Interest rate floors	23,941	1,036	116	23,691	461	37
Interest rate caps	34,112	95	1	28,409	283	
Interest rate futures	8,026	22	2	7,563	8	10
Interest rate options	2,342	100	26	4,050	117	57
Interest rate forwards	11,601	71	29	9,921	66	27
Synthetic GICs	4,367			4,352		
Foreign currency swaps	7,721	516	792	7,964	533	913
Foreign currency forwards	5,054	80	86	4,605	56	44
Currency options	364	29	2	822	18	
Credit default swaps	10,254	148	108	6,723	74	130
Equity futures	7,830	37	13	7,405	44	21
Equity options	32,575	2,375	654	27,175	1,712	1,018
Variance swaps	17,496	365	61	13,654	181	58
Total rate of return swaps	1,349		40	376		47
Total non-designated or non-qualifying derivatives	\$ 204,395	\$ 7,636	\$ 3,005	\$ 178,298	\$ 4,623	\$ 3,494

Table of Contents**MetLife, Inc.****Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) (Continued)****Net Derivatives Gains (Losses)**

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

	Three Months Ended September 30, 2010		Nine Months Ended September 30, 2010	
	2010	2009	2010	2009
	(In millions)			
Derivatives and hedging gains (losses) (1)	\$ (327)	\$ (821)	\$ 2,872	\$ (5,508)
Embedded derivatives	83	(586)	(1,594)	1,424
Total net derivatives gains (losses)	\$ (244)	\$ (1,407)	\$ 1,278	\$ (4,084)

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

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

	Three Months Ended September 30, 2010		Nine Months Ended September 30, 2010	
	2010	2009	2010	2009
	(In millions)			
Qualifying hedges:				
Net investment income	\$ 17	\$ 11	\$ 58	\$ 38
Interest credited to policyholder account balances	64	58	177	155
Other expenses	(1)	(1)	(5)	(2)
Non-qualifying hedges:				
Net investment income	(1)	(1)	(3)	(2)
Net derivatives gains (losses)	(30)	(1)	143	62
Other revenues	25	25	81	47
Total	\$ 74	\$ 91	\$ 451	\$ 298

Fair Value Hedges

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

Table of Contents**MetLife, Inc.****Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) (Continued)**

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

Derivatives in Fair Value	Hedged Items in Fair Value	Net Derivatives Gains (Losses)	Net Derivatives Gains (Losses) Recognized for Hedged Items (In millions)	Ineffectiveness Recognized in Net Derivatives Gains (Losses)
Hedging Relationships	Hedging Relationships	Recognized for Derivatives	Recognized	Recognized in Derivatives (Losses)
For the Three Months Ended September 30, 2010:				
Interest rate swaps:	Fixed maturity securities	\$ (13)	\$ 13	\$
	Policyholder account balances (1)	212	(221)	(9)
Foreign currency swaps:	Foreign-denominated fixed maturity securities	(5)	5	
	Foreign-denominated policyholder account balances (2)	415	(395)	20
Total		\$ 609	\$ (598)	\$ 11
For the Three Months Ended September 30, 2009:				
Interest rate swaps:	Fixed maturity securities	\$ (13)	\$ 12	\$ (1)
	Policyholder account balances (1)	144	(142)	2
Foreign currency swaps:	Foreign-denominated fixed maturity securities	(3)	2	(1)
	Foreign-denominated policyholder account balances (2)	190	(181)	9
Total		\$ 318	\$ (309)	\$ 9
For the Nine Months Ended September 30, 2010:				
Interest rate swaps:	Fixed maturity securities	\$ (38)	\$ 38	\$
	Policyholder account balances (1)	678	(675)	3
Foreign currency swaps:	Foreign-denominated fixed maturity securities	11	(12)	(1)
		47	(51)	(4)

Foreign-denominated policyholder account
balances (2)

Total		\$ 698	\$ (700)	\$ (2)
For the Nine Months Ended September 30, 2009:				
Interest rate swaps:	Fixed maturity securities	\$ 34	\$ (29)	\$ 5
	Policyholder account balances (1)	(668)	659	(9)
Foreign currency swaps:	Foreign-denominated fixed maturity securities	(16)	13	(3)
	Foreign-denominated policyholder account balances (2)	510	(489)	21
Total		\$ (140)	\$ 154	\$ 14

(1) Fixed rate liabilities

(2) Fixed rate or floating rate liabilities

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

Cash Flow Hedges

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

For the three months and nine months ended September 30, 2010, the Company recognized (\$2) million and \$3 million, respectively, of net derivatives gains (losses) which represented the ineffective portion of all cash flow hedges. For the three months and nine months ended September 30, 2009, the Company recognized insignificant net derivatives losses which represented the ineffective portion of all cash flow hedges. All components of each

Table of Contents**MetLife, Inc.****Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) (Continued)**

derivative's gain or loss were included in the assessment of hedge effectiveness. In certain instances, the Company discontinued cash flow hedge accounting because the forecasted transactions did not occur on the anticipated date or within two months of that date. The net amounts reclassified into net derivatives gains (losses) for the three months and nine months ended September 30, 2010 related to such discontinued cash flow hedges were insignificant. The net amounts reclassified into net derivatives gains (losses) for the three months and nine months ended September 30, 2009 related to such discontinued cash flow hedges were gains (losses) of (\$8) million and (\$7) million, respectively. At September 30, 2010 and December 31, 2009, the maximum length of time over which the Company was hedging its exposure to variability in future cash flows for forecasted transactions did not exceed eight years and five years, respectively.

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

	Three Months Ended September 30, 2010		Nine Months Ended September 30, 2009	
	2010	2009	2010	2009
	(In millions)			
Other comprehensive income (loss), balance at beginning of period	\$ 593	\$ 13	\$ (76)	\$ 82
Gains (losses) deferred in other comprehensive income (loss) on the effective portion of cash flow hedges	(40)	12	577	(93)
Amounts reclassified to net derivatives gains (losses)	(1)	70	50	103
Amounts reclassified to net investment income	1	4	3	10
Amounts reclassified to other expenses			(1)	(1)
Amortization of transition adjustment				(2)
Other comprehensive income (loss), balance at end of period	\$ 553	\$ 99	\$ 553	\$ 99

At September 30, 2010, \$3 million of deferred net losses on derivatives in accumulated other comprehensive income (loss) was expected to be reclassified to earnings within the next 12 months.

Table of Contents**MetLife, Inc.****Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) (Continued)**

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

Derivatives in Cash Flow Hedging Relationships	Amount of Gains (Losses) Deferred in Accumulated Other Comprehensive Income (Loss) on Derivatives (Effective Portion)	Amount and Location of Gains (Losses) Reclassified from Accumulated Other Comprehensive Income (Loss) into Income (Loss)			Amount and Location of Gains (Losses) Recognized in Income (Loss) on Derivatives (Ineffective Portion and Amount Excluded from Effectiveness Testing)	
		Net Derivatives Gains (Losses)	Net Investment Income	Other Expenses	Net Derivatives Gains (Losses)	Net Investment Income
For the Three Months Ended September 30, 2010:						
Interest rate swaps	\$ 181	\$	\$	\$	\$ 1	\$
Foreign currency swaps	(247)	1	(2)		(3)	
Interest rate forwards	15		1			
Credit forwards	11					
Total	\$ (40)	\$ 1	\$ (1)	\$	\$ (2)	\$
For the Three Months Ended September 30, 2009:						
Interest rate swaps	\$ 1	\$	\$ (2)	\$	\$	\$
Foreign currency swaps	(121)	(107)	(2)			
Interest rate forwards	128	37				
Credit forwards	4					

Total	\$	12	\$	(70)	\$	(4)	\$	\$	\$
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For the Nine Months Ended**September 30, 2010:**

Interest rate swaps	\$	457	\$		\$		\$	3	\$
Foreign currency swaps		92		(61)		(5)		1	
Interest rate forwards				11		2			
Credit forwards		28							

Total	\$	577	\$	(50)	\$	(3)	\$	1	\$	3	\$
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For the Nine Months Ended**September 30, 2009:**

Interest rate swaps	\$	2	\$		\$	(4)	\$		\$
Foreign currency swaps		(300)		(140)		(4)		1	
Interest rate forwards		201		37					
Credit forwards		4							

Total	\$	(93)	\$	(103)	\$	(8)	\$	1	\$	\$
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Hedges of Net Investments in Foreign Operations

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

Table of Contents**MetLife, Inc.****Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) (Continued)**

Company may also use non-derivative financial instruments to hedge portions of its net investments in foreign operations against adverse movements in exchange rates. The Company measures ineffectiveness on non-derivative financial instruments based upon the change in spot rates.

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

The following table presents the effects of derivatives and non-derivative financial instruments in net investment hedging relationships in the interim condensed consolidated statements of operations and the interim condensed consolidated statements of stockholders' equity for the three months and nine months ended September 30, 2010 and 2009:

	Amount of Gains (Losses) Deferred in Accumulated Other Comprehensive Income (Loss) (Effective Portion)	Amount and Location of Gains (Losses) Reclassified From Accumulated Other Comprehensive Income (Loss) into Income (Loss) (Effective Portion) Net Investment Gains (Losses)
Derivatives and Non-Derivative Hedging Instruments in Net Investment Hedging Relationships (1),(2)	(In millions)	
For the Three Months Ended September 30, 2010:		
Foreign currency forwards	\$ (162)	\$
Foreign currency swaps		
Non-derivative hedging instruments	(10)	
Total	\$ (172)	\$
For the Three Months Ended September 30, 2009:		
Foreign currency forwards	\$ (43)	\$
Foreign currency swaps	(9)	
Non-derivative hedging instruments	(17)	
Total	\$ (69)	\$

For the Nine Months Ended September 30, 2010:

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Foreign currency forwards	\$	(135)	\$
Foreign currency swaps			
Non-derivative hedging instruments		(10)	
Total	\$	(145)	\$

For the Nine Months Ended September 30, 2009:

Foreign currency forwards	\$	(192)	\$
Foreign currency swaps		(19)	
Non-derivative hedging instruments		(37)	
Total	\$	(248)	\$

- (1) There were no sales or substantial liquidations of net investments in foreign operations that would have required the reclassification of gains or losses from accumulated other comprehensive income (loss) into earnings during the periods presented.
- (2) There was no ineffectiveness recognized for the Company's hedges of net investments in foreign operations.

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MetLife, Inc.

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

At September 30, 2010 and December 31, 2009, the cumulative foreign currency translation gain (loss) recorded in accumulated other comprehensive income (loss) related to hedges of net investments in foreign operations was (\$185) million and (\$40) million, respectively.

Non-Qualifying Derivatives and Derivatives for Purposes Other Than Hedging

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

Table of Contents**MetLife, Inc.****Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) (Continued)**

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

	Net Derivatives Gains (Losses)	Net Investment Income (1)	Policyholder Benefits and Claims (2)	Other Revenues (3)	Other Expenses (4)
	(In millions)				
For the Three Months Ended September 30, 2010:					
Interest rate swaps	\$ 518	\$ 2	\$	\$ 138	\$
Interest rate floors	227				
Interest rate caps	(50)				
Interest rate futures	74	(2)		(1)	
Equity futures	23	(15)	(195)		
Foreign currency swaps	(272)				
Foreign currency forwards	(56)	2			
Currency options	(12)				
Equity options	(553)	(23)			
Interest rate options	9			(3)	
Interest rate forwards	1			(8)	
Variance swaps	(166)	(3)			
Credit default swaps	10	(2)			
Total rate of return swaps	29				
Total	\$ (218)	\$ (41)	\$ (195)	\$ 126	\$
For the Three Months Ended September 30, 2009:					
Interest rate swaps	\$ 250	\$ (1)	\$	\$ 88	\$
Interest rate floors	87				
Interest rate caps	(73)				
Interest rate futures	108	(2)			
Equity futures	(284)	(20)	(194)		
Foreign currency swaps	(237)				
Foreign currency forwards	16	18			
Currency options					
Equity options	(605)	7			
Interest rate options				(1)	
Interest rate forwards	12			(35)	
Variance swaps	(46)	(1)			
Swap spreadlocks					

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Credit default swaps	(100)	(3)					
Total rate of return swaps	41						
Total	\$ (831)	\$ (2)	\$ (194)	\$ 52	\$		

Table of Contents**MetLife, Inc.****Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) (Continued)**

	Net Derivatives Gains (Losses)	Net Investment Income (1)	Policyholder Benefits and Claims (2) (In millions)	Other Revenues (3)	Other Expenses (4)
For the Nine Months Ended September 30, 2010:					
Interest rate swaps	\$ 1,561	\$ 5	\$ 39	\$ 394	\$
Interest rate floors	501				
Interest rate caps	(261)				
Interest rate futures	141	(8)		(4)	
Equity futures	(146)	(5)	(124)		
Foreign currency swaps	74				
Foreign currency forwards	269	40			
Currency options	5	(1)			(4)
Equity options	431	14			
Interest rate options	59			(4)	
Interest rate forwards	9			(94)	
Variance swaps	164	5			
Credit default swaps	25	1			
Total rate of return swaps	10				
Total	\$ 2,842	\$ 51	\$ (85)	\$ 292	\$ (4)
For the Nine Months Ended September 30, 2009:					
Interest rate swaps	\$ (1,222)	\$ (4)	\$	\$ (58)	\$
Interest rate floors	(766)				
Interest rate caps					
Interest rate futures	(376)	(2)			
Equity futures	(633)	(31)	(291)		
Foreign currency swaps	(399)				
Foreign currency forwards	(68)	(13)			
Currency options	(32)				
Equity options	(1,337)	(55)			
Interest rate options	(353)			1	
Interest rate forwards	6			7	
Variance swaps	(175)	(10)			
Swap spreadlocks	(38)				
Credit default swaps	(219)	(10)			
Total rate of return swaps	49				

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MetLife, Inc.

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

- (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.

Credit Derivatives

In connection with synthetically created investment transactions and credit default swaps held in relation to the trading portfolio, the Company writes credit default swaps for which it receives a premium to insure credit risk. Such credit derivatives are included within the non-qualifying derivatives and derivatives for purposes other than hedging table. If a credit event occurs, as defined by the contract, generally the contract will require the Company to pay the counterparty the specified swap notional amount in exchange for the delivery of par quantities of the referenced credit obligation. The Company's maximum amount at risk, assuming the value of all referenced credit obligations is zero, was \$4,789 million and \$3,101 million at September 30, 2010 and December 31, 2009, respectively. The Company can terminate these contracts at any time through cash settlement with the counterparty at an amount equal to the then current fair value of the credit default swaps. At September 30, 2010 and December 31, 2009, the Company would have received \$32 million and \$53 million, respectively, to terminate all of these contracts.

Table of Contents**MetLife, Inc.****Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) (Continued)**

The following table presents the estimated fair value, maximum amount of future payments and weighted average years to maturity of written credit default swaps at September 30, 2010 and December 31, 2009:

Rating Agency Designation of Referenced Credit Obligations (1)	September 30, 2010			December 31, 2009		
	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)
Aaa/Aa/A						
Single name credit default swaps (corporate)	\$ 4	\$ 445	4.0	\$ 5	\$ 175	4.3
Credit default swaps referencing indices	33	2,728	4.0	46	2,676	3.4
Subtotal	37	3,173	4.0	51	2,851	3.5
Baa						
Single name credit default swaps (corporate)	(2)	650	4.6	2	195	4.8
Credit default swaps referencing indices	(3)	911	5.3		10	5.0
Subtotal	(5)	1,561	5.0	2	205	4.8
Ba						
Single name credit default swaps (corporate)		25	4.5		25	5.0
Credit default swaps referencing indices						
Subtotal		25	4.5		25	5.0
B						
Single name credit default swaps (corporate)						
Credit default swaps referencing indices		30	4.8		20	5.0
Subtotal		30	4.8		20	5.0
Total	\$ 32	\$ 4,789	4.3	\$ 53	\$ 3,101	3.6

- (1) The rating agency designations are based on availability and the midpoint of the applicable ratings among Moody's, S&P and Fitch. If no rating is available from a rating agency, then an internally developed rating is used.
- (2) Assumes the value of the referenced credit obligations is zero.
- (3) The weighted average years to maturity of the credit default swaps is calculated based on weighted average notional amounts.

The Company has also entered into credit default swaps to purchase credit protection on certain of the referenced credit obligations in the table above. As a result, the maximum amounts of potential future recoveries available to offset the \$4,789 million and \$3,101 million from the table above were \$60 million and \$31 million at September 30, 2010 and December 31, 2009, respectively.

Table of Contents**MetLife, Inc.****Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) (Continued)*****Credit Risk on Freestanding Derivatives***

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

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

The Company enters into various collateral arrangements, which require both the pledging and accepting of collateral in connection with its derivative instruments. At September 30, 2010 and December 31, 2009, the Company was obligated to return cash collateral under its control of \$6,622 million and \$2,680 million, respectively. This unrestricted cash collateral is included in cash and cash equivalents or in short-term investments and the obligation to return it is included in payables for collateral under securities loaned and other transactions in the consolidated balance sheets. At September 30, 2010 and December 31, 2009, the Company had also accepted collateral consisting of various securities with a fair market value of \$462 million and \$221 million, respectively, which were held in separate custodial accounts. The Company is permitted by contract to sell or repledge this collateral, but at September 30, 2010, none of the collateral had been sold or repledged.

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

The following table presents the estimated fair value of the Company's over-the-counter derivatives that are in a net liability position after considering the effect of netting agreements, together with the estimated fair value and 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

Without considering the effect of netting agreements, the estimated fair value of the Company's over-the-counter derivatives with credit-contingent provisions that were in a gross liability position at September 30, 2010 was \$1,414 million. At September 30, 2010, the Company provided securities collateral of \$608 million in connection with these derivatives. In the unlikely event that both: (i) the Company's credit rating was downgraded to a level that triggers full overnight collateralization or termination of all derivative positions; and (ii) the Company's netting agreements were deemed to be legally unenforceable, then the additional collateral that the Company would be required to provide to its counterparties in connection with its derivatives in a gross liability position at September 30, 2010 would be \$806 million. This amount does not consider gross derivative assets of \$663 million for which the Company has the contractual right of offset.

The Company also has exchange-traded futures, which require the pledging of collateral. At September 30, 2010 and December 31, 2009, the Company pledged securities collateral for exchange-traded futures of \$40 million and \$50 million, respectively, which is included in fixed maturity securities. The counterparties are permitted by contract to sell or repledge this collateral. At September 30, 2010 and December 31, 2009, the Company provided cash collateral for exchange-traded futures of \$583 million and \$562 million, respectively, which is included in premiums, reinsurance and other receivables.

Embedded Derivatives

The Company has certain embedded derivatives that are required to be separated from their host contracts and accounted for as derivatives. These host contracts principally include: variable annuities with guaranteed minimum

Table of Contents**MetLife, Inc.****Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) (Continued)**

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

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

	September 30,		December 31, 2009	
	2010		(In millions)	
Net embedded derivatives within asset host contracts:				
Ceded guaranteed minimum benefits	\$	125	\$	76
Options embedded in debt or equity securities		(42)		(37)
Net embedded derivatives within asset host contracts	\$	83	\$	39
Net embedded derivatives within liability host contracts:				
Direct guaranteed minimum benefits	\$	3,397	\$	1,500
Other		54		5
Net embedded derivatives within liability host contracts	\$	3,451	\$	1,505

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

	Three Months		Nine Months	
	Ended		Ended	
	September 30,		September 30,	
	2010	2009	2010	2009
	(In millions)			
Net derivatives gains (losses) (1)	\$ 83	\$ (586)	\$ (1,594)	\$ 1,424
Policyholder benefits and claims	\$	\$ (7)	\$ 46	\$ (75)

- (1) The valuation of guaranteed minimum benefits includes an adjustment for nonperformance risk. Included in net derivatives gains (losses), in connection with this adjustment, were gains (losses) of (\$291) million and \$399 million for the three months and nine months ended September 30, 2010, respectively, and gains (losses) of (\$895) million and (\$1,605) million for the three months and nine months ended September 30, 2009, respectively. Net derivatives gains (losses) for the nine months ended September 30, 2010 included a loss of \$955 million relating to a refinement for estimating nonperformance risk in fair value measurements implemented at June 30, 2010. See Note 5.

5. Fair Value

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

Table of Contents**MetLife, Inc.****Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) (Continued)****Assets and Liabilities Measured at Fair Value*****Recurring Fair Value Measurements***

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

	September 30, 2010			
	Fair Value Measurements at Reporting Date			
	Using			
Quoted Prices in Active Markets for Identical Assets and Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Estimated Fair Value	
(In millions)				
Assets				
Fixed maturity securities:				
U.S. corporate securities	\$	\$ 74,165	\$ 6,855	\$ 81,020
RMBS		43,606	2,294	45,900
Foreign corporate securities		40,143	4,827	44,970
U.S. Treasury, agency and government guaranteed securities	17,207	17,094	59	34,360
CMBS		15,252	281	15,533
Foreign government securities	278	14,252	314	14,844
ABS		10,652	3,654	14,306
State and political subdivision securities		9,562	52	9,614
Other fixed maturity securities		12	5	17
Total fixed maturity securities	17,485	224,738	18,341	260,564
Equity securities:				
Common stock	321	1,080	170	1,571
Non-redeemable preferred stock		385	909	1,294
Total equity securities	321	1,465	1,079	2,865

Trading securities:					
Trading securities	3,005	658	93	3,756	
Trading securities held by consolidated securitization entities		231		231	
Total trading securities	3,005	889	93	3,987	
Short-term investments (1)	4,601	6,469	210	11,280	
Mortgage loans:					
Mortgage loans held by consolidated securitization entities		7,093		7,093	
Mortgage loans held-for-sale (2)		2,114	27	2,141	
Total mortgage loans		9,207	27	9,234	
MSRs (3)			707	707	
Derivative assets: (4)					
Interest rate contracts	25	5,691	116	5,832	
Foreign currency contracts		1,722	61	1,783	
Credit contracts		109	54	163	
Equity market contracts	37	2,204	536	2,777	
Total derivative assets	62	9,726	767	10,555	
Net embedded derivatives within asset host contracts (5)			125	125	
Separate account assets (6)	24,927	145,697	1,748	172,372	
Total assets	\$ 50,401	\$ 398,191	\$ 23,097	\$ 471,689	
Liabilities					
Derivative liabilities: (4)					
Interest rate contracts	\$ 30	\$ 1,375	\$ 11	\$ 1,416	
Foreign currency contracts		1,384	1	1,385	
Credit contracts		100	8	108	
Equity market contracts	13	693	62	768	
Total derivative liabilities	43	3,552	82	3,677	
Net embedded derivatives within liability host contracts (5)		(8)	3,459	3,451	
Long-term debt of consolidated securitization entities		6,891	184	7,075	
Trading liabilities (7)	16	20	2	38	
Total liabilities	\$ 59	\$ 10,455	\$ 3,727	\$ 14,241	

Table of Contents**MetLife, Inc.****Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) (Continued)**

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

December 31, 2009				
Fair Value Measurements at Reporting Date Using				
Quoted				
Prices in				
Active				
Markets for				
Identical				
Assets				
and				
Liabilities				
(Level 1)				
Significant				
Other				
Observable				
Inputs				
(Level 2)				
Significant				
Unobservable				
Inputs				
(Level 3)				
Total				
Estimated				
Fair				
Value				
(In millions)				
Assets				
Fixed maturity securities:				
U.S. corporate securities	\$	\$	65,493	\$ 72,187
RMBS			42,180	1,840
Foreign corporate securities			32,738	5,292
U.S. Treasury, agency and government guaranteed securities	10,951		14,459	37
CMBS			15,483	139
Foreign government securities	306		11,240	401
ABS			10,450	2,712
State and political subdivision securities			7,139	69
Other fixed maturity securities			13	6
Total fixed maturity securities	11,257		199,195	17,190
Equity securities:				
Common stock	490		995	136
Non-redeemable preferred stock			359	1,104
Total equity securities	490		1,354	1,240
Trading securities	1,886		415	83
Short-term investments (1)	5,650		2,500	23
Mortgage loans held-for-sale (2)			2,445	25
MSRs (3)				878
Derivative assets (4)	103		5,600	430
				76

Net embedded derivatives within asset host contracts (5)					
Separate account assets (6)	17,601		129,545	1,895	149,041
Total assets	\$ 36,987	\$	341,054	\$ 21,840	\$ 399,881
Liabilities					
Derivative liabilities (4)	\$ 51	\$	3,990	\$ 74	\$ 4,115
Net embedded derivatives within liability host contracts (5)			(26)	1,531	1,505
Trading liabilities (7)	106				106
Total liabilities	\$ 157	\$	3,964	\$ 1,605	\$ 5,726

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MetLife, Inc.

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

- (1) Short-term investments as presented in the tables above differ from the amounts presented in the consolidated balance sheets because certain short-term investments are not measured at estimated fair value (e.g., time deposits, etc.), and therefore are excluded from the tables presented above.
- (2) Mortgage loans held-for-sale as presented in the tables above differ from the amount presented in the consolidated balance sheets as these tables only include residential mortgage loans held-for-sale measured at estimated fair value on a recurring basis.
- (3) MSRs are presented within other invested assets in the consolidated balance sheets.
- (4) Derivative assets are presented within other invested assets in the consolidated balance sheets and derivative liabilities are presented within other liabilities in the consolidated balance sheets. The amounts are presented gross in the tables above to reflect the presentation in the consolidated balance sheets, but are presented net for purposes of the rollforward in the Fair Value Measurements Using Significant Unobservable Inputs (Level 3) tables which follow. At September 30, 2010 and December 31, 2009, certain non-derivative hedging instruments of \$180 million and \$0, respectively, which are carried at amortized cost, are included with the liabilities total in Note 4 but excluded from derivative liabilities in the tables above as they are not derivative instruments.
- (5) Net embedded derivatives within asset host contracts are presented within premiums, reinsurance and other receivables in the consolidated balance sheets. Net embedded derivatives within liability host contracts are presented primarily within policyholder account balances in the consolidated balance sheets. At September 30, 2010, fixed maturity securities and equity securities also included embedded derivatives of (\$53) million and \$11 million, respectively. At December 31, 2009, fixed maturity securities and equity securities included embedded derivatives of \$0 and (\$37) million, respectively.
- (6) Separate account assets are measured at estimated fair value. Investment performance related to separate account assets is fully offset by corresponding amounts credited to contractholders whose liability is reflected within separate account liabilities. Separate account liabilities are set equal to the estimated fair value of separate account assets.
- (7) Trading liabilities are presented within other liabilities in the consolidated balance sheets.

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

Fixed maturity securities, Equity securities and Trading securities

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

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

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

The significant inputs to the market standard valuation methodologies for certain types of securities with reasonable levels of price transparency are inputs that are observable in the market or can be derived principally

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MetLife, Inc.

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

from or corroborated by observable market data. Such observable inputs include benchmarking prices for similar assets in active markets, quoted prices in markets that are not active and observable yields and spreads in the market.

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

The estimated fair value of trading securities held by consolidated securitization entities is determined on a basis consistent with the methodologies described herein for fixed maturity securities, equity securities and trading securities. As discussed in Note 1, the Company adopted new guidance effective January 1, 2010 and consolidated certain securitization entities that hold securities which have been classified by the Company as trading securities.

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

Short-term investments

Short-term investments that meet the definition of a security are recognized at estimated fair value in the consolidated balance sheets in the same manner described above for similar instruments that are classified within fixed maturity securities.

Mortgage loans

Mortgage loans presented in the tables above consist of commercial mortgage loans held by consolidated securitization entities and residential mortgage loans held-for-sale for which the Company has elected the fair value option and which are carried at estimated fair value. As discussed in Note 1, the Company adopted new guidance effective January 1, 2010 and consolidated certain securitization entities that hold commercial mortgage loans. See

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

MSRs

Although MSRs are not financial instruments, the Company has included them in the preceding table as a result of its election to carry MSRs at estimated fair value. See Valuation Techniques and Inputs by Level Within the Three-Level Fair Value Hierarchy by Major Classes of Assets and Liabilities below for a discussion of the methods and assumptions used to estimate the fair value of these financial instruments.

Derivatives

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

Table of Contents**MetLife, Inc.****Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) (Continued)**

The significant inputs to the pricing models for most over-the-counter derivatives are inputs that are observable in the market or can be derived principally from or corroborated by observable market data. Significant inputs that are observable generally include: interest rates, foreign currency exchange rates, interest rate curves, credit curves and volatility. However, certain over-the-counter derivatives may rely on inputs that are significant to the estimated fair value that are not observable in the market or cannot be derived principally from or corroborated by observable market data. Significant inputs that are unobservable generally include: independent broker quotes, credit correlation assumptions, references to emerging market currencies and inputs that are outside the observable portion of the interest rate curve, credit curve, volatility or other relevant market measure. These unobservable inputs may involve significant management judgment or estimation. Even though unobservable, these inputs are based on assumptions deemed appropriate given the circumstances and are assumed to be consistent with what other market participants would use when pricing such instruments.

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

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

Embedded derivatives within asset and liability host contracts

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

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

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

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

The nonperformance adjustment is determined by taking into consideration publicly available information relating to spreads in the secondary market for the Holding Company's debt, including related credit default swaps.

Table of Contents**MetLife, Inc.****Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) (Continued)**

These observable spreads are then adjusted, as necessary, to reflect the priority of these liabilities and the claims paying ability of the issuing insurance subsidiaries compared to the Holding Company.

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

The Company ceded the risk associated with certain of the GMIB and GMAB described above. These reinsurance contracts contain embedded derivatives which are included in premiums, reinsurance and other receivables in the consolidated balance sheets with changes in estimated fair value reported in net derivatives 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.

As part of its regular review of critical accounting estimates, the Company periodically assesses inputs for estimating nonperformance risk (commonly referred to as own credit) in fair value measurements. During the second quarter of 2010, the Company completed a study that aggregated and evaluated data, including historical recovery rates of insurance companies as well as policyholder behavior observed over the past two years as the recent financial crisis evolved. As a result, at the end of the second quarter of 2010, the Company refined the way in which its insurance subsidiaries incorporate expected recovery rates into the nonperformance risk adjustment for purposes of estimating the fair value of investment-type contracts and embedded derivatives within insurance contracts. The Company recognized a loss of \$577 million, net of DAC and income tax, relating to implementing the refinement at June 30, 2010. The refinement reduced basic and diluted net income available to MetLife, Inc.'s common shareholders per common share by \$0.69 and \$0.68, respectively, for the nine months ended September 30, 2010.

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

The estimated fair value of the embedded equity and bond indexed derivatives contained in certain funding agreements is determined using market standard swap valuation models and observable market inputs, including an adjustment for nonperformance risk. The estimated fair value of these embedded derivatives are included, along with

their funding agreements host, within policyholder account balances with changes in estimated fair value recorded in net derivatives 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.

Table of Contents**MetLife, Inc.****Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) (Continued)***Separate account assets*

Separate account assets are carried at estimated fair value and reported as a summarized total on the consolidated balance sheets. The estimated fair value of separate account assets are based on the estimated fair value of the underlying assets owned by the separate account. Assets within the Company's separate accounts include: mutual funds, fixed maturity securities, equity securities, mortgage loans, derivatives, hedge funds, other limited partnership interests, short-term investments and cash and cash equivalents. See Valuation Techniques and Inputs by Level Within the Three-Level Fair Value Hierarchy by Major Classes of Assets and Liabilities below for a discussion of the methods and assumptions used to estimate the fair value of these financial instruments.

Long-term debt obligations of consolidated securitization entities

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

Trading liabilities

Trading liabilities are recorded at estimated fair value with subsequent changes in estimated fair value recognized in net investment income. The estimated fair value of trading liabilities is determined on a basis consistent with the methodologies described in Fixed maturity securities, equity securities and trading securities.

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

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

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

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

Level 1 Measurements:

Fixed maturity securities, equity securities, trading securities and short-term investments

These securities are comprised of U.S. Treasury, agency and government guaranteed fixed maturity securities, foreign government securities, exchange traded U.S. and international common stock, certain securities classified as trading securities and short-term money market securities, including U.S. Treasury bills. Valuation of these securities is based on unadjusted quoted prices in active markets that are readily and regularly available.

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MetLife, Inc.

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

Derivative assets and derivative liabilities

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

Separate account assets

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

Level 2 Measurements:

Fixed maturity securities, equity securities, trading securities and short-term investments

This level includes fixed maturity securities and equity securities priced principally by independent pricing services using observable inputs. Trading securities and short-term investments within this level are of a similar nature and class to the Level 2 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 are principally valued using the market and income approaches. Valuation is based primarily on quoted prices in markets that are not active, or using matrix pricing or other similar techniques that use standard market observable inputs such as a 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 a 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.

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

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

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

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

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MetLife, Inc.

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

Mortgage loans of consolidated securitization entities

These commercial mortgage loans are principally valued using the market approach. The principal market for these commercial loan portfolios is the securitization market. The Company uses the quoted securitization market price of the obligations of the consolidated securitization entities 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 and valued primarily using readily available observable pricing for similar loans or securities backed by similar loans. The unobservable adjustments to such prices are insignificant.

Derivative assets and derivative liabilities

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

Interest rate derivatives.

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

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

Foreign currency derivatives.

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 derivatives.

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 derivatives.

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

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

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MetLife, Inc.

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

Embedded derivatives contained in certain funding agreements

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

Separate account assets

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

Long-term debt obligations of consolidated securitization entities

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

Level 3 Measurements:

In general, investments classified within Level 3 use many of the same valuation techniques and inputs as described above. 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 the general lack of transparency in the process to develop the valuation estimates generally causing these investments to be classified in Level 3.

Fixed maturity securities, equity securities, trading securities and short-term investments

This level includes fixed maturity securities and equity securities priced principally by independent broker quotations or market standard valuation methodologies using inputs that are not market observable or cannot be derived principally from or corroborated by observable market data. Trading securities and short-term investments within this level are of a similar nature and class to the Level 3 securities described below; accordingly, the valuation techniques and significant market standard observable inputs used in their valuation are also similar to those described below.

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

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

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MetLife, Inc.

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

classified in Level 2, and certain of these securities are valued based on independent non-binding broker quotations.

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

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

Mortgage loans

Mortgage loans include residential mortgage loans held-for-sale for which pricing for similar loans or securities backed by similar loans is not observable and the estimated fair value is determined using unobservable independent broker quotations or valuation models.

MSRs

MSRs, which are valued using an income approach, are carried at estimated fair value and have multiple significant unobservable inputs including assumptions regarding estimates of discount rates, loan prepayments and servicing costs. Sales of MSRs tend to occur in private transactions where the precise terms and conditions of the sales are typically not readily available and observable market valuations are limited. As such, the Company relies primarily on a discounted cash flow model to estimate the fair value of the MSRs. The model requires inputs such as type of loan (fixed vs. variable and agency vs. other), age of loan, loan interest rates and current market interest rates that are generally observable. The model also requires the use of unobservable inputs including assumptions regarding estimates of discount rates, loan prepayments and servicing costs.

Derivative assets and derivative liabilities

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

Interest rate derivatives.

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.

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MetLife, Inc.

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

Foreign currency derivatives.

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

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

Credit derivatives.

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

Equity market derivatives.

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

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

Guaranteed minimum benefit guarantees

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

Reinsurance ceded on certain guaranteed minimum benefit guarantees

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

margin.

Embedded derivatives within funds withheld related to certain ceded reinsurance

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

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MetLife, Inc.

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

Significant unobservable inputs generally include: the fair value of certain assets within the reference portfolio which are not observable in the market and cannot be derived principally from, or corroborated by, observable market data.

Separate account assets

These assets are comprised of investments that are similar in nature to the fixed maturity securities, equity securities and derivatives referred to above. Separate account assets within this level also include mortgage loans and other limited partnership interests. The estimated fair value of mortgage loans is determined by discounting expected future cash flows, using current interest rates for similar loans with similar credit risk. Other limited partnership interests are valued giving consideration to the value of the underlying holdings of the partnerships and by applying a premium or discount, if appropriate, for factors such as liquidity, bid/ask spreads, the performance record of the fund manager or other relevant variables which may impact the exit value of the particular partnership interest.

Long-term debt obligations of consolidated securitization entities

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

Transfers between Levels 1 and 2:

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

Transfers into or out of Level 3:

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

During the three months and nine months ended September 30, 2010, fixed maturity securities transfers into Level 3 of \$367 million and \$1,475 million, respectively, and separate account assets transfers into Level 3 of \$9 million and \$31 million, respectively, resulted primarily from current market conditions characterized by a lack of trading activity, decreased liquidity and credit ratings downgrades (e.g., from investment grade to below investment grade). These current market conditions have resulted in decreased transparency of valuations and an increased use of broker quotations and unobservable inputs to determine estimated fair value principally for certain RMBS and private placements included in U.S. and foreign corporate securities.

During the three months and nine months ended September 30, 2010, fixed maturity securities transfers out of Level 3 of \$1,240 million and \$1,413 million, respectively, and separate account assets transfers out of Level 3 of \$75 million and \$224 million, respectively, resulted primarily from increased transparency of both new issuances that subsequent to issuance and establishment of trading activity, became priced by pricing services and existing issuances that, over time, the Company was able to corroborate pricing received from independent pricing services with observable inputs or increases in market activity and upgraded credit ratings primarily for certain U.S. and foreign corporate securities, ABS and RMBS.

Table of Contents**MetLife, Inc.****Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) (Continued)**

A rollforward of all assets and liabilities measured at estimated fair value on a recurring basis using significant unobservable (Level 3) inputs for the three months ended September 30, 2010 and 2009 is as follows:

Fair Value Measurements Using Significant Unobservable Inputs (Level 3)

Balance, Beginning of Period	Total Realized/Unrealized Gains (Losses) included in:			Purchases, Sales, Issuances and Settlements (3)	Transfer Into Level 3 (4)	Transfer Out of Level 3 (4)	Balance, End of Period
	Earnings (1), (2)	Other Comprehensive Income (Loss) (3)	Other Comprehensive Income (Loss) (3)				

**For the Three Months
Ended September 30,
2010:****Assets:**

Fixed maturity securities:

U.S. corporate securities	\$ 7,173	\$ (14)	\$ 196	\$ 67	\$ 119	\$ (686)	\$ 6,855
RMBS	1,852	(11)	68	379	161	(155)	2,294
Foreign corporate securities	4,600	(18)	302	131	52	(240)	4,827
U.S. Treasury, agency and government guaranteed securities	37		1		21		59
CMBS	270	(1)	13	(7)	9	(3)	281
Foreign government securities	280	3	25	6			314
ABS	3,498	(9)	105	156	5	(101)	3,654
State and political subdivision securities	101		(3)	9		(55)	52
Other fixed maturity securities	5						5
Total fixed maturity securities	\$ 17,816	\$ (50)	\$ 707	\$ 741	\$ 367	\$ (1,240)	\$ 18,341
Equity securities:							
Common stock	\$ 161	\$ (1)	\$ 14	\$ (6)	\$ 2	\$	\$ 170
Non-redeemable preferred stock	845	1	56	7			909

Total equity securities	\$ 1,006	\$	\$ 70	\$ 1	\$ 2	\$	\$ 1,079
Trading securities	\$ 36	\$ 9	\$	\$ 13	\$ 35	\$	\$ 93
Short-term investments	\$ 52	\$ 2	\$	\$ 156	\$	\$	\$ 210
Mortgage loans held-for-sale	\$ 26	\$ (1)	\$	\$	\$ 4	\$ (2)	\$ 27
MSRs (5), (6)	\$ 660	\$ (91)	\$	\$ 138	\$	\$	\$ 707
Net derivatives: (7)							
Interest rate contracts	\$ 61	\$ 16	\$ 16	\$ 12	\$	\$	\$ 105
Foreign currency contracts	28	45		(5)		(8)	60
Credit contracts	31	12	10	(7)			46
Equity market contracts	633	(171)	4	8			474
Total net derivatives	\$ 753	\$ (98)	\$ 30	\$ 8	\$	\$ (8)	\$ 685
Separate account assets (8)	\$ 1,693	\$ 59	\$	\$ 62	\$ 9	\$ (75)	\$ 1,748

Fair Value Measurements Using Significant Unobservable Inputs (Level 3)

	Total						Balance, End of Period
	Realized/Unrealized (Gains) Losses included in:						
Balance, Beginning of Period	Earnings (1), (2)	Other Comprehensive Income (Loss) (3)	Purchases, Sales, Issuances and Settlements (3)	Transfer Into Level 3 (4)	Transfer Out of Level 3 (4)		

(In millions)

For the Three Months Ended September 30, 2010:

Liabilities:

Net embedded derivatives (9)	\$ 3,296	\$ (134)	\$ 98	\$ 74	\$	\$	\$ 3,334
Long-term debt of consolidated securitization entities (10)	\$ 221	\$ (37)	\$	\$	\$	\$	\$ 184
Trading liabilities	\$	\$	\$	\$ 2	\$	\$	\$ 2

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MetLife, Inc.

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

Fair Value Measurements Using Significant Unobservable Inputs (Level 3)

	Balance, Beginning of Period	Total Realized/Unrealized Gains (Losses) included in:			Purchases, Sales, Issuances and Settlements (3)	Transfer In and/or Out of Level 3 (4)	Balance, End of Period
		Earnings (1), (2)	Other Comprehensive Income (Loss) (In millions)				
For the Three Months Ended September 30, 2009:							
Assets:							
Fixed maturity securities:							
U.S. corporate securities	\$ 6,663	\$ (21)	\$ 400	\$ (113)	\$ 1	\$ 6,930	
RMBS	1,494	(14)	59	782	(111)	2,210	
Foreign corporate securities	4,729	(114)	766	(10)	(15)	5,356	
U.S. Treasury, agency and government guaranteed securities	37		1			38	
CMBS	251	(31)	29	(1)	59	307	
Foreign government securities	346	2	45	27	120	540	
ABS	2,160	(14)	352	(29)	(7)	2,462	
State and political subdivision securities	104		5	29	14	152	
Other fixed maturity securities	8		(1)			7	
Total fixed maturity securities	\$ 15,792	\$ (192)	\$ 1,656	\$ 685	\$ 61	\$ 18,002	
Equity securities:							
Common stock	\$ 118	\$ (1)	\$ (1)	\$ 6	\$	\$ 122	
Non-redeemable preferred stock	1,067	(70)	267	(85)		1,179	
Total equity securities	\$ 1,185	\$ (71)	\$ 266	\$ (79)	\$	\$ 1,301	
Trading securities	\$ 72	\$ 7	\$	\$ (20)	\$	\$ 59	
Short-term investments	\$ 5	\$ (1)	\$	\$ 25	\$	\$ 29	
Mortgage loans held-for-sale	\$ 136	\$ (1)	\$	\$	\$ (115)	\$ 20	
MSRs (5), (6)	\$ 670	\$ (64)	\$	\$ 114	\$	\$ 720	

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Net derivatives (7)	\$ 1,766	\$ (539)	\$ 51	\$ 121	\$ (9)	\$ 1,390
Separate account assets (8)	\$ 1,554	\$ 58	\$	\$ 231	\$ 78	\$ 1,921

Fair Value Measurements Using Significant Unobservable Inputs (Level 3)

Balance, Beginning of Period	Total Realized/Unrealized (Gains) Losses included in:			Purchases, Sales, Issuances and Settlements (3)	Transfer In and/or Out of Level 3 (4)	Balance, End of Period
	Earnings (1), (2)	Other Comprehensive Income (Loss) (In millions)				

**For the Three Months
Ended September 30,
2009:**

Liabilities:

Net embedded derivatives (9)	\$ 1,108	\$ 550	\$ 60	\$ 41	\$	\$ 1,759
Trading liabilities	\$ 59	\$	\$	\$ (45)	\$	\$ 14
			78			

Table of Contents**MetLife, Inc.****Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) (Continued)**

A rollforward of all assets and liabilities measured at estimated fair value on a recurring basis using significant unobservable (Level 3) inputs for the nine months ended September 30, 2010 and 2009 is as follows:

Fair Value Measurements Using Significant Unobservable Inputs (Level 3)

Balance, Beginning of Period	Total Realized/Unrealized Gains (Losses) included in:			Purchases, Sales, Issuances and Settlements (3)	Transfer Into Level 3 (4)	Transfer Out of Level 3 (4)	Balance, End of Period
	Earnings (1), (2)	Other Comprehensive Income (Loss) (3)					

**For the Nine Months
Ended September 30,
2010:****Assets:**

Fixed maturity securities:

U.S. corporate securities	\$ 6,694	\$ 6	\$ 461	\$ (648)	\$ 616	\$ (274)	\$ 6,855
RMBS	1,840	15	121	195	253	(130)	2,294
Foreign corporate securities	5,292	(32)	375	(620)	363	(551)	4,827
U.S. Treasury, agency and government guaranteed securities	37		3	(3)	22		59
CMBS	139	(2)	72	(24)	128	(32)	281
Foreign government securities	401	(3)	53	19		(156)	314
ABS	2,712	(40)	302	827	93	(240)	3,654
State and political subdivision securities	69		4	9		(30)	52
Other fixed maturity securities	6		1	(2)			5
Total fixed maturity securities	\$ 17,190	\$ (56)	\$ 1,392	\$ (247)	\$ 1,475	\$ (1,413)	\$ 18,341
Equity securities:							
Common stock	\$ 136	\$ 1	\$ 4	\$ 35	\$ 2	\$ (8)	\$ 170
Non-redeemable preferred stock	1,104	48	24	(259)		(8)	909

Total equity securities	\$ 1,240	\$ 49	\$ 28	\$ (224)	\$ 2	\$ (16)	\$ 1,079
Trading securities	\$ 83	\$ 3	\$	\$ (12)	\$ 37	\$ (18)	\$ 93
Short-term investments	\$ 23	\$ 2	\$	\$ 185	\$	\$	\$ 210
Mortgage loans held-for-sale	\$ 25	\$ (1)	\$	\$	\$ 10	\$ (7)	\$ 27
MSRs (5), (6)	\$ 878	\$ (329)	\$	\$ 158	\$	\$	\$ 707
Net derivatives: (7)							
Interest rate contracts	\$ 7	\$ 97	\$ 13	\$ (12)	\$	\$	\$ 105
Foreign currency contracts	108	28		(54)		(22)	60
Credit contracts	42	(10)	27	(13)			46
Equity market contracts	199	249	9	17			474
Total net derivatives	\$ 356	\$ 364	\$ 49	\$ (62)	\$	\$ (22)	\$ 685
Separate account assets (8)	\$ 1,895	\$ 94	\$	\$ (48)	\$ 31	\$ (224)	\$ 1,748

Fair Value Measurements Using Significant Unobservable Inputs (Level 3)

	Total						Balance, End of Period
	Realized/Unrealized (Gains) Losses included						
Balance, Beginning of Period	in:		Purchases, Sales, Issuances and Settlements (3)	Transfer Into Level 3 (4)	Transfer Out of Level 3 (4)	Balance, End of Period	
Period	Earnings (1), (2)	Income (Loss)	Other Comprehensive Income (Loss)	Level 3 (4)	Level 3 (4)	End of Period	

For the Nine Months Ended September 30, 2010:

Liabilities:

Net embedded derivatives (9)	\$ 1,455	\$ 1,496	\$ 163	\$ 220	\$	\$	\$ 3,334
Long-term debt of consolidated securitization entities (10)	\$	\$ (48)	\$	\$ 232	\$	\$	\$ 184
Trading liabilities	\$	\$	\$	\$ 2	\$	\$	\$ 2

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MetLife, Inc.

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

Fair Value Measurements Using Significant Unobservable Inputs (Level 3)

Total
Realized/Unrealized
Gains (Losses) included
in:

	Balance, Beginning of Period	Earnings (1), (2)	Other Comprehensive Income (Loss)	Purchases, Sales, Issuances and Settlements (3)	Transfer In and/or Out of Level 3 (4)	Balance, End of Period
(In millions)						
For the Nine Months Ended September 30, 2009:						
Assets:						
Fixed maturity securities:						
U.S. corporate securities	\$ 7,498	\$ (465)	\$ 710	\$ (563)	\$ (250)	\$ 6,930
RMBS	595	9	71	1,576	(41)	2,210
Foreign corporate securities	5,944	(303)	1,475	(312)	(1,448)	5,356
U.S. Treasury, agency and government guaranteed securities	88			(29)	(21)	38
CMBS	260	(36)	49	(16)	50	307
Foreign government securities	408	(45)	68	6	103	540
ABS	2,452	(50)	268	(257)	49	2,462
State and political subdivision securities	123		10	42	(23)	152
Other fixed maturity securities	40	1		(34)		7
Total fixed maturity securities	\$ 17,408	\$ (889)	\$ 2,651	\$ 413	\$ (1,581)	\$ 18,002
Equity securities:						
Common stock	\$ 105	\$ (1)	\$ 5	\$ 13		\$ 122
Non-redeemable preferred stock	1,274	(328)	400	(167)		1,179
Total equity securities	\$ 1,379	\$ (329)	\$ 405	\$ (154)		\$ 1,301
Trading securities	\$ 175	\$ 14		\$ (130)		\$ 59
Short-term investments	\$ 100	\$ (3)		\$ (63)	\$ (5)	\$ 29
Mortgage loans held-for-sale	\$ 177	\$ (3)		\$ 1	\$ (155)	\$ 20
MSRs (5), (6)	\$ 191	\$ 70		\$ 459		\$ 720

Net derivatives (7)	\$ 2,547	\$ (1,498)	\$ (12)	\$ 341	\$ 12	\$ 1,390
Separate account assets (8)	\$ 1,758	\$ (212)	\$	\$ 286	\$ 89	\$ 1,921

Fair Value Measurements Using Significant Unobservable Inputs (Level 3)

	Total Realized/Unrealized (Gains) Losses included in:					Balance, End of Period
	Balance, Beginning of Period	Earnings (1), (2)	Other Comprehensive Income (Loss) (In millions)	Purchases, Sales, Issuances and Settlements (3)	Transfer In and/or Out of Level 3 (4)	

For the Nine Months Ended

September 30, 2009:

Liabilities:

Net embedded derivatives (9)	\$ 2,929	\$ (1,294)	\$ 35	\$ 89	\$	\$ 1,759
Trading liabilities	\$	\$	\$	\$ 14	\$	\$ 14

(1) Amortization of premium/discount is included within net investment income which is reported within the earnings caption of total gains (losses). Impairments charged to earnings on securities and certain mortgage loans are included within net investment gains (losses) which are reported within the earnings caption of total gains (losses); while changes in estimated fair value of certain mortgage loans and MSRs are recorded in other

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MetLife, Inc.

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

revenues. Lapses associated with embedded derivatives are included with the earnings caption of total 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/issuance price (for purchases and issuances) and the sales/settlement proceeds (for sales and settlements) based upon the actual date purchased/issued or sold/settled. Items purchased/issued and sold/settled in the same period are excluded from the rollforward. For embedded derivatives, attributed fees are included within this caption along with settlements, if any.
- (4) Total gains and losses (in earnings and other comprehensive income (loss)) are calculated assuming transfers in and/or out of Level 3 occurred at the beginning of the period. Items transferred in and out in the same period are excluded from the rollforward.
- (5) The additions and reductions (due to loan payments and sales) affecting MSR were \$169 million and (\$31) million, respectively, for the three months ended September 30, 2010 and \$275 million and (\$117) million, respectively, for the nine months ended September 30, 2010. The additions and reductions (due to loan payments) affecting MSR were \$138 million and (\$24) million, respectively, for the three months ended September 30, 2009 and \$544 million and (\$85) million, respectively, for the nine months ended September 30, 2009.
- (6) The changes in estimated fair value due to changes in valuation model inputs or assumptions, and other changes in estimated fair value affecting MSR were (\$91) million and \$0, respectively, for the three months ended September 30, 2010, and (\$329) million and \$0, respectively, for the nine months ended September 30, 2010. The changes in estimated fair value due to changes in valuation model inputs or assumptions, and other changes in estimated fair value affecting MSR were (\$64) million and \$0, respectively, for the three months ended September 30, 2009, and \$70 million and \$0, respectively, for the nine months ended September 30, 2009.
- (7) Freestanding derivative assets and liabilities are presented net for purposes of the rollforward.
- (8) Investment performance related to separate account assets is fully offset by corresponding amounts credited to contractholders whose liability is reflected within separate account liabilities.
- (9) Embedded derivative assets and liabilities are presented net for purposes of the rollforward.
- (10) The long-term debt at January 1, 2010 of the consolidated securitization entities is reported within the purchases, sales, issuances and settlements activity column of the rollforward.

Table of Contents**MetLife, Inc.****Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) (Continued)**

The tables below summarize both realized and unrealized gains and losses for the three months ended September 30, 2010 and 2009 due to changes in estimated fair value recorded in earnings for Level 3 assets and liabilities:

**Total Gains and Losses
Classification of Realized/Unrealized Gains
(Losses) included in Earnings**

	Net Investment Income	Net Investment Gains (Losses)	Net Derivatives Gains (Losses)	Other Revenues (In millions)	Policyholder Benefits and Claims	Other Expenses	Total
--	-----------------------------	--	---	------------------------------------	---	-------------------	-------

**For the Three Months Ended September 30,
2010:**

Assets:

Fixed maturity securities:

U.S. corporate securities	\$ 6	\$ (20)	\$	\$	\$	\$	\$ (14)
RMBS	(5)	(6)					(11)
Foreign corporate securities	7	(25)					(18)
U.S. Treasury, agency and government guaranteed securities							
CMBS	1	(2)					(1)
Foreign government securities	2	1					3
ABS	8	(17)					(9)
State and political subdivision securities							
Other fixed maturity securities							
Total fixed maturity securities	\$ 19	\$ (69)	\$	\$	\$	\$	\$ (50)
Equity securities:							
Common stock	\$	\$ (1)	\$	\$	\$	\$	\$ (1)
Non-redeemable preferred stock		1					1
Total equity securities	\$	\$	\$	\$	\$	\$	\$
Trading securities	\$ 9	\$	\$	\$	\$	\$	\$ 9
Short-term investments	\$ 2	\$	\$	\$	\$	\$	\$ 2
Mortgage loans held-for-sale	\$	\$	\$	\$ (1)	\$	\$	\$ (1)
MSRs	\$	\$	\$	\$ (91)	\$	\$	\$ (91)

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Net derivatives:										
Interest rate contracts	\$	\$	\$	2	\$	14	\$	\$	\$	16
Foreign currency contracts				46				(1)		45
Credit contracts				12						12
Equity market contracts		(2)		(169)						(171)
Total net derivatives	\$	(2)	\$	(109)	\$	14	\$	\$	(1)	\$ (98)
Liabilities:										
Net embedded derivatives	\$	\$	\$	134	\$	\$	\$	\$	\$	134
Long-term debt of consolidated securitization entities	\$	\$	37	\$	\$	\$	\$	\$	\$	37

Table of Contents**MetLife, Inc.****Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) (Continued)**

**Total Gains and Losses
Classification of Realized/Unrealized Gains
(Losses) included in Earnings**

	Net	Net	Net			Other	
	Investment	Investment	Derivatives	Other	Policyholder	Other	Total
	Income	Gains	Gains	Revenues	and	Expenses	
		(Losses)	(Losses)		Claims		
	(In millions)						
For the Three Months Ended September 30, 2009:							
Assets:							
Fixed maturity securities:							
U.S. corporate securities	\$ 3	\$ (24)	\$	\$	\$	\$	\$ (21)
RMBS	12	(26)					(14)
Foreign corporate securities	(1)	(113)					(114)
U.S. Treasury, agency and government guaranteed securities							
CMBS		(31)					(31)
Foreign government securities	3	(1)					2
ABS	1	(15)					(14)
State and political subdivision securities							
Other fixed maturity securities							
Total fixed maturity securities	\$ 18	\$ (210)	\$	\$	\$	\$	\$ (192)
Equity securities:							
Common stock	\$	\$ (1)	\$	\$	\$	\$	\$ (1)
Non-redeemable preferred stock	(2)	(68)					(70)
Total equity securities	\$ (2)	\$ (69)	\$	\$	\$	\$	\$ (71)
Trading securities							
Short-term investments	\$ 7	\$	\$	\$	\$	\$	\$ 7
Mortgage loans held-for-sale	\$	\$ (1)	\$	\$	\$	\$	\$ (1)
MSRs	\$	\$	\$	\$ (1)	\$	\$	\$ (1)
Net derivatives	\$	\$	\$	\$ (64)	\$	\$	\$ (64)
	\$ 4	\$	\$ (576)	\$ 33	\$	\$	\$ (539)
Liabilities:							
Net embedded derivatives	\$	\$	\$ (543)	\$	\$ (7)	\$	\$ (550)

Table of Contents**MetLife, Inc.****Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) (Continued)**

The tables below summarize both realized and unrealized gains and losses for the nine months ended September 30, 2010 and 2009 due to changes in estimated fair value recorded in earnings for Level 3 assets and liabilities:

**Total Gains and Losses
Classification of Realized/Unrealized Gains
(Losses) included in Earnings**

	Net	Net	Net		Policyholder		
	Investment	Investment	Derivatives	Other	Benefits	Other	Total
	Income	Gains	Gains	Revenues	and	Expenses	
	(Losses)	(Losses)	(Losses)	(In millions)	Claims	(In millions)	

For the Nine Months Ended September 30, 2010:**Assets:**

Fixed maturity securities:

U.S. corporate securities	\$ 21	\$ (15)	\$	\$	\$	\$	\$ 6
RMBS	21	(6)					15
Foreign corporate securities	10	(42)					(32)
U.S. Treasury, agency and government guaranteed securities							
CMBS	1	(3)					(2)
Foreign government securities	2	(5)					(3)
ABS	27	(67)					(40)
State and political subdivision securities							
Other fixed maturity securities							
Total fixed maturity securities	\$ 82	\$ (138)	\$	\$	\$	\$	\$ (56)
Equity securities:							
Common stock	\$	\$ 1	\$	\$	\$	\$	\$ 1
Non-redeemable preferred stock		48					48
Total equity securities	\$	\$ 49	\$	\$	\$	\$	\$ 49
Trading securities	\$ 3	\$	\$	\$	\$	\$	\$ 3
Short-term investments	\$ 2	\$	\$	\$	\$	\$	\$ 2
Mortgage loans held-for-sale	\$	\$	\$	\$ (1)	\$	\$	\$ (1)
MSRs	\$	\$	\$	\$ (329)	\$	\$	\$ (329)

Net derivatives:

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Interest rate contracts	\$	\$	\$	36	\$	61	\$	\$	97
Foreign currency contracts				32				(4)	28
Credit contracts				(10)					(10)
Equity market contracts		6		243					249
Total net derivatives	\$	6	\$	301	\$	61	\$	(4)	\$ 364
Liabilities:									
Net embedded derivatives	\$	\$	\$	(1,542)	\$	\$	46	\$	\$ (1,496)
Long-term debt of consolidated securitization entities	\$	\$	48	\$	\$	\$	\$	\$	\$ 48

Table of Contents**MetLife, Inc.****Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) (Continued)**

**Total Gains and Losses
Classification of Realized/Unrealized Gains
(Losses) included in Earnings**

	Net	Net	Net				Total
	Investment	Investment	Derivatives	Other	Policyholder	Other	
	Income	Gains	Gains	Revenues	and	Expenses	
		(Losses)	(Losses)		Claims		Total
							(In millions)
For the Nine Months Ended September 30, 2009:							
Assets:							
Fixed maturity securities:							
U.S. corporate securities	\$ 11	\$ (476)	\$	\$	\$	\$	\$ (465)
RMBS	14	(5)					9
Foreign corporate securities	(4)	(299)					(303)
U.S. Treasury, agency and government guaranteed securities							
CMBS	1	(37)					(36)
Foreign government securities	8	(53)					(45)
ABS	2	(52)					(50)
State and political subdivision securities							
Other fixed maturity securities	1						1
Total fixed maturity securities	\$ 33	\$ (922)	\$	\$	\$	\$	\$ (889)
Equity securities:							
Common stock	\$	\$ (1)	\$	\$	\$	\$	\$ (1)
Non-redeemable preferred stock	(2)	(326)					(328)
Total equity securities	\$ (2)	\$ (327)	\$	\$	\$	\$	\$ (329)
Trading securities	\$ 14	\$	\$	\$	\$	\$	\$ 14
Short-term investments	\$	\$ (3)	\$	\$	\$	\$	\$ (3)
Mortgage loans held-for-sale	\$	\$	\$	\$ (3)	\$	\$	\$ (3)
MSRs	\$	\$	\$	\$ 70	\$	\$	\$ 70
Net derivatives	\$ (66)	\$	\$ (1,444)	\$ 12	\$	\$	\$ (1,498)
Liabilities:							
Net embedded derivatives	\$	\$	\$ 1,369	\$	\$ (75)	\$	\$ 1,294

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Credit contracts			12			12
Equity market contracts	(2)		(169)			(171)
Total net derivatives	\$ (2)	\$	\$ (119)	\$ 63	\$	\$ (58)
Liabilities:						
Net embedded derivatives	\$	\$	\$ 126	\$	\$	\$ 126
Long-term debt of consolidated securitization entities	\$	\$ 37	\$	\$	\$	\$ 37

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MetLife, Inc.

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

**Changes in Unrealized Gains (Losses)
Relating to Assets and Liabilities Held at September 30, 2009**

	Net	Net	Policyholder			Total
	Investment	Derivatives	Benefits	and	Other	
	Income	Gains	Gains	Other	Expenses	
		(Losses)	(Losses)	Revenues		
				(In millions)		

For the Three Months Ended September 30, 2009:**Assets:**

Fixed maturity securities:

U.S. corporate securities	\$ 5	\$ (13)	\$	\$	\$	\$	\$ (8)
RMBS	12						12
Foreign corporate securities	(1)	(45)					(46)
U.S. Treasury, agency and government guaranteed securities							
CMBS		(31)					(31)
Foreign government securities	3						3
ABS	1	(6)					(5)
State and political subdivision securities							
Other fixed maturity securities							
Total fixed maturity securities	\$ 20	\$ (95)	\$	\$	\$	\$	\$ (75)
Equity securities:							
Common stock	\$	\$	\$	\$	\$	\$	\$
Non-redeemable preferred stock	(2)	(27)					(29)
Total equity securities	\$ (2)	\$ (27)	\$	\$	\$	\$	\$ (29)
Trading securities	\$ 6	\$	\$	\$	\$	\$	\$ 6
Short-term investments	\$	\$	\$	\$	\$	\$	\$
Mortgage loans held-for-sale	\$	\$	\$	\$ (1)	\$	\$	\$ (1)
MSRs	\$	\$	\$	\$ (10)	\$	\$	\$ (10)
Net derivatives	\$ 4	\$	\$ (574)	\$ 49	\$	\$	\$ (521)
Liabilities:							
Net embedded derivatives	\$	\$	\$ (545)	\$	\$ (7)	\$	\$ (552)

Table of Contents**MetLife, Inc.****Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) (Continued)**

The tables below summarize the portion of unrealized gains and losses, due to changes in estimated fair value, recorded in earnings for the nine months ended September 30, 2010 and 2009 for Level 3 assets and liabilities that were still held at September 30, 2010 and 2009, respectively.

**Changes in Unrealized Gains (Losses)
Relating to Assets and Liabilities Held at September 30, 2010**

	Net Investment Income	Net Investment Gains (Losses)	Net Derivatives Gains (Losses)	Other Revenues (In millions)	Policyholder Benefits and Claims	Other Expenses	Total
For the Nine Months Ended September 30, 2010:							
Assets:							
Fixed maturity securities:							
U.S. corporate securities	\$ 11	\$ (44)	\$	\$	\$	\$	\$ (33)
RMBS	21						21
Foreign corporate securities	9	(45)					(36)
U.S. Treasury, agency and government guaranteed securities							
CMBS	1	(3)					(2)
Foreign government securities	6						6
ABS	26	(54)					(28)
State and political subdivision securities							
Other fixed maturity securities							
Total fixed maturity securities	\$ 74	\$ (146)	\$	\$	\$	\$	\$ (72)
Equity securities:							
Common stock	\$	\$ (2)	\$	\$	\$	\$	\$ (2)
Non-redeemable preferred stock							
Total equity securities	\$	\$ (2)	\$	\$	\$	\$	\$ (2)
Trading securities	\$ 3	\$	\$	\$	\$	\$	\$ 3
Short-term investments	\$ 2	\$	\$	\$	\$	\$	\$ 2
Mortgage loans held-for-sale	\$	\$	\$	\$ (1)	\$	\$	\$ (1)
MSRs	\$	\$	\$	\$ (294)	\$	\$	\$ (294)

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Net derivatives:								
Interest rate contracts	\$		\$	36	\$	66	\$	102
Foreign currency contracts				31				31
Credit contracts				(9)				(9)
Equity market contracts		5		250				255
Total net derivatives	\$	5	\$	308	\$	66	\$	379
Liabilities:								
Net embedded derivatives	\$		\$	(1,556)	\$	46	\$	(1,510)
Long-term debt of consolidated securitization entities	\$		\$	48	\$		\$	48

Table of Contents**MetLife, Inc.****Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) (Continued)****Changes in Unrealized Gains (Losses)
Relating to Assets and Liabilities Held at September 30, 2009**

	Net	Net	Net	Other	Policyholder	Other	Total
	Investment	Investment	Derivatives	Revenues	Benefits	Expenses	
	Income	Gains	Gains		and		
		(Losses)	(Losses)		Claims		
				(In millions)			
For the Nine Months Ended September 30, 2009:							
Assets:							
Fixed maturity securities:							
U.S. corporate securities	\$ 13	\$ (457)	\$	\$	\$	\$	\$ (444)
RMBS	14	1					15
Foreign corporate securities	(4)	(246)					(250)
U.S. Treasury, agency and government guaranteed securities							
CMBS	1	(51)					(50)
Foreign government securities	8						8
ABS	2	(103)					(101)
State and political subdivision securities							
Other fixed maturity securities	1						1
Total fixed maturity securities	\$ 35	\$ (856)	\$	\$	\$	\$	\$ (821)
Equity securities:							
Common stock	\$	\$ (1)	\$	\$	\$	\$	\$ (1)
Non-redeemable preferred stock	(2)	(172)					(174)
Total equity securities	\$ (2)	\$ (173)	\$	\$	\$	\$	\$ (175)
Trading securities	\$ 16	\$	\$	\$	\$	\$	\$ 16
Short-term investments	\$	\$	\$	\$	\$	\$	\$
Mortgage loans held-for-sale	\$	\$	\$	\$ (3)	\$	\$	\$ (3)
MSRs	\$	\$	\$	\$ 50	\$	\$	\$ 50
Net derivatives	\$ (66)	\$	\$ (1,405)	\$ 49	\$	\$	\$ (1,422)
Liabilities:							
Net embedded derivatives	\$	\$	\$ 1,354	\$	\$ (75)	\$	\$ 1,279

Table of Contents**MetLife, Inc.****Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) (Continued)****Fair Value Option Mortgage Loans Held-For-Sale**

The following table presents residential mortgage loans held-for-sale carried under the fair value option at:

	September 30, 2010	December 31, 2009
	(In millions)	
Unpaid principal balance	\$ 2,051	\$ 2,418
Excess of estimated fair value over unpaid principal balance	90	52
Carrying value at estimated fair value	\$ 2,141	\$ 2,470
Loans in non-accrual status	\$ 2	\$ 4
Loans more than 90 days past due	\$ 3	\$ 2
Loans in non-accrual status or more than 90 days past due, or both difference between aggregate estimated fair value and unpaid principal balance	\$ (1)	\$ (2)

Residential mortgage loans held-for-sale accounted for under the fair value option are initially measured at estimated fair value. 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:

	Three Months Ended September 30, 2010		Nine Months Ended September 30, 2010	
	2009		2009	
	(In millions)			
Instrument-specific credit risk based on changes in credit spreads for non-agency loans and adjustments in individual loan quality	\$ (1)	\$ (1)	\$ (1)	\$ (2)
Other changes in estimated fair value	139	149	400	457
Total gains (losses) recognized in other revenues	\$ 138	\$ 148	\$ 399	\$ 455

Fair Value Option Consolidated Securitization Entities

As discussed in Note 1, upon the adoption of new guidance effective January 1, 2010, the Company elected fair value accounting for the following assets and liabilities held by consolidated securitization entities: commercial mortgage

loans, securities classified as trading securities and long-term debt. Information on the estimated fair value of the securities classified as trading securities is presented in Note 3. The following table presents these commercial mortgage loans carried under the fair value option at:

	September 30, 2010
	(In millions)
Unpaid principal balance	\$ 6,881
Excess of estimated fair value over unpaid principal balance	212
Carrying value at estimated fair value	\$ 7,093

Table of Contents**MetLife, Inc.****Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) (Continued)**

The following table presents the long-term debt carried under the fair value option related to both the commercial mortgage loans and securities classified as trading securities at:

	September 30, 2010 (In millions)
Contractual principal balance	\$ 6,852
Excess of estimated fair value over contractual principal balance	223
Carrying value at estimated fair value	\$ 7,075

Interest income on both commercial mortgage loans and securities classified as trading securities held by consolidated securitization entities is recorded in net investment income. Interest expense on long-term debt of consolidated securitization entities is recorded in other expenses. Gains and losses from initial measurement, subsequent changes in estimated fair value and gains or losses on sales of both the commercial mortgage loans and long-term debt are recognized in net investment gains (losses), which is summarized in Note 3.

Non-Recurring Fair Value Measurements

Certain assets are measured at estimated fair value on a non-recurring basis and are not included in the tables presented above. The amounts below relate to certain investments measured at estimated fair value during the period and still held at the reporting dates.

	Three Months Ended September 30,					
	2010			2009		
	Carrying	Estimated	Net	Carrying	Estimated	Net
	Value	Fair	Investment	Value	Fair	Investment
	Prior to	Value	Gains	Prior to	Value	Gains
	Measurement	After	(Losses)	Measurement	After	(Losses)
	Measurement	Measurement	(In millions)	Measurement	Measurement	(In millions)
Mortgage loans: (1)						
Held-for-investment	\$ 93	\$ 93	\$	\$ 88	\$ 63	\$ (25)
Held-for-sale	27	28	1	35	33	(2)
Mortgage loans, net	\$ 120	\$ 121	\$ 1	\$ 123	\$ 96	\$ (27)
Other limited partnership interests (2)	\$ 3	\$ 1	\$ (2)	\$ 49	\$ 36	\$ (13)
Real estate joint ventures (3)	\$	\$	\$	\$ 49	\$ 27	\$ (22)

	Nine Months Ended September 30,					
	2010			2009		
	Carrying Value Prior to Measurement	Estimated Fair Value After Measurement	Net Investment Gains (Losses) (In millions)	Carrying Value Prior to Measurement	Estimated Fair Value After Measurement	Net Investment Gains (Losses)
Mortgage loans: (1)						
Held-for-investment	\$ 90	\$ 93	\$ 3	\$ 176	\$ 123	\$ (53)
Held-for-sale	28	28		41	38	(3)
Mortgage loans, net	\$ 118	\$ 121	\$ 3	\$ 217	\$ 161	\$ (56)
Other limited partnership interests (2)	\$ 28	\$ 18	\$ (10)	\$ 881	\$ 527	\$ (354)
Real estate joint ventures (3)	\$ 33	\$ 8	\$ (25)	\$ 186	\$ 96	\$ (90)

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Table of Contents**MetLife, Inc.****Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) (Continued)**

- (1) *Mortgage loans* The impaired mortgage loans presented above were written down to their estimated fair values at the date the impairments were recognized and are reported as losses above. Subsequent improvements in estimated fair value on previously impaired loans recorded through a reduction in the previously established valuation allowance are reported as gains above. Estimated fair values for impaired mortgage loans are based on observable market prices or, if the loans are in foreclosure or are otherwise determined to be collateral dependent, on the estimated fair value of the underlying collateral, or the present value of the expected future cash flows. Impairments to estimated fair value and decreases in previous impairments from subsequent improvements in estimated fair value represent non-recurring fair value measurements that have been categorized as Level 3 due to the lack of price transparency inherent in the limited markets for such mortgage loans.
- (2) *Other limited partnership interests* The impaired investments presented above were accounted for using the cost basis. Impairments on these cost basis investments were recognized at estimated fair value determined from information provided in the financial statements of the underlying entities in the period in which the impairment was incurred. These impairments to estimated fair value represent non-recurring fair value measurements that have been classified as Level 3 due to the limited activity and price transparency inherent in the market for such investments. This category includes several private equity and debt funds that typically invest primarily in a diversified pool of investments across certain investment strategies including domestic and international leveraged buyout funds; power, energy, timber and infrastructure development funds; venture capital funds; below investment grade debt and mezzanine debt funds. The estimated fair values of these investments have been determined using the NAV of the Company's ownership interest in the partners' capital. Distributions from these investments 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 2 to 10 years. Unfunded commitments for these investments were \$25 million at September 30, 2010.
- (3) *Real estate joint ventures* The impaired investments presented above were accounted for using the cost basis. Impairments on these cost basis investments were recognized at estimated fair value determined from information provided in the financial statements of the underlying entities in the period in which the impairment was incurred. These impairments to estimated fair value represent non-recurring fair value measurements that have been classified as Level 3 due to the limited activity and price transparency inherent in the market for such investments. This category includes several real estate funds that typically invest primarily in commercial real estate. The estimated fair values of these investments have been determined using the NAV of the Company's ownership interest in the partners' capital. Distributions from these investments 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 2 to 10 years. Unfunded commitments for these investments were \$7 million at September 30, 2010.

Table of Contents**MetLife, Inc.****Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) (Continued)*****Fair Value of Financial Instruments***

Amounts related to the Company's financial instruments that were not measured at fair value on a recurring basis, were as follows:

September 30, 2010	Notional Amount	Carrying Value (In millions)	Estimated Fair Value
Assets			
Mortgage loans: (1)			
Held-for-investment		\$ 50,005	\$ 51,331
Held-for-sale		699	699
Mortgage loans, net		\$ 50,704	\$ 52,030
Policy loans		\$ 10,230	\$ 12,173
Real estate joint ventures (2)		\$ 110	\$ 132
Other limited partnership interests (2)		\$ 1,575	\$ 1,754
Short-term investments (3)		\$ 310	\$ 310
Other invested assets (2)		\$ 912	\$ 912
Cash and cash equivalents		\$ 14,557	\$ 14,557
Accrued investment income		\$ 3,469	\$ 3,469
Premiums, reinsurance and other receivables (2)		\$ 3,272	\$ 3,744
Other assets (2)		\$ 425	\$ 394
Liabilities			
Policyholder account balances (2)		\$ 100,287	\$ 106,415
Payables for collateral under securities loaned and other transactions		\$ 31,891	\$ 31,891
Bank deposits		\$ 9,362	\$ 9,415
Short-term debt		\$ 2,057	\$ 2,057
Long-term debt (2)		\$ 17,404	\$ 19,037
Collateral financing arrangements		\$ 5,297	\$ 2,484
Junior subordinated debt securities		\$ 3,191	\$ 3,415
Other liabilities (2)		\$ 3,829	\$ 3,829
Separate account liabilities (2)		\$ 40,538	\$ 40,538
Commitments (4)			
Mortgage loan commitments	\$ 3,225	\$	\$ (2)
Commitments to fund bank credit facilities, bridge loans and private corporate bond investments	\$ 2,053	\$	\$ 73

Table of Contents**MetLife, Inc.****Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) (Continued)**

December 31, 2009	Notional Amount	Carrying Value (In millions)	Estimated Fair Value
Assets			
Mortgage loans: (1)			
Held-for-investment		\$ 48,181	\$ 46,315
Held-for-sale		258	258
Mortgage loans, net		\$ 48,439	\$ 46,573
Policy loans		\$ 10,061	\$ 11,294
Real estate joint ventures (2)		\$ 115	\$ 127
Other limited partnership interests (2)		\$ 1,571	\$ 1,581
Short-term investments (3)		\$ 201	\$ 201
Other invested assets (2)		\$ 1,241	\$ 1,284
Cash and cash equivalents		\$ 10,112	\$ 10,112
Accrued investment income		\$ 3,173	\$ 3,173
Premiums, reinsurance and other receivables (2)		\$ 3,375	\$ 3,532
Other assets (2)		\$ 425	\$ 440
Liabilities			
Policyholder account balances (2)		\$ 97,131	\$ 96,735
Payables for collateral under securities loaned and other transactions		\$ 24,196	\$ 24,196
Bank deposits		\$ 10,211	\$ 10,300
Short-term debt		\$ 912	\$ 912
Long-term debt (2)		\$ 13,185	\$ 13,831
Collateral financing arrangements		\$ 5,297	\$ 2,877
Junior subordinated debt securities		\$ 3,191	\$ 3,167
Other liabilities (2)		\$ 1,788	\$ 1,788
Separate account liabilities (2)		\$ 32,171	\$ 32,171
Commitments (4)			
Mortgage loan commitments	\$ 2,220	\$	\$ (48)
Commitments to fund bank credit facilities, bridge loans and private corporate bond investments	\$ 1,261	\$	\$ (52)

(1) Mortgage loans held-for-investment as presented in the tables above differ from the amount presented in the consolidated balance sheets because these tables do not include commercial mortgage loans held by consolidated securitization entities. Mortgage loans held-for-sale as presented in the tables above differ from the amount presented in the consolidated balance sheets because these tables do not include residential mortgage loans held-for-sale accounted for under the fair value option.

(2)

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

- (3) Short-term investments as presented in the tables above differ from the amounts presented in the consolidated balance sheets because these tables do not include short-term investments that meet the definition of a security, which are measured at estimated fair value on a recurring basis.
- (4) Commitments are off-balance sheet obligations. Negative estimated fair values represent off-balance sheet liabilities.

Table of Contents**MetLife, Inc.****Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) (Continued)**

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

The assets and liabilities measured at estimated fair value on a recurring basis include: fixed maturity securities, equity securities, trading securities, trading securities held by consolidated securitization entities, mortgage loans held by consolidated securitization entities, mortgage loans held-for-sale accounted for under the fair value option, MSRs, derivative assets and liabilities, net embedded derivatives within asset and liability host contracts, separate account assets, long-term debt of consolidated securitization entities and trading liabilities. These assets and liabilities are described in the section *Recurring Fair Value Measurements* and, therefore, are excluded from the tables above. The estimated fair value for these financial instruments approximates carrying value.

Mortgage loans

These mortgage loans are principally comprised of commercial and agricultural mortgage loans, which are originated for investment purposes and are primarily carried at amortized cost. Residential mortgage and consumer loans are generally purchased from third parties for investment purposes and are principally carried at amortized cost, while those originated for sale and not carried under the fair value option are carried at the lower of cost or estimated fair value. The estimated fair values of these mortgage loans are determined as follows:

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

Mortgage loans held-for-sale. Certain mortgage loans previously classified as held-for-investment have been designated as held-for-sale. For these mortgage loans, estimated fair value is determined using independent broker quotations or, when the mortgage loan is in foreclosure or otherwise determined to be collateral dependent, the fair value of the underlying collateral is estimated using internal models. For residential mortgage loans originated for sale, the estimated fair value is determined principally from observable market pricing or from internal models.

Policy loans

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

Real estate joint ventures and other limited partnership interests

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

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MetLife, Inc.

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

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

Short-term investments

Certain short-term investments do not qualify as securities and are recognized at amortized cost in the consolidated balance sheets. For these instruments, the Company believes that there is minimal risk of material changes in interest rates or credit of the issuer such that estimated fair value approximates carrying value. In light of recent market conditions, short-term investments have been monitored to ensure there is sufficient demand and maintenance of issuer credit quality and the Company has determined additional adjustment is not required.

Other invested assets

Other invested assets within the preceding tables are principally comprised of an investment in a funding agreement, funds withheld and various interest-bearing assets held in foreign subsidiaries.

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

Cash and cash equivalents

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

Accrued investment income

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

Premiums, reinsurance and other receivables

Premiums, reinsurance and other receivables in the preceding tables are principally comprised of certain amounts recoverable under reinsurance contracts, amounts on deposit with financial institutions to facilitate daily settlements related to certain derivative positions and amounts receivable for securities sold but not yet settled.

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

Table of Contents**MetLife, Inc.****Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) (Continued)**

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

Other assets

Other assets in the preceding tables is a receivable for cash paid to an unaffiliated financial institution under the MetLife Reinsurance Company of Charleston (MRC) collateral financing arrangement as described in Note 12 of the Notes to the Consolidated Financial Statements included in the 2009 Annual Report. With the exception of the receivable for cash paid to the unaffiliated financial institution, other assets are not considered financial instruments subject to disclosure. Accordingly, the amount presented in the preceding table represents the receivable for the cash paid to the unaffiliated financial institution under the MRC collateral financing arrangement for which the estimated fair value was determined by discounting the expected future cash flows using a discount rate that reflects the credit rating of the unaffiliated financial institution.

Policyholder account balances

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

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

Payables for collateral under securities loaned and other transactions

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

Bank deposits

Due to 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, estimated fair values are estimated by discounting the expected cash flows to

maturity using a discount rate based on an average market rate for certificates of deposit being offered by a representative group of large financial institutions at the date of the valuation.

Short-term and long-term debt, collateral financing arrangements and junior subordinated debt securities

The estimated fair value for short-term debt approximates carrying value due to the short-term nature of these obligations. The estimated fair values of long-term debt, collateral financing arrangements and junior subordinated debt securities are generally determined by discounting expected future cash flows using market rates currently

Table of Contents**MetLife, Inc.****Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) (Continued)**

available for debt with similar remaining maturities and reflecting the credit risk of the Company including inputs, when available, from actively traded debt of the Company or other companies with similar types of borrowing arrangements. Risk-adjusted discount rates applied to the expected future cash flows can vary significantly based upon the specific terms of each individual arrangement, including, but not limited to: subordinated rights; contractual interest rates in relation to current market rates; the structuring of the arrangement; and the nature and observability of the applicable valuation inputs. Use of different risk-adjusted discount rates could result in different estimated fair values.

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

Other liabilities

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

Separate account liabilities

Separate account liabilities included in the preceding tables represent those balances due to policyholders under contracts that are classified as investment contracts. The remaining amounts presented in the consolidated balance sheets represent those contracts classified as insurance contracts, which do not satisfy the definition of financial instruments.

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

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

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.

6. 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

Table of Contents**MetLife, Inc.****Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) (Continued)**

to an order by the New York Superintendent of Insurance approving MLIC's plan of reorganization, as amended (the Plan). On the Demutualization Date, MLIC established a closed block for the benefit of holders of certain individual life insurance policies of MLIC.

Experience within the closed block, in particular mortality and investment yields, as well as realized and unrealized gains and losses, directly impact the policyholder dividend obligation. The policyholder dividend obligation increased to \$2,014 million at September 30, 2010, from zero at December 31, 2009, as a result of recent unrealized gains in the closed block. 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.

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

	September 30, 2010	December 31, 2009
	(In millions)	
Closed Block Liabilities		
Future policy benefits	\$ 43,409	\$ 43,576
Other policyholder funds	305	307
Policyholder dividends payable	699	615
Policyholder dividend obligation	2,014	
Other liabilities	651	576
Total closed block liabilities	47,078	45,074
Assets Designated to the Closed Block		
Investments:		
Fixed maturity securities available-for-sale, at estimated fair value (amortized cost: \$27,318 and \$27,129, respectively)	30,217	27,375
Equity securities available-for-sale, at estimated fair value (cost: \$110 and \$204, respectively)	107	218
Mortgage loans	6,064	6,200
Policy loans	4,609	4,538
Real estate and real estate joint ventures held-for-investment	331	321
Short-term investments		1
Other invested assets		