PRUDENTIAL PLC
Form 6-K
April 10, 2018

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER

Pursuant to Rule 13a-16 or 15d-16 of
the Securities Exchange Act of 1934

For the month of April, 2018

PRUDENTIAL PUBLIC LIMITED COMPANY

(Translation of registrant's name into English)

LAURENCE POUNTNEY HILL,
LONDON, EC4R 0HH, ENGLAND
(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports
under cover Form 20-F or Form 40-F.

Form 20-F X Form 40-F

Indicate by check mark whether the registrant by furnishing the information
contained in this Form is also thereby furnishing the information to the
Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes No X

If "Yes" is marked, indicate below the file number assigned to the registrant
in connection with Rule 12g3-2(b): 82-

Notification and public disclosure of transactions by persons discharging managerial responsibilities and persons closely associated with them

1 Details of the person discharging managerial responsibilities / person closely associated

a) Name Michael Wells

2 Reason for the notification

a)	Position/status	Group Chief Executive (PDMR)
b)	Initial notification /Amendment	Initial notification
3	Details of the issuer, emission allowance market participant, auction platform, auctioneer or auction monitor	
a)	Name	Prudential plc
b)	LEI	5493001Z3ZE83NGK8Y12
4	Details of the transaction(s): section to be repeated for (i) each type of instrument; (ii) each type of transaction; (iii) each date; and (iv) each place where transactions have been conducted	
a)	Description of the financial instrument, type of instrument Identification code	Ordinary shares of 5 pence each GB0007099541
b)	Nature of the transaction	Acquisition of shares through the Prudential Group Share Incentive Plan
c)	Price(s) and volume(s)	Price(s): GBP 17.79 Volume(s): 10
d)	Aggregated information - Aggregated volume - Price	 10 GBP 17.79
e)	Date of the transaction	2018-04-09
f)	Place of the transaction	London Stock Exchange

1	Details of the person discharging managerial responsibilities / person closely associated	
a)	Name	Mark FitzPatrick
2	Reason for the notification	
a)	Position/status	

		Chief Financial Officer (PDMR)
b)	Initial notification /Amendment	Initial notification
3	Details of the issuer, emission allowance market participant, auction platform, auctioneer or auction monitor	
a)	Name	Prudential plc
b)	LEI	5493001Z3ZE83NGK8Y12
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c)	Price(s) and volume(s)	Price(s) Volume(s) GBP 17.79 10
d)	Aggregated information - Aggregated volume - Price	 10 GBP 17.79
e)	Date of the transaction	2018-04-09
f)	Place of the transaction	London Stock Exchange

1	Details of the person discharging managerial responsibilities / person closely associated	
a)	Name	James Turner
2	Reason for the notification	
a)	Position/status	Group Chief Risk Officer (PDMR)
b)	Initial notification /Amendment	Initial notification
3	Details of the issuer, emission allowance market participant, auction platform, auctioneer or auction monitor	

a)	Name	Prudential plc
b)	LEI	5493001Z3ZE83NGK8Y12
4	Details of the transaction(s): section to be repeated for (i) each type of instrument; (ii) each type of transaction; (iii) each date; and (iv) each place where transactions have been conducted	
a)	Description of the financial instrument, type of instrument Identification code	Ordinary shares of 5 pence each GB0007099541
b)	Nature of the transaction	Acquisition of shares through the Prudential Group Share Incentive Plan
c)	Price(s) and volume(s)	Price(s) Volume(s) GBP 17.79 127
d)	Aggregated information - Aggregated volume - Price	 127 GBP 17.79
e)	Date of the transaction	2018-04-09
f)	Place of the transaction	London Stock Exchange

1	Details of the person discharging managerial responsibilities / person closely associated	
a)	Name	John Foley
2	Reason for the notification	
a)	Position/status	Executive Director (PDMR)
b)	Initial notification /Amendment	Initial notification
3	Details of the issuer, emission allowance market participant, auction platform, auctioneer or auction monitor	
a)	Name	Prudential plc

b)	LEI	5493001Z3ZE83NGK8Y12
4	Details of the transaction(s): section to be repeated for (i) each type of instrument; (ii) each type of transaction; (iii) each date; and (iv) each place where transactions have been conducted	
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b)	Nature of the transaction	Acquisition of shares through the Prudential Group Share Incentive Plan
c)	Price(s) and volume(s)	Price(s) Volume(s) GBP 17.79 10
d)	Aggregated information - Aggregated volume - Price	 10 GBP 17.79
e)	Date of the transaction	2018-04-09
f)	Place of the transaction	London Stock Exchange

1	Details of the person discharging managerial responsibilities / person closely associated	
a)	Name	Julian Adams
2	Reason for the notification	
a)	Position/status	Group Regulatory and Government Relations Director (PDMR)
b)	Initial notification /Amendment	Initial notification
3	Details of the issuer, emission allowance market participant, auction platform, auctioneer or auction monitor	
a)	Name	Prudential plc
b)	LEI	5493001Z3ZE83NGK8Y12

4	Details of the transaction(s): section to be repeated for (i) each type of instrument; (ii) each type of transaction; (iii) each date; and (iv) each place where transactions have been conducted	
a)	Description of the financial instrument, type of instrument Identification code	Ordinary shares of 5 pence each GB0007099541
b)	Nature of the transaction	Acquisition of shares through the Prudential Group Share Incentive Plan
c)	Price(s) and volume(s)	Price(s) Volume(s) GBP 17.79 11
d)	Aggregated information - Aggregated volume - Price	 11 GBP 17.79
e)	Date of the transaction	2018-04-09
f)	Place of the transaction	London Stock Exchange

1	Details of the person discharging managerial responsibilities / person closely associated	
a)	Name	Jonathan Oliver
2	Reason for the notification	
a)	Position/status	Group Communications Director (PDMR)
b)	Initial notification /Amendment	Initial notification
3	Details of the issuer, emission allowance market participant, auction platform, auctioneer or auction monitor	
a)	Name	Prudential plc
b)	LEI	5493001Z3ZE83NGK8Y12
4	Details of the transaction(s): section to be repeated for (i) each type of instrument; (ii) each type of transaction; (iii) each date; and (iv) each place where transactions have been conducted	

a)	Description of the financial instrument, type of instrument Identification code	Ordinary shares of 5 pence each GB0007099541
b)	Nature of the transaction	Acquisition of shares through the Prudential Group Share Incentive Plan
c)	Price(s) and volume(s)	Price(s) Volume(s) GBP 17.79 8
d)	Aggregated information - Aggregated volume - Price	 8 GBP 17.79
e)	Date of the transaction	2018-04-09
f)	Place of the transaction	London Stock Exchange

1	Details of the person discharging managerial responsibilities / person closely associated	
a)	Name	Alan Porter
2	Reason for the notification	
a)	Position/status	Group General Counsel and Company Secretary (PDMR)
b)	Initial notification /Amendment	Initial notification
3	Details of the issuer, emission allowance market participant, auction platform, auctioneer or auction monitor	
a)	Name	Prudential plc
b)	LEI	5493001Z3ZE83NGK8Y12
4	Details of the transaction(s): section to be repeated for (i) each type of instrument; (ii) each type of transaction; (iii) each date; and (iv) each place where transactions have been conducted	
a)	Description of the financial instrument, type of instrument Identification code	Ordinary shares of 5 pence each

		GB0007099541
b)	Nature of the transaction	Acquisition of shares through the Prudential Group Share Incentive Plan
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d)	Aggregated information - Aggregated volume - Price	 11 GBP 17.79
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Additional information

Prudential plc is not affiliated in any manner with Prudential Financial Inc., a company whose principal place of business is in the United States of America.

Contact

Jennie Webb, Share Plans Manager, +44 (0)20 7548 2027

Sylvia Edwards, Deputy Group Secretary, +44 (0)20 7548 3826

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: 10 April 2018

PRUDENTIAL PUBLIC LIMITED COMPANY

By: /s/ Sylvia Edwards

Sylvia Edwards
Deputy Group Secretary

ecoration:none;">160 separate issuers with an average credit rating of BBB.

Securities Lending

We lend fixed-maturity securities to financial institutions in short-term security-lending transactions. These short-term security-lending arrangements increase investment income with minimal risk. Our security lending policy requires that the fair value of the securities and/or unrestricted cash received as collateral be 102% or more of the fair value of the loaned securities. The following table presents our security loans outstanding and the corresponding collateral held:

(In millions)	June 30, 2013	December 31, 2012
Security loans outstanding, fair value	$1,470	$6,122
Cash collateral on loaned securities	1,506	6,277

The balance of our security loans outstanding was significantly lower at June 30, 2013, compared with that at December 31, 2012, due to the conclusion of a six-month securities lending program that began in the third quarter of 2012. For this particular securities lending program, we invested the cash collateral in JGBs with maturities that corresponded with the conclusion of the program.

4. DERIVATIVE INSTRUMENTS

Our freestanding derivative financial instruments consist of: (1) interest rate, foreign currency and credit default swaps that are associated with investments in special-purpose entities, including VIEs where we are the primary beneficiary; (2) foreign currency forward contracts used in hedging foreign exchange risk on U.S. dollar-denominated securities in Aflac Japan's portfolio; (3) swaps associated with our notes payable, consisting of an interest rate swap for our variable interest rate yen-denominated debt and cross-currency interest rate swaps, also referred to as foreign currency swaps, associated with certain senior notes and our subordinated debentures; and (4) foreign currency forwards and options used to hedge certain portions of forecasted cash flows denominated in yen. We do not use derivative financial instruments for trading purposes, nor do we engage in leveraged derivative transactions. Some of our derivatives are designated as cash flow hedges, fair value hedges or net investment hedges; however, other derivatives do not qualify for hedge accounting. We utilize a net investment hedge to mitigate foreign exchange exposure resulting from our net investment in Aflac Japan. In addition to designating derivatives as hedging instruments, we have designated the majority of our yen-denominated Samurai and Uridashi notes and yen-denominated loans as nonderivative hedging instruments for this net investment hedge.

Derivative Types

Interest rate swaps involve the periodic exchange of cash flows with other parties, at specified intervals, calculated using agreed upon rates or other financial variables and notional principal amounts. Generally, no cash or principal payments are exchanged at the inception of the contract. Typically, at the time a swap is entered into, the cash flow streams exchanged by the counterparties are equal in value. Interest rate swaps are primarily used to convert interest receipts on floating-rate fixed-maturity securities contracts to fixed rates. These derivatives are predominantly used to better match cash receipts from assets with cash disbursements required to fund liabilities.

Credit default swaps are used to assume credit risk related to an individual security or an index. These contracts entitle the consolidated VIE to receive a periodic fee in exchange for an obligation to compensate the derivative counterparty should the referenced security issuers experience a credit event, as defined in the contract. The consolidated VIE is also exposed to credit risk due to embedded derivatives associated with credit-linked notes.

Foreign currency swaps exchange an initial principal amount in two currencies, agreeing to re-exchange the currencies at a future date, at an agreed upon exchange rate. There may also be periodic exchanges of payments at specified intervals based on the agreed upon rates and notional amounts. Foreign currency swaps are used primarily in the consolidated VIEs in our Aflac Japan portfolio to convert foreign-denominated cash flows to yen, the functional currency of Aflac Japan, in order to minimize cash flow fluctuations. We also use foreign currency swaps to economically convert certain of our dollar-denominated senior note and subordinated debenture principal and interest obligations into yen-denominated obligations.

Foreign currency forwards with short-term maturities are executed for the Aflac Japan segment in order to economically convert certain fixed-maturity dollar-denominated securities into yen. In these transactions, Aflac Japan agrees with another party to buy a fixed amount of yen and sell a corresponding amount of U.S. dollars at a specified future date. The foreign currency forwards are used in fair value hedging relationships to mitigate the foreign exchange risk associated with dollar-denominated investments supporting yen-denominated liabilities. Aflac also utilizes foreign currency forwards to hedge the currency risk associated with the net investment in Aflac Japan. In these transactions, Aflac agrees with another party to buy a fixed amount of U.S. dollars and sell a corresponding amount of yen at a specified future date.

Foreign currency options are executed in order to hedge certain portions of forecasted cash flows that are denominated in yen, i.e. primarily profit repatriation from Aflac Japan. We use a combination of options to protect expected future cash flows by simultaneously purchasing a call option (an option that limits exposure to increasing foreign exchange

rates) and selling a put option (an option that limits exposure to decreasing foreign exchange rates). The combination of these two actions results in no net premium paid (i.e. a costless or zero-cost collar). Aflac also enters into foreign currency options that give it the right, but not the obligation, to sell yen and buy U.S. dollars at a specified future date at a contracted price.

Credit Risk Assumed through Derivatives

For the interest rate, foreign currency, and credit default swaps associated with our VIE investments for which we are the primary beneficiary, we bear the risk of foreign exchange or interest rate loss due to counterparty default even though we are not a direct counterparty to those contracts. We are a direct counterparty to the interest rate and foreign currency

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swaps that we have on certain of our senior notes, subordinated debentures, and Samurai notes; foreign currency forwards; and foreign currency options, therefore we are exposed to credit risk in the event of nonperformance by the counterparties in those contracts. The risk of counterparty default for our VIE and senior note and subordinated debenture swaps is mitigated by collateral posting requirements the counterparty must meet. The counterparty risk associated with the foreign currency forwards and foreign currency options is the risk that at expiry of the contract, the counterparty is unable to deliver the agreed upon amount of yen or U.S. dollars at the agreed upon price or delivery date. As of June 30, 2013, there were 13 counterparties to our derivative agreements, with four comprising almost 72% of the aggregate notional amount. The counterparties to these derivatives are financial institutions with the following credit ratings.

	June 30, 2013			December 31, 2012		
(In millions)	Notional Amount of Derivatives	Asset Derivatives Fair Value	Liability Derivatives Fair Value	Notional Amount of Derivatives	Asset Derivatives Fair Value	Liability Derivatives Fair Value
Counterparties' credit rating:						
AA	$1,480	$24	$(24)	$161	$6	$(7)
A	18,933	596	(423)	13,209	339	(927)
Total	$20,413	$620	$(447)	$13,370	$345	$(934)

Certain of our derivative agreements with some of our counterparties contain credit-related triggers. If a counterparty's credit rating fell below a certain level, we could request termination of the derivative at the then fair market value of the derivative or demand immediate full collateralization for derivative instruments in net asset positions. Similarly, if our credit rating were to fall below a certain level, the counterparties to the derivative instruments could request termination of the derivative at the then fair market value of the derivative or demand immediate full collateralization for derivative instruments in net liability positions.

The aggregate fair value of all derivative instruments with credit-risk-related contingent features that were in a net liability position by counterparty were $18 million and $8 million for the Parent Company and Aflac, respectively, as of June 30, 2013. In the normal course of business, the Parent Company and Aflac have posted collateral related to these instruments of $10 million and $14 million, respectively, as of June 30, 2013. If the credit-risk-related contingent features underlying these agreements had been triggered on June 30, 2013, we estimate that the Parent Company would be required to post a maximum of $8 million of additional collateral and Aflac would not be required to post any additional collateral to these derivatives counterparties.

Certain of our consolidated VIEs have credit default swap contracts that require them to assume credit risk from an asset pool. Those consolidated VIEs will receive periodic payments based on an agreed upon rate and notional amount and will only make a payment by delivery of associated collateral, which consists of highly rated asset-backed securities, if there is a credit event. A credit event payment will typically be equal to the notional value of the swap contract less the value of the referenced obligations. A credit event is generally defined as a default on contractually obligated interest or principal payments or bankruptcy of the referenced entity. The diversified portfolios of corporate issuers are established within sector concentration limits.

The following tables present the maximum potential risk, fair value, weighted-average years to maturity, and underlying referenced credit obligation type for credit default swaps within consolidated VIE structures.

June 30, 2013

		Less than one year		One to three years		Three to five years		Five to ten years		Total	
(In millions)	Credit Rating	Maximum potential risk	Estimated fair value	Maximum potential risk	Estimated fair value	Maximum potential risk	Estimated fair value	Maximum potential risk	Estimated fair value	Maximum potential risk	Estimated fair value

Index exposure:											
Corporate bonds:											
	A	$0	$ 0	$(119)	$ 2	$0	$ 0	$0	$ 0	$(119)	$ 2
	BB or lower	0	0	0	0	(107)	(32)	(101)	(14)	(208)	(46)
Total		$0	$ 0	$(119)	$ 2	$(107)	$ (32)	$(101)	$ (14)	$(327)	$ (44)

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December 31, 2012

(In millions)	Credit Rating	Less than one year Maximum potential risk	Estimated fair value	One to three years Maximum potential risk	Estimated fair value	Three to five years Maximum potential risk	Estimated fair value	Five to ten years Maximum potential risk	Estimated fair value	Total Maximum potential risk	Estimated fair value
Index exposure:											
Corporate bonds:											
	A	$0	$ 0	$(133)	$ 2	$0	$ 0	$0	$ 0	$(133)	$ 2
	BB or lower	0	0	0	0	(106)	(47)	(116)	(20)	(222)	(67)
Total		$0	$ 0	$(133)	$ 2	$(106)	$ (47)	$(116)	$ (20)	$(355)	$ (65)

Accounting for Derivative Financial Instruments

Freestanding derivatives are carried in our consolidated balance sheets either as assets within other assets or as liabilities within other liabilities at estimated fair value. See Note 5 for a discussion on how we determine the fair value of our derivatives. Accruals on derivatives are recorded in accrued investment income or within other liabilities in the consolidated balance sheets.

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 within derivative and other gains(losses), which is a component of realized investment gains (losses). The fluctuations in estimated fair value of derivatives that have not been designated for hedge accounting can result in volatility in net earnings.

Hedge Documentation and Effectiveness Testing

To qualify for hedge accounting treatment, a derivative must be highly effective in mitigating the designated risk of the hedged item. At the inception of the hedging relationship, we formally document all relationships between hedging instruments and hedged items, as well as our risk-management objective and strategy for undertaking each hedge transaction. We document the designation of each hedge as either (i) a hedge of the variability of cash flows to be received or paid related to a recognized asset or liability or the hedge of a forecasted transaction ("cash flow hedge"); (ii) a hedge of the estimated fair value of a recognized asset or liability ("fair value hedge"); or (iii) a hedge of a net investment in a foreign operation. The documentation process includes linking derivatives and nonderivatives that are designated as hedges to specific assets or groups of assets or liabilities on the statement of financial position or to specific forecasted transactions and defining the effectiveness and ineffectiveness testing methods to be used. At the hedge's inception and on an ongoing quarterly basis, we also formally assess whether the derivatives that are used in hedging transactions have been, and are expected to continue to be, highly effective in offsetting their designated risk. Hedge effectiveness is assessed using qualitative and quantitative methods.

For assessing hedge effectiveness of cash flow hedges, qualitative methods may include the comparison of critical terms of the derivative to the hedged item, and quantitative methods include regression or other statistical analysis of changes in cash flows associated with the hedge relationship. Hedge ineffectiveness of the hedge relationships is measured each reporting period using the “Hypothetical Derivative Method.” For derivative instruments that are designated and qualify as cash flow hedges, the effective portion of the gain or loss on the derivative is reported as a component of other comprehensive income (loss) and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings. Gains and losses on the derivative representing hedge ineffectiveness are recognized in current earnings within derivative and other gains (losses). All components of each derivative's gain or loss are included in the assessment of hedge effectiveness.

For assessing hedge effectiveness of fair value hedges, qualitative methods may include the comparison of critical terms of the derivative to the hedged item, and quantitative methods include regression or other statistical analysis of changes in cash flows associated with the hedge relationship. Hedge ineffectiveness of the hedge relationships is measured each reporting period using the dollar offset method. For derivative instruments that are designated and qualify as fair value hedges, changes in the estimated fair value of the 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 in current earnings within derivative and other gains (losses).

For the hedge of our net investment in Aflac Japan, we have designated Parent Company yen-denominated liabilities as non-derivative hedging instruments and, beginning in the second quarter of 2013, have designated foreign currency forwards, options, and swaps as derivative hedging instruments. For assessing hedge effectiveness of net investment

hedges, if the total of the designated Parent Company non-derivative and derivatives notional is equal to or less than our net investment in Aflac Japan, the hedge is deemed to be effective. If the hedge is effective, the related exchange effect on the yen-denominated liabilities is reported in the unrealized foreign currency component of other comprehensive income. For derivatives designated as net investment hedges, Aflac follows the forward-rate method. According to that method, all changes in fair value, including changes related to the forward-rate component of foreign currency swap and forward contracts and the time value of foreign currency options, are reported in the unrealized foreign currency component of other comprehensive income.

Discontinuance of Hedge Accounting

We discontinue hedge accounting prospectively when (1) it is determined that the derivative is no longer highly effective in offsetting changes in the estimated cash flows or fair value of a hedged item; (2) the derivative is de-designated as a hedging instrument; or (3) the derivative expires or is sold, terminated or exercised.

When hedge accounting is discontinued on a cash flow hedge or fair value hedge, the derivative is carried in the consolidated balance sheets at its estimated fair value, with changes in estimated fair value recognized in current period earnings. For discontinued cash flow hedges, including those where the derivative is sold, terminated or exercised, amounts previously deferred in other comprehensive income (loss) are reclassified into earnings when earnings are impacted by the cash flow of the hedged item.

Derivative Balance Sheet Classification

The tables below summarize the balance sheet classification of our derivative fair value amounts, as well as the gross asset and liability fair value amounts. The fair value amounts presented do not include income accruals. The notional amount of derivative contracts represents the basis upon which pay or receive amounts are calculated. Notional amounts are not reflective of credit risk.

	June 30, 2013			
(In millions)	Net Derivatives		Asset Derivatives	Liability Derivatives
Hedge Designation/ Derivative Type	Notional Amount	Fair Value	Fair Value	Fair Value
Cash flow hedges:				
Interest rate swaps	$56	$0	$0	$0
Foreign currency swaps	75	6	6	0
Total cash flow hedges	131	6	6	0
Fair value hedges:				
Foreign currency forwards	11,517	88	175	(87)
Total fair value hedges	11,517	88	175	(87)
Net investment hedge:				
Foreign currency swaps	1,950	223	270	(47)
Foreign currency forwards	634	(4)	3	(7)
Foreign currency options	913	15	22	(7)
Total net investment hedge	3,497	234	295	(61)
Non-qualifying strategies:				
Interest rate swaps	327	21	22	(1)
Foreign currency swaps	4,006	(132)	105	(237)
Foreign currency options	608	0	15	(15)
Credit default swaps	327	(44)	2	(46)
Total non-qualifying strategies	5,268	(155)	144	(299)
Total derivatives	$20,413	$173	$620	$(447)
Balance Sheet Location				
Other assets	$11,928	$620	$620	$0
Other liabilities	8,485	(447)	0	(447)
Total derivatives	$20,413	$173	$620	$(447)

	December 31, 2012			
(In millions)	Net Derivatives		Asset Derivatives	Liability Derivatives
Hedge Designation/ Derivative Type	Notional Amount	Fair Value	Fair Value	Fair Value
Cash flow hedges:				
Interest rate swaps	$64	$0	$0	$0
Foreign currency swaps	75	14	14	0
Total cash flow hedges	139	14	14	0
Fair value hedges:				
Foreign currency forwards	6,944	(535)	0	(535)
Total fair value hedges	6,944	(535)	0	(535)
Non-qualifying strategies:				
Interest rate swaps	355	29	32	(3)
Foreign currency swaps	5,577	(32)	297	(329)
Credit default swaps	355	(65)	2	(67)
Total non-qualifying strategies	6,287	(68)	331	(399)
Total derivatives	$13,370	$(589)	$345	$(934)
Balance Sheet Location				
Other assets	$2,585	$345	$345	$0
Other liabilities	10,785	(934)	0	(934)
Total derivatives	$13,370	$(589)	$345	$(934)

Cash Flow Hedges
Certain of our consolidated VIEs have foreign currency swaps that qualify for hedge accounting treatment. For those that have qualified, we have designated the derivative as a hedge of the variability in cash flows of a forecasted transaction or of amounts to be received or paid related to a recognized asset (“cash flow” hedge). We expect to continue this hedging activity for a weighted-average period of approximately 13 years. The remaining derivatives in our consolidated VIEs that have not qualified for hedge accounting have been designated as held for other investment purposes (“non-qualifying strategies”).

We have an interest rate swap agreement related to 5.5 billion yen variable interest rate Samurai notes that we issued in July 2011 (see Note 6). By entering into this contract, we swapped the variable interest rate to a fixed interest rate of 1.475%. We have designated this interest rate swap as a hedge of the variability in our interest cash flows associated with the variable interest rate Samurai notes. The notional amount and terms of the swap match the principal amount and terms of the variable interest rate Samurai notes, and the swap had no value at inception. Changes in the fair value of the swap contract are recorded in other comprehensive income (loss) as the hedge is deemed effective. Should any portion of the hedge be deemed ineffective, that ineffective portion would be reported in net earnings.

Fair Value Hedges
We designate and account for foreign currency forwards as fair value hedges when they meet the requirements for hedge accounting. These foreign currency forwards hedge the foreign currency exposure of certain dollar-denominated fixed maturity securities within the investment portfolio of our Aflac Japan segment. We recognize gains and losses on these derivatives and the related hedged items in current earnings within derivative and other gains (losses). The change in the fair value of the foreign currency forwards related to the changes in the difference between the spot rate and the forward price is excluded from the assessment of hedge effectiveness.

The following table presents the gains and losses on derivatives and the related hedged items in fair value hedges.
Fair Value Hedging Relationships

(In millions)		Hedging Derivatives			Hedged Items	
Hedging Derivatives	Hedged Items	Total Gains (Losses)	Gains (Losses) Excluded from Effectiveness Testing	Gains (Losses) Included in Effectiveness Testing	Foreign Currency Gains (Losses)	Ineffectiveness Recognized for Fair Value Hedge
Three Months Ended June 30, 2013:[1]						
Foreign currency forwards	Fixed-maturity securities	$(384)	$(6)	$(378)	$371	$(7)
Six Months Ended June 30, 2013:[1]						
Foreign currency forwards:	Fixed-maturity securities	$(993)	$(11)	$(982)	$974	$(8)

[1] Fair value hedging program began in September 2012

Net Investment Hedge

Our primary exposure to be hedged is our net investment in Aflac Japan, which is affected by changes in the yen/dollar exchange rate. To mitigate this exposure, we have taken the following courses of action. First, Aflac Japan maintains an investment portfolio of dollar-denominated securities on behalf of Aflac U.S., which serves as an economic currency hedge of a portion of our investment in Aflac Japan. The functional currency for these investments is the U.S. dollar. The related investment income and realized/unrealized investment gains and losses are also denominated in U.S. dollars. The foreign exchange gains and losses related to this portfolio are taxable in Japan and the U.S. when the securities mature or are sold. Until maturity or sale, deferred tax expense or benefit associated with the foreign exchange gains or losses are recognized in other comprehensive income.

Secondly, we have designated a majority of the Parent Company's yen-denominated liabilities (Samurai and Uridashi notes and yen-denominated loans - see Note 6) as nonderivative hedges and designated foreign currency swaps, forwards, and options, as described below, as derivative hedges of the foreign currency exposure of our investment in Aflac Japan.
The designated foreign currency swaps consist of cross-currency interest rate swap agreements related to our $700 million senior notes due June 2023, $400 million senior notes due February 2017, $350 million senior notes due February 2022, and $500 million subordinated debentures due September 2052. For additional information regarding these swaps, see the accompanying Note 6 and also Note 8 of the Notes to the Consolidated Financial Statements in our annual report to shareholders for the year ended December 31, 2012.

The designated foreign currency forwards and options are derivatives that are hedging foreign exchange risk for certain expected profit repatriation in yen from Aflac Japan. We have entered into foreign exchange forwards and options as part of a hedging strategy on 65 billion yen of the 2013 repatriation received in July 2013 and 47.5 billion yen of the profit repatriation expected to be received in July 2014.

Our net investment hedge was effective during the three- and six-month periods ended June 30, 2013 and 2012, respectively.
Non-qualifying Strategies
For our derivative instruments in consolidated VIEs that do not qualify for hedge accounting treatment, all changes in their fair value are reported in current period earnings within derivative and other gains (losses). The amount of gain or loss recognized in earnings for our VIEs is attributable to the derivatives in those investment structures. While the change in value of the swaps is recorded through current period earnings, the change in value of the available-for-sale fixed income or perpetual securities associated with these swaps is recorded through other comprehensive income.

See the "Net Investment Hedge" section above for a discussion of foreign currency swaps and options that were non-qualifying strategies in prior periods but were designated as part of our net investment hedge in the second quarter of 2013.

Impact of Derivatives and Hedging Instruments

The following table summarizes the impact to realized investment gains (losses) and other comprehensive income (loss) from all derivatives and hedging instruments.

	Three Months Ended June 30,				Six Months Ended June 30,			
	2013		2012		2013		2012	
(In millions)	Realized Investment Gains (Losses)	Other Comprehensive Income (Loss)[1]	Realized Investment Gains (Losses)	Other Comprehensive Income (Loss)[1]	Realized Investment Gains (Losses)	Other Comprehensive Income (Loss)[1]	Realized Investment Gains (Losses)	Other Comprehensive Income (Loss)[1]
Qualifying hedges:								
Cash flow hedges:								
Foreign currency swaps	$(1)	$0	$0	$4	$(2)	$(7)	$0	$(8)
Total cash flow hedges	(1)	0	0	4	(2)	(7)	0	(8)
Fair value hedges:								
Foreign currency forwards[2]	(13)	0	0	0	(19)	0	0	0
Total fair value hedges	(13)	0	0	0	(19)	0	0	0
Net investment hedge:								
Non-derivative hedging instruments	0	37	0	(32)	0	106	0	17
Foreign currency swaps	0	(82)	0	0	0	(82)	0	0
Foreign currency forwards	0	(4)	0	0	0	(4)	0	0
Foreign currency options	0	3	0	0	0	3	0	0
Total net investment hedge	0	(46)	0	(32)	0	23	0	17
Non-qualifying strategies:								
	(4)	0	(1)	0	(8)	0	(4)	0

Interest rate swaps								
Foreign currency swaps	111	0	(57)	0	195	0	(7)	0
Foreign currency options	9	0	0	0	11	0	0	0
Credit default swaps	9	0	(9)	0	21	0	24	0
Total non-qualifying strategies	125	0	(67)	0	219	0	13	0
Total	$111	$(46)	$(67)	$(28)	$198	$16	$13	$9

(1) Cash flow hedge items are recorded as unrealized gains (losses) on derivatives and net investment hedge items are recorded in the unrealized
foreign currency translation gains (losses) line in the consolidated statement of comprehensive income (loss).
(2) Impact shown net of effect of hedged items (see Fair Value Hedges section of this Note 4 for further detail)

There was no gain or loss reclassified from accumulated other comprehensive income (loss) into earnings related to our designated cash flow hedges and net investment hedge for the three- and six-month periods ended June 30, 2013

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and 2012. As of June 30, 2013, deferred gains and losses on derivative instruments recorded in accumulated other comprehensive income that are expected to be reclassified to earnings during the next twelve months are immaterial.

Offsetting of Financial Instruments and Derivatives

Certain of the Company's derivative instruments are subject to enforceable master netting arrangements that provide for the net settlement of all derivative contracts between the Company and a counterparty in the event of default or upon the occurrence of certain termination events. Collateral support agreements with certain of the master netting arrangements provide that the Company will receive or pledge financial collateral in the event either minimum thresholds, or in certain cases ratings levels, have been reached.

We have securities lending agreements with unaffiliated financial institutions that post collateral to us in return for the use of our fixed maturity securities (see Note 3). When we have entered into securities lending agreements with the same counterparty, the agreements generally provide for net settlement in the event of default by the counterparty. This right of set-off would allow us to keep and apply collateral received if the counterparty failed to return the securities borrowed from us as contractually agreed. For additional information on the Company's accounting policy for securities lending, see Note 1 of the Notes to the Consolidated Financial Statements in our annual report to shareholders for the year ended December 31, 2012.

The tables below summarize our derivatives and securities lending transactions, and as reflected in the tables, in accordance with GAAP, our policy is to not offset these financial instruments in the Consolidated Balance Sheets.

Offsetting of Financial Assets and Derivative Assets
June 30, 2013

				Gross Amounts Not Offset in Balance Sheet		
(in millions)	Gross Amount of Recognized Assets	Gross Amount Offset in Balance Sheet	Net Amount of Assets Presented in Balance Sheet	Carrying Value of Financial Instruments	Cash Collateral Received	Net Amount
Derivative assets:						
Interest rate swaps	$22	$0	$22	$0	$0	$22
Foreign currency swaps	381	0	381	0	0	381
Foreign currency forwards	178	0	178	0	0	178
Foreign currency options	37	0	37	0	0	37
Credit default swaps	2	0	2	0	0	2
Total derivative assets, subject to a master netting arrangement or offsetting arrangement	620	0	620	0	0	620
Securities lending and similar arrangements	1,470	0	1,470	0	(1,470)	0
Total	$2,090	$0	$2,090	$0	$(1,470)	$620

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December 31, 2012

(In millions)	Gross Amount of Recognized Assets	Gross Amount Offset in Balance Sheet	Net Amount of Assets Presented in Balance Sheet	Gross Amounts Not Offset in Balance Sheet		Net Amount
				Carrying Value of Financial Instruments	Cash Collateral Received	
Derivative assets:						
Interest rate swaps	$32	$0	$32	$0	$0	$32
Foreign currency swaps	311	0	311	0	0	311
Credit default swaps	2	0	2	0	0	2
Total derivative assets, subject to a master netting arrangement or offsetting arrangement	345	0	345	0	0	345
Securities lending and similar arrangements	6,122	0	6,122	0	(6,122)	0
Total	$6,467	$0	$6,467	$0	$(6,122)	$345

Offsetting of Financial Liabilities and Derivative Liabilities
June 30, 2013

(In millions)	Gross Amount of Recognized Liabilities	Gross Amount Offset in Balance Sheet	Net Amount of Liabilities Presented in Balance Sheet	Gross Amounts Not Offset in Balance Sheet		Net Amount
				Carrying Value of Financial Instruments	Cash Collateral Pledged	
Derivative liabilities:						
Interest rate swaps	$(1)	$0	$(1)	$0	$0	$(1)
Foreign currency swaps	(284)	0	(284)	0	10	(274)
Foreign currency forwards	(94)	0	(94)	0	14	(80)
Foreign currency options	(22)	0	(22)	0	0	(22)
Credit default swaps	(46)	0	(46)	0	0	(46)
Total derivative liabilities, subject to a master netting arrangement or offsetting arrangement	(447)	0	(447)	0	24	(423)
Securities lending and similar arrangements	(1,506)	0	(1,506)	1,470	0	(36)
Total	$(1,953)	$0	$(1,953)	$1,470	$24	$(459)

December 31, 2012

(In millions)	Gross Amount of Recognized Liabilities	Gross Amount Offset in Balance Sheet	Net Amount of Liabilities Presented in Balance Sheet	Gross Amounts Not Offset in Balance Sheet		Net Amount
				Carrying Value of Financial Instruments	Cash Collateral Pledged	
Derivative liabilities:						
Interest rate swaps	$(3)	$0	$(3)	$0	$0	$(3)
Foreign currency swaps	(329)	0	(329)	0	0	(329)
Foreign currency forwards	(535)	0	(535)	0	0	(535)
Credit default swaps	(67)	0	(67)	0	0	(67)
Total derivative liabilities, subject to a master netting arrangement or offsetting arrangement	(934)	0	(934)	0	0	(934)
Securities lending and similar arrangements	(6,277)	0	(6,277)	6,122	0	(155)
Total	$(7,211)	$0	$(7,211)	$6,122	$0	$(1,089)

For additional information on our financial instruments, see the accompanying Notes 1, 3 and 5 and Notes 1, 3 and 5 of the Notes to the Consolidated Financial Statements in our annual report to shareholders for the year ended December 31, 2012.

5. FAIR VALUE MEASUREMENTS

Fair Value Hierarchy

GAAP specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. These two types of inputs create three valuation hierarchy levels. Level 1 valuations reflect quoted market prices for identical assets or liabilities in active markets. Level 2 valuations reflect quoted market prices for similar assets or liabilities in an active market, quoted market prices for identical or similar assets or liabilities in non-active markets or model-derived valuations in which all significant valuation inputs are observable in active markets. Level 3 valuations reflect valuations in which one or more of the significant inputs are not observable in an active market.

The following tables present the fair value hierarchy levels of the Company's assets and liabilities that are measured and carried at fair value on a recurring basis.

(In millions)	June 30, 2013 Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
Assets:				
Securities available for sale, carried at fair value:				
Fixed maturities:				
Government and agencies	$11,755	$647	$0	$12,402
Municipalities	0	1,091	0	1,091
Mortgage- and asset-backed securities	0	496	399	895
Public utilities	0	7,866	0	7,866
Sovereign and supranational	0	1,661	0	1,661
Banks/financial institutions	0	6,669	25	6,694
Other corporate	0	25,201	0	25,201
Total fixed maturities	11,755	43,631	424	55,810
Perpetual securities:				
Banks/financial institutions	0	2,582	49	2,631
Other corporate	0	203	0	203
Total perpetual securities	0	2,785	49	2,834
Equity securities	14	5	3	22
Other assets:				
Interest rate swaps	0	0	22	22
Foreign currency swaps	0	270	111	381
Foreign currency forwards	0	178	0	178
Foreign currency options	0	37	0	37
Credit default swaps	0	0	2	2
Total other assets	0	485	135	620
Cash and cash equivalents	2,388	0	0	2,388
Total assets	$14,157	$46,906	$611	$61,674
Liabilities:				
Interest rate swaps	$0	$0	$1	$1
Foreign currency swaps	0	47	237	284
Foreign currency forwards	0	94	0	94
Foreign currency options	0	22	0	22
Credit default swaps	0	0	46	46
Total liabilities	$0	$163	$284	$447

(In millions)	December 31, 2012 Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
Assets:				
Securities available for sale, carried at fair value:				
Fixed maturities:				
Government and agencies	$12,265	$732	$0	$12,997
Municipalities	0	1,195	0	1,195
Mortgage- and asset-backed securities	0	693	338	1,031
Public utilities	0	8,077	420	8,497
Sovereign and supranational	0	1,654	418	2,072
Banks/financial institutions	0	6,610	1,024	7,634
Other corporate	0	22,841	986	23,827
Total fixed maturities	12,265	41,802	3,186	57,253
Perpetual securities:				
Banks/financial institutions	0	3,735	215	3,950
Other corporate	0	352	0	352
Total perpetual securities	0	4,087	215	4,302
Equity securities	13	6	4	23
Other assets:				
Interest rate swaps	0	0	32	32
Foreign currency swaps	0	154	157	311
Credit default swaps	0	0	2	2
Total other assets	0	154	191	345
Cash and cash equivalents	2,041	0	0	2,041
Total assets	$14,319	$46,049	$3,596	$63,964
Liabilities:				
Interest rate swaps	$0	$0	$3	$3
Foreign currency swaps	0	0	329	329
Foreign currency forwards	0	535	0	535
Credit default swaps	0	0	67	67
Total liabilities	$0	$535	$399	$934

The following tables present the carrying amount and fair value categorized by fair value hierarchy level for the Company's financial instruments that are not carried at fair value.

	June 30, 2013				
(In millions)	Carrying Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
Assets:					
Securities held to maturity, carried at amortized cost:					
Fixed maturities:					
Government and agencies	$23,946	$24,682	$0	$0	$24,682
Municipalities	429	0	467	0	467
Mortgage and asset-backed securities	67	0	24	46	70
Public utilities	4,323	0	4,192	0	4,192
Sovereign and supranational	2,817	0	2,844	0	2,844
Banks/financial institutions	7,222	0	6,632	0	6,632
Other corporate	3,914	0	3,874	0	3,874
Total assets	$42,718	$24,682	$18,033	$46	$42,761
Liabilities:					
Other policyholders' funds	$5,018	$0	$0	$4,873	$4,873
Notes payable (excluding capital leases)	4,939	0	0	5,369	5,369
Obligation to Japanese policyholder protection corporation	2	0	0	2	2
Total liabilities	$9,959	$0	$0	$10,244	$10,244

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(In millions)	December 31, 2012 Carrying Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
Assets:					
Securities held to maturity, carried at amortized cost:					
Fixed maturities:					
Government and agencies	$32,043	$32,332	$0	$0	$32,332
Municipalities	492	0	520	0	520
Mortgage and asset-backed securities	90	0	30	64	94
Public utilities	4,924	0	5,051	0	5,051
Sovereign and supranational	3,209	0	3,317	0	3,317
Banks/financial institutions	9,211	0	8,991	0	8,991
Other corporate	4,457	0	4,536	0	4,536
Total assets	$54,426	$32,332	$22,445	$64	$54,841
Liabilities:					
Other policyholders' funds	$5,319	$0	$0	$5,151	$5,151
Notes payable (excluding capital leases)	4,343	0	0	4,992	4,992
Obligation to Japanese policyholder protection corporation	23	0	0	23	23
Total liabilities	$9,685	$0	$0	$10,166	$10,166

Fair Value of Financial Instruments

U.S. GAAP requires disclosure of the fair value of certain financial instruments including those that are not carried at fair value. The carrying amounts for cash and cash equivalents, receivables, accrued investment income, accounts payable, cash collateral and payables for security transactions approximated their fair values due to the short-term nature of these instruments. Liabilities for future policy benefits and unpaid policy claims are not financial instruments as defined by GAAP.

Fixed maturities, perpetual securities, and equity securities

We determine the fair values of our fixed maturity securities, perpetual securities, and privately issued equity securities using the following approaches or techniques: price quotes and valuations from third party pricing vendors (including quoted market prices readily available from public exchange markets) and non-binding price quotes we obtain from outside brokers.

Prior to March 31, 2013, we had used a discounted cash flow (DCF) pricing model to value certain of our privately issued securities. Our DCF pricing model incorporated an option adjusted spread and utilized various market inputs we obtained from both active and inactive markets. The estimated fair values developed by the DCF pricing model were most sensitive to prevailing credit spreads, the level of interest rates (yields) and interest rate volatility. Credit spreads were derived from a widely used global bond index to create a credit matrix which took into account the current credit spread, ratings and remaining time to maturity, and subordination levels for securities that were included

in the bond index. The index provided a broad-based measure of the global fixed-income bond market. Beginning March 31, 2013, we engaged a third party pricing vendor to develop valuation models to determine fair values of these securities to reflect the impact of the persistent economic environment and the changing regulatory framework. These models are also DCF models, but also use information from related markets, specifically the CDS market to estimate expected cash flows. These models take into consideration any unique characteristics of the securities and make various adjustments to arrive at an appropriate issuer-specific loss adjusted credit curve. This credit curve is then used with the relevant recovery rates to estimate expected cash flows and modeling of additional features, including illiquidity adjustments, if necessary, to price

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the bond by discounting those loss adjusted cash flows. In cases where a credit curve cannot be developed from the specific security features, the valuation methodology takes into consideration other market observable inputs, including: 1) the most appropriate comparable bond(s) of the issuer; 2) issuer-specific CDS spreads; 3) bonds or CDS spreads of comparable issuers with similar characteristics such as rating, geography, or sector; or 4) bond indices that are comparative in rating, industry, maturity and region.

The pricing data and market quotes we obtain from outside sources, including third party pricing services, are reviewed internally for reasonableness. If a fair value appears unreasonable, we will re-examine the inputs and assess the reasonableness of the pricing data with the vendor. Additionally, we may compare the inputs to relevant market indices and other performance measurements. The output of this analysis is presented to the Company's Valuations and Classifications Subcommittee, or VCS. Based on the analysis provided to the VCS, the valuation is confirmed or may be revised if there is evidence of a more appropriate estimate of fair value based on available market data. With the implementation of the pricing change associated with private placements previously noted, we have performed verification of the inputs and calculations in the models to confirm that the valuations represent reasonable estimates of fair value.

The fixed maturities classified as Level 3 consist of securities for which there are limited or no observable valuation inputs. For Level 3 securities that are investment grade, we estimate the fair value of these securities by obtaining non-binding broker quotes from a limited number of brokers. These brokers base their quotes on a combination of their knowledge of the current pricing environment and market conditions. We consider these inputs to be unobservable. For Level 3 investments that are below-investment-grade securities, we consider a variety of significant valuation inputs in the valuation process, including forward exchange rates, yen swap rates, dollar swap rates, interest rate volatilities, credit spread data on specific issuers, assumed default and default recovery rates, and certain probability assumptions. In obtaining these valuation inputs, we have determined that certain pricing assumptions and data used by our pricing sources are difficult to validate or corroborate by the market and/or appear to be internally developed rather than observed in or corroborated by the market. The use of these unobservable valuation inputs causes more subjectivity in the valuation process for these securities.

Historically, we have not adjusted the quotes or prices we obtain from the pricing services and brokers we use.

The following tables present the pricing sources for the fair values of our fixed maturities, perpetual securities, and equity securities.

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(In millions)	June 30, 2013 Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
Securities available for sale, carried at fair value:				
Fixed maturities:				
Government and agencies:				
Third party pricing vendor	$11,755	$647	$0	$12,402
Total government and agencies	11,755	647	0	12,402
Municipalities:				
Third party pricing vendor	0	1,091	0	1,091
Total municipalities	0	1,091	0	1,091
Mortgage- and asset-backed securities:				
Third party pricing vendor	0	496	0	496
Broker/other	0	0	399	399
Total mortgage- and asset-backed securities	0	496	399	895
Public utilities:				
Third party pricing vendor	0	7,842	0	7,842
Broker/other	0	24	0	24
Total public utilities	0	7,866	0	7,866
Sovereign and supranational:				
Third party pricing vendor	0	1,363	0	1,363
Broker/other	0	298	0	298
Total sovereign and supranational	0	1,661	0	1,661
Banks/financial institutions:				
Third party pricing vendor	0	6,664	0	6,664
Broker/other	0	5	25	30
Total banks/financial institutions	0	6,669	25	6,694
Other corporate:				
Third party pricing vendor	0	25,199	0	25,199
Broker/other	0	2	0	2
Total other corporate	0	25,201	0	25,201
Total fixed maturities	11,755	43,631	424	55,810
Perpetual securities:				
Banks/financial institutions:				
Third party pricing vendor	0	2,582	49	2,631
Total banks/financial institutions	0	2,582	49	2,631
Other corporate:				
Third party pricing vendor	0	203	0	203
Total other corporate	0	203	0	203
Total perpetual securities	0	2,785	49	2,834
Equity securities:				
Third party pricing vendor	14	5	0	19
Broker/other	0	0	3	3

Total equity securities	14	5	3	22
Total securities available for sale	$11,769	$46,421	$476	$58,666

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(In millions)	June 30, 2013 Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
Securities held to maturity, carried at amortized cost:				
Fixed maturities:				
Government and agencies:				
Third party pricing vendor	$24,682	$0	$0	$24,682
Total government and agencies	24,682	0	0	24,682
Municipalities:				
Third party pricing vendor	0	467	0	467
Total municipalities	0	467	0	467
Mortgage- and asset-backed securities:				
Third party pricing vendor	0	24	0	24
Broker/other	0	0	46	46
Total mortgage- and asset-backed securities	0	24	46	70
Public utilities:				
Third party pricing vendor	0	4,192	0	4,192
Total public utilities	0	4,192	0	4,192
Sovereign and supranational:				
Third party pricing vendor	0	2,844	0	2,844
Total sovereign and supranational	0	2,844	0	2,844
Banks/financial institutions:				
Third party pricing vendor	0	6,632	0	6,632
Total banks/financial institutions	0	6,632	0	6,632
Other corporate:				
Third party pricing vendor	0	3,874	0	3,874
Total other corporate	0	3,874	0	3,874
Total securities held to maturity	$24,682	$18,033	$46	$42,761

(In millions)	December 31, 2012 Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
Securities available for sale, carried at fair value:				
Fixed maturities:				
Government and agencies:				
Third party pricing vendor	$12,265	$685	$0	$12,950
DCF pricing model	0	47	0	47
Total government and agencies	12,265	732	0	12,997
Municipalities:				
Third party pricing vendor	0	1,177	0	1,177
DCF pricing model	0	18	0	18
Total municipalities	0	1,195	0	1,195
Mortgage- and asset-backed securities:				
Third party pricing vendor	0	682	0	682
DCF pricing model	0	11	0	11
Broker/other	0	0	338	338
Total mortgage- and asset-backed securities	0	693	338	1,031
Public utilities:				
Third party pricing vendor	0	5,144	0	5,144
DCF pricing model	0	2,908	420	3,328
Broker/other	0	25	0	25
Total public utilities	0	8,077	420	8,497
Sovereign and supranational:				
Third party pricing vendor	0	540	0	540
DCF pricing model	0	619	418	1,037
Broker/other	0	495	0	495
Total sovereign and supranational	0	1,654	418	2,072
Banks/financial institutions:				
Third party pricing vendor	0	4,257	0	4,257
DCF pricing model	0	2,136	444	2,580
Broker/other	0	217	580	797
Total banks/financial institutions	0	6,610	1,024	7,634
Other corporate:				
Third party pricing vendor	0	18,093	0	18,093
DCF pricing model	0	4,747	575	5,322
Broker/other	0	1	411	412
Total other corporate	0	22,841	986	23,827
Total fixed maturities	12,265	41,802	3,186	57,253
Perpetual securities:				
Banks/financial institutions:				
Third party pricing vendor	0	283	0	283
DCF pricing model	0	3,452	215	3,667

Total banks/financial institutions	0	3,735	215	3,950

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(In millions)	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
Other corporate:				
DCF pricing model	0	352	0	352
Total other corporate	0	352	0	352
Total perpetual securities	0	4,087	215	4,302
Equity securities:				
Third party pricing vendor	13	0	0	13
DCF pricing model	0	6	0	6
Broker/other	0	0	4	4
Total equity securities	13	6	4	23
Total securities available for sale	$12,278	$45,895	$3,405	$61,578

	December 31, 2012			
(In millions)	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
Securities held to maturity, carried at amortized cost:				
Fixed maturities:				
Government and agencies:				
Third party pricing vendor	$32,332	$0	$0	$32,332
Total government and agencies	32,332	0	0	32,332
Municipalities:				
Third party pricing vendor	0	464	0	464
DCF pricing model	0	56	0	56
Total municipalities	0	520	0	520
Mortgage- and asset-backed securities:				
Third party pricing vendor	0	30	0	30
Broker/other	0	0	64	64
Total mortgage- and asset-backed securities	0	30	64	94
Public utilities:				
Third party pricing vendor	0	58	0	58
DCF pricing model	0	4,993	0	4,993
Total public utilities	0	5,051	0	5,051
Sovereign and supranational:				
Third party pricing vendor	0	370	0	370
DCF pricing model	0	2,947	0	2,947
Total sovereign and supranational	0	3,317	0	3,317
Banks/financial institutions:				
Third party pricing vendor	0	254	0	254
DCF pricing model	0	8,737	0	8,737

Total banks/financial institutions	0	8,991	0	8,991
Other corporate:				
Third party pricing vendor	0	122	0	122
DCF pricing model	0	4,414	0	4,414
Total other corporate	0	4,536	0	4,536
Total securities held to maturity	$32,332	$22,445	$64	$54,841

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The following is a discussion of the determination of fair value of our remaining financial instruments.

Derivatives

We use derivative instruments to manage the risk associated with certain assets. However, the derivative instrument may not be classified in the same fair value hierarchy level as the associated asset. Inputs used to value derivatives include, but are not limited to, interest rates, credit spreads, foreign currency forward and spot rates, and interest volatility.

The fair values of the foreign currency forwards associated with certain fixed-maturity securities, the foreign currency options, the foreign currency swaps associated with our senior notes and subordinated debentures, and the interest rate swap associated with our yen-denominated notes are based on the amounts we would expect to receive or pay. The determination of the fair value of these derivatives is based on observable market inputs, therefore they are classified as Level 2.

For derivatives associated with VIEs where we are the primary beneficiary, we are not the direct counterparty to the swap contracts. As a result, the fair value measurements incorporate the credit risk of the collateral associated with the VIE. We receive valuations from a third party pricing vendor for these derivatives. Based on an analysis of these derivatives and a review of the methodology employed by the pricing vendor, we determined that due to the long duration of these swaps and the need to extrapolate from short-term observable data to derive and measure long-term inputs, certain inputs, assumptions and judgments are required to value future cash flows that cannot be corroborated by current inputs or current observable market data. As a result, the derivatives associated with our consolidated VIEs are classified as Level 3 of the fair value hierarchy.

Other policyholders' funds

The largest component of the other policyholders' funds liability is our annuity line of business in Aflac Japan. Our annuities have fixed benefits and premiums, with short payouts that are almost all annuity-certain. For this product, we estimated the fair value to be equal to the cash value. This is analogous to the value paid to policyholders on the valuation date if they were to surrender their policy. We periodically check the cash value against discounted cash flow projections for reasonableness. We consider our inputs for this valuation to be unobservable and have accordingly classified this valuation as Level 3.

Notes payable

The fair values of our publicly issued notes payable classified as Level 3 were obtained from a limited number of independent brokers. These brokers base their quotes on a combination of their knowledge of the current pricing environment and market conditions. We consider these inputs to be unobservable. The fair values of our yen-denominated loans approximate their carrying values.

Obligation to Japanese policyholder protection corporation

The fair value of the obligation to the Japanese policyholder protection corporation classified as Level 3 is our estimated share of the industry's obligation calculated on a pro rata basis by projecting our percentage of the industry's premiums and reserves and applying that percentage to the total industry obligation payable in future years. We consider our inputs for this valuation to be unobservable.

Level 3 Rollforward and Transfers between Hierarchy Levels

The following tables present the changes in fair value of our available-for-sale investments and derivatives classified as Level 3.
Three Months Ended
June 30, 2013

	Fixed Maturities					Perpetual Securities	Equity Securities	Derivatives [1]			
(In millions)	Mortgage- and Asset-Backed Securities	Public Utilities	Sovereign and Supranationals	Banks/ Financial Institutions	Other Corporate	Banks/ Financial Institutions		Interest Rate Swaps	Foreign Currency Swaps	Credit Default Swaps	Total
Balance, beginning of period	$439	$ 0	$ 0	$ 26	$ 0	$ 0	$ 4	$25	$ (184)	$(54)	$256
Realized investment gains (losses) included in earnings	0	0	0	0	0	0	0	(4)	58	10	64
Unrealized gains (losses) included in other comprehensive income (loss)	(28)	0	0	(1)	0	0	(1)	0	0	0	(30)
Purchases, issuances, sales and settlements:											
Purchases	0	0	0	0	0	0	0	0	0	0	0
Issuances	0	0	0	0	0	0	0	0	0	0	0
Sales	0	0	0	0	0	0	0	0	0	0	0
Settlements	(3)	0	0	0	0	0	0	0	0	0	(3)
Transfers into Level 3 [2]	0	0	0	0	0	49	0	0	0	0	49
Transfers out of Level 3 [3]	(9)	0	0	0	0	0	0	0	0	0	(9)
Balance, end of period	$399	$ 0	$ 0	$ 25	$ 0	$ 49	$ 3	$21	$ (126)	$(44)	$327
Changes in unrealized gains (losses) relating to Level 3 assets and liabilities still held at the end of the period included in realized investment gains (losses)	$0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$(4)	$ 58	$10	$64

[1] Derivative assets and liabilities are presented net

[2] Due to a lack of visibility to observe significant inputs to price
[3] A result of changing our pricing methodology to a valuation method that uses observable market data as significant inputs to estimate fair value

Three Months Ended
June 30, 2012

	Fixed Maturities					Perpetual Securities	Equity Securities	Derivatives [1]			
(In millions)	Mortgage- and Asset-Backed Securities	Public Utilities	Sovereign and Supranational	Banks/ Financial Institutions	Other Corporate	Banks/ Financial Institutions		Interest Rate Swaps	Foreign Currency Swaps	Credit Default Swaps	Total
Balance, beginning of period	$367	$409	$418	$1,097	$1,035	$325	$4	$28	$(79)	$(97)	$3,507
Realized investment gains (losses) included in earnings	(3)	0	0	0	0	0	0	(1)	(31)	(10)	(45)
Unrealized gains (losses) included in other comprehensive income (loss)	22	9	18	17	(4)	(18)	0	0	4	0	48
Purchases, issuances, sales and settlements:											
Purchases	0	0	0	0	0	0	0	0	0	0	0
Issuances	0	0	0	0	0	0	0	0	0	0	0
Sales	0	0	0	0	0	0	0	0	0	0	0
Settlements	(7)	0	0	0	0	0	0	0	(7)	0	(14)
Transfers into Level 3	0	0	0	0	0	0	0	0	0	0	0
Transfers out of Level 3	0	0	0	0	0	0	0	0	0	0	0
Balance, end of period	$379	$418	$436	$1,114	$1,031	$307	$4	$27	$(113)	$(107)	$3,496
Changes in unrealized gains (losses) relating to Level 3 assets and liabilities still held at the end of the period included in realized investment gains (losses)	$(3)	$0	$0	$0	$0	$0	$0	$(1)	$(31)	$(10)	$(45)

[1] Derivative assets and liabilities are presented net

Six Months Ended
June 30, 2013

	Fixed Maturities					Perpetual Securities	Equity Securities	Derivatives [1]			
(In millions)	Mortgage- and Asset-Backed Securities	Public Utilities	Sovereign and Supranationals	Banks/ Financial Institutions	Other Corporate	Banks/ Financial Institutions		Interest Rate Swaps	Foreign Currency Swaps	Credit Default Swaps	Total
Balance, beginning of period	$338	$420	$418	$1,024	$986	$215	$4	$29	$(172)	$(65)	$3,197
Realized investment gains (losses) included in earnings	0	0	0	0	0	0	0	(8)	53	21	66
Unrealized gains (losses) included in other comprehensive income (loss)	(49)	(20)	0	(2)	0	0	(1)	0	(7)	0	(79)
Purchases, issuances, sales and settlements:											
Purchases	0	0	0	0	0	0	0	0	0	0	0
Issuances	0	0	0	0	0	0	0	0	0	0	0
Sales	0	(400)	0	0	0	0	0	0	0	0	(400)
Settlements	(6)	0	0	0	0	0	0	0	0	0	(6)
Transfers into Level 3[2]	125	0	0	0	0	49	0	0	0	0	174
Transfers out of Level 3[3]	(9)	0	(418)	(997)	(986)	(215)	0	0	0	0	(2,625)
Balance, end of period	$399	$0	$0	$25	$0	$49	$3	$21	$(126)	$(44)	$327
Changes in unrealized gains (losses) relating to Level 3 assets and liabilities still held at the end of the period included in realized investment gains (losses)	$0	$0	$0	$0	$0	$0	$0	$(8)	$53	$21	$66

[1] Derivative assets and liabilities are presented net
[2] Due to a lack of visibility to observe significant inputs to price
[3] A result of changing our pricing methodology to a valuation method that uses observable market data as significant inputs to estimate fair value

Six Months Ended June 30, 2012

(In millions)	Fixed Maturities					Perpetual Securities	Equity Securities	Derivatives [1]			
	Mortgage- and Asset-Backed Securities	Public Utilities	Sovereign and Supranational	Banks/ Financial Institutions	Other Corporate	Banks/ Financial Institutions		Interest Rate Swaps	Foreign Currency Swaps	Credit Default Swaps	Total
Balance, beginning of period	$394	$422	$434	$1,074	$1,105	$526	$4	$30	$(56)	$(130)	$3,803
Realized investment gains (losses) included in earnings	(3)	0	0	0	2	49	0	(3)	(18)	23	50
Unrealized gains (losses) included in other comprehensive income (loss)	(1)	(4)	2	40	(42)	(12)	0	0	(8)	0	(25)
Purchases, issuances, sales and settlements:											
Purchases	0	0	0	0	0	0	0	0	0	0	0
Issuances	0	0	0	0	0	0	0	0	0	0	0
Sales	0	0	0	0	(34)	(256)	0	0	0	0	(290)
Settlements	(11)	0	0	0	0	0	0	0	(31)	0	(42)
Transfers into Level 3	0	0	0	0	0	0	0	0	0	0	0
Transfers out of Level 3	0	0	0	0	0	0	0	0	0	0	0
Balance, end of period	$379	$418	$436	$1,114	$1,031	$307	$4	$27	$(113)	$(107)	$3,496
Changes in unrealized gains (losses) relating to Level 3 assets and liabilities still held at the end of the period included in realized investment gains (losses)	$(3)	$0	$0	$0	$0	$0	$0	$(3)	$(18)	$23	$(1)

[1] Derivative assets and liabilities are presented net

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Transfers into and/or out of Level 3 are attributable to a change in the observability of inputs. The most significant transfer out of Level 3 into Level 2 during the six-month period ended June 30, 2013 related to our callable reverse dual-currency bonds (RDCs). RDCs are securities that have principal denominated in yen while paying U.S. dollar (USD) coupons. The market standard approach is to use implied volatility to value options or instruments with optionality because historical volatility may not represent current market participants' expectations about future volatility. Under our previous valuation approach, we used historical foreign exchange volatility as an input for valuing these investments. Given the importance of this input to the overall valuation of these RDCs and the determination of this input to be unobservable, we made the decision at December 31, 2011 to move these holdings to Level 3 of the fair value hierarchy. During the first quarter of 2013, we implemented a new valuation methodology for these securities that relies on comparable bonds in the market, the observable forward foreign exchange curve and other market inputs. Given that the significant inputs to the valuation of these items are now based on observable data, in the first quarter of 2013, we transferred these bonds from Level 3 to Level 2 of the fair value hierarchy.

In addition to the callable RDCs, we transferred certain other corporate securities from Level 3 to Level 2 in the first quarter of 2013. Prices for these securities were previously obtained from brokers and/or arrangers with minimal transparency around how the valuation was determined. Similar to the RDCs, these securities are now valued using the same methodology described above for our other privately issued securities.

There were no transfers between Level 1 and 2 for the three- and six-month periods ended June 30, 2013 and 2012.

Fair Value Sensitivity

Level 3 Significant Unobservable Input Sensitivity

The following tables summarize the significant unobservable inputs used in the valuation of our Level 3 available-for-sale investments and derivatives. Included in the tables are the inputs or range of possible inputs that have an effect on the overall valuation of the financial instruments.
June 30, 2013

(In millions)	Fair Value	Valuation Technique(s)	Unobservable Input	Range (Weighted Average)
Assets:				
Securities available for sale, carried at fair value:				
Fixed maturities:				
Mortgage- and asset-backed securities	$399	Consensus pricing	Offered quotes	N/A [e]
Banks/financial institutions	25	Consensus pricing	Offered quotes	N/A [e]
Perpetual securities:				
Banks/financial institutions	49	Consensus pricing	Offered quotes	N/A
Equity securities	3	Net asset value	Offered quotes	$1-$828 ($7)
Other assets:				
Interest rate swaps	22	Discounted cash flow	Base correlation	52% - 63% (57%) [a]
			CDS spreads	92 - 151 (123) bps
			Recovery rate	37.00%
Foreign currency swaps	32	Discounted cash flow	Interest rates (USD)	2.70% - 3.47% [b]
			Interest rates (JPY)	1.02% - 2.03% [c]
			CDS spreads	35 - 150 bps
			Foreign exchange rates	21.39% [d]
	5	Discounted cash flow	Interest rates (USD)	2.70% - 3.47% [b]
			Interest rates (JPY)	1.02% - 2.03% [c]
			CDS spreads	13 - 130 bps
	74	Discounted cash flow	Interest rates (USD)	2.70% - 3.47% [b]
			Interest rates (JPY)	1.02% - 2.03% [c]
			Foreign exchange rates	21.39% [d]
Credit default swaps	2	Discounted cash flow	Base correlation	52% - 63% (57%) [a]
			CDS spreads	92 - 151 (123) bps
			Recovery rate	37.00%

Total assets	$611

(a) Weighted-average range of base correlations for our bespoke tranches for attachment and detachment points corresponding to market indices
(b) Inputs derived from U.S. long-term rates to accommodate long maturity nature of our swaps
(c) Inputs derived from Japan long-term rates to accommodate long maturity nature of our swaps
(d) Based on 10 year volatility of JPY/USD exchange rate
(e) N/A represents securities where we receive unadjusted broker quotes and for which there is no transparency into the providers' valuation techniques or unobservable inputs.

June 30, 2013

(In millions)	Fair Value	Valuation Technique(s)	Unobservable Input	Range (Weighted Average)	
Liabilities:					
Interest rate swaps	$1	Discounted cash flow	Base correlation	52% - 63% (57%)	(a)
			CDS spreads	92 - 151 (123) bps	
			Recovery rate	37.00%	
Foreign currency swaps	107	Discounted cash flow	Interest rates (USD)	2.70% - 3.47%	(b)
			Interest rates (JPY)	1.02% - 2.03%	(c)
			CDS spreads	35 - 150 bps	
			Foreign exchange rates	21.39%	(d)
	41	Discounted cash flow	Interest rates (USD)	2.70% - 3.47%	(b)
			Interest rates (JPY)	1.02% - 2.03%	(c)
			CDS spreads	22 - 235 bps	
	89	Discounted cash flow	Interest rates (USD)	2.70% - 3.47%	(b)
			Interest rates (JPY)	1.02% - 2.03%	(c)
			Foreign exchange rates	21.39%	(d)
Credit default swaps	46	Discounted cash flow	Base correlations	52% - 63% (57%)	(a)
			CDS spreads	92 - 151 (123) bps	
			Recovery rate	37.00%	
Total liabilities	$284				

(a) Weighted-average range of base correlations for our bespoke tranches for attachment and detachment points corresponding to market indices
(b) Inputs derived from U.S. long-term rates to accommodate long maturity nature of our swaps
(c) Inputs derived from Japan long-term rates to accommodate long maturity nature of our swaps
(d) Based on 10 year volatility of JPY/USD exchange rate

December 31, 2012 (In millions)	Fair Value	Valuation Technique(s)	Unobservable Input	Range (Weighted Average)	
Assets:					
Securities available for sale, carried at fair value:					
Fixed maturities:					
Mortgage- and asset-backed securities	$338	Consensus pricing	Offered quotes	N/A	(e)
Public utilities	420	Discounted cash flow	Historical volatility	7.36%	
Sovereign and supranational	418	Discounted cash flow	Historical volatility	7.36%	
Banks/financial institutions	444	Discounted cash flow	Historical volatility	7.36%	
	580	Consensus pricing	Offered quotes	N/A	(e)
Other corporate	575	Discounted cash flow	Historical volatility	7.36%	
	411	Consensus pricing	Offered quotes	N/A	(e)
Perpetual securities:					
Banks/financial institutions	215	Discounted cash flow	Historical volatility	7.36%	
Equity securities	4	Net asset value	Offered quotes	$2-$943 ($8)	
Other assets:					
Interest rate swaps	32	Discounted cash flow	Base correlation	49% - 50%	(a)
			CDS spreads	91 - 152 bps	
			Recovery rate	37.00%	
Foreign currency swaps	51	Discounted cash flow	Interest rates (USD)	1.84% - 2.84%	(b)
			Interest rates (JPY)	.84% - 2.05%	(c)
			CDS spreads	12 - 117 bps	
			Foreign exchange rates	20.65%	(d)
	4	Discounted cash flow	Interest rates (USD)	1.84% - 2.84%	(b)
			Interest rates (JPY)	.84% - 2.05%	(c)
			CDS spreads	12 - 126 bps	
	102	Discounted cash flow	Interest rates (USD)	1.84% - 2.84%	(b)
			Interest rates (JPY)	.84% - 2.05%	(c)
			Foreign exchange rates	20.65%	(d)
Credit default swaps	2		Base correlation	49% - 50%	(a)

		Discounted cash flow		
			CDS spreads	91 - 152 bps
			Recovery rate	37.00%
Total assets	$3,596			

(a) Weighted-average range of base correlations for our bespoke tranches for attachment and detachment points corresponding to market indices
(b) Inputs derived from U.S. long-term rates to accommodate long maturity nature of our swaps
(c) Inputs derived from Japan long-term rates to accommodate long maturity nature of our swaps
(d) Based on 10 year volatility of JPY/USD exchange rate
(e) N/A represents securities where we receive unadjusted broker quotes and for which there is no transparency into the providers' valuation techniques or unobservable inputs.

December 31, 2012 (In millions)	Fair Value	Valuation Technique(s)	Unobservable Input	Range (Weighted Average)	
Liabilities:					
Interest rate swaps	$3	Discounted cash flow	Base correlation	49% - 50%	(a)
			CDS spreads	91 - 152 bps	
			Recovery rate	37.00%	
Foreign currency swaps	118	Discounted cash flow	Interest rates (USD)	1.84% - 2.84%	(b)
			Interest rates (JPY)	.84% - 2.05%	(c)
			CDS spreads	22 - 141 bps	
			Foreign exchange rates	20.65%	(d)
	60	Discounted cash flow	Interest rates (USD)	1.84% - 2.84%	(b)
			Interest rates (JPY)	.84% - 2.05%	(c)
			CDS spreads	25 - 186 bps	
	151	Discounted cash flow	Interest rates (USD)	1.84% - 2.84%	(b)
			Interest rates (JPY)	.84% - 2.05%	(c)
			Foreign exchange rates	20.65%	(d)
Credit default swaps	67	Discounted cash flow	Base correlations	49% - 50%	(a)
			CDS spreads	91 - 152 bps	
			Recovery rate	37.00%	
Total liabilities	$399				

(a) Weighted-average range of base correlations for our bespoke tranches for attachment and detachment points corresponding to market indices
(b) Inputs derived from U.S. long-term rates to accommodate long maturity nature of our swaps
(c) Inputs derived from Japan long-term rates to accommodate long maturity nature of our swaps
(d) Based on 10 year volatility of JPY/USD exchange rate

The following is a discussion of the significant unobservable inputs or valuation technique used in determining the fair value of securities and derivatives classified as Level 3.

Annualized Historical Foreign Exchange Volatility

We own a portfolio of callable reverse dual-currency bonds (RDCs). RDCs are securities that have principal denominated in yen while paying U.S. dollar (USD) coupons. The market standard approach is to use implied volatility to value options or instruments with optionality because historical volatility may not represent current market participants' expectations about future volatility. Our use of historical foreign exchange volatility as an input for valuing these investments could result in a significant increase or decrease in fair value measurement, given the importance of this input to the overall valuation. Prior to the first quarter of 2013, historical volatility was an unobservable input in the determination of fair value of public utilities, sovereign and supranational, certain banks/financial institutions, and certain other corporate investments. As of the first quarter of 2013, we are no longer using this input in the valuation of these securities due to a change in valuation methodology as discussed previously.

Net Asset Value

We hold certain unlisted equity securities whose fair value is derived based on the financial statements published by the investee. These securities do not trade on an active market and the valuations derived are dependent on the availability of timely financial reporting of the investee. Net asset value is an unobservable input in the determination of fair value of equity securities.

Offered Quotes

In circumstances where our valuation model price is overridden because it implies a value that is not consistent with current market conditions, we will solicit bids from a limited number of brokers. We also receive unadjusted prices from brokers for our mortgage and asset-backed securities. These quotes are non-binding but are reflective of valuation best estimates at that particular point in time. Offered quotes are an unobservable input in the determination of fair value of mortgage- and asset-backed securities, certain banks/financial institutions, certain other corporate, and equity securities investments.

Interest Rates, CDS Spreads, Foreign Exchange Rates

The significant drivers of the valuation of the interest and foreign exchange swaps are interest rates, foreign exchange rates and CDS spreads. Our swaps have long maturities that increase the sensitivity of the swaps to interest rate fluctuations. Since most of our yen-denominated cross currency swaps are in a net liability position, an increase in interest rates will decrease the liabilities and increase the value of the swap.
Foreign exchange swaps also have a lump-sum final settlement of foreign exchange principal receivables at the termination of the swap. An increase in yen interest rates will decrease the value of the final settlement foreign exchange receivables and decrease the value of the swap, and an increase in USD interest rates increase the swap value.
A similar sensitivity pattern is observed for the foreign exchange rates. When the spot U.S. dollar/Japanese yen (USD/JPY) foreign exchange rate decreases and the swap is receiving a final exchange payment in JPY, the swap value will increase due to the appreciation of the JPY. Most of our swaps are designed to receive payments in JPY at the termination and will thus be impacted by the USD/JPY foreign exchange rate in this way. In cases where there is no final foreign exchange receivable in JPY and we are paying JPY as interest payments and receiving USD, a decrease in the foreign exchange rate will lead to a decrease in the swap value.

The extinguisher feature in most of our swaps results in a cessation of cash flows and no further payments between the parties to the swap in the event of a default on the referenced or underlying collateral. To price this feature, we apply

the survival probability of the referenced entity to the projected cash flows. The survival probability uses the CDS spreads and recovery rates to adjust the present value of the cash flows. For extinguisher swaps with positive values, an increase in CDS spreads decreases the likelihood of receiving the final exchange payments and reduces the value of the swap.

Due to the long duration of these swaps and the need to extrapolate from short-term observable data to derive and measure long-term inputs, certain inputs, assumptions and judgments are required to value future cash flows that cannot be corroborated by current inputs or current observable market data.

Interest rates, CDS spreads, and foreign exchange rates are unobservable inputs in the determination of fair value of foreign currency swaps.

Base Correlations, CDS Spreads, Recovery Rates

Our CDOs are tranches on baskets of single-name credit default swaps. The risks in these types of synthetic CDOs come from the single-name CDS risk and the correlations between the single names. The valuation of synthetic CDOs is dependent on the calibration of market prices for interest rates, single name CDS default probabilities and base correlation using financial modeling tools. Since there is limited or no observable data available for these tranches, these base correlations must be obtained from commonly traded market tranches such as the CDX and iTraxx indices. From the historical prices of these indices, base correlations can be obtained to develop a pricing curve of CDOs with different seniorities. Since the reference entities of the market indices do not match those in our portfolio underlying the synthetic CDO to be valued, several processing steps are taken to map the securities in our portfolio to the indices. With the base correlation determined and the appropriate spreads selected, a valuation is calculated. An increase in the CDS spreads in the underlying portfolio leads to a decrease in the value due to higher probability of defaults and losses. The impact on the valuation due to base correlation depends on a number of factors, including the riskiness between market tranches and the modeled tranche based on our portfolio and the equivalence between detachment points in these tranches. Generally speaking, an increase in base correlation will decrease the value of the senior tranches while increasing the value of junior tranches. This may result in a positive or negative value change.
The CDO tranches in our portfolio are junior tranches and, due to the low level of credit support for these tranches, exhibit equity-like behavior. As a result, an increase in recovery rates tends to cause their values to decrease.
Our interest rate swaps are linked to the underlying synthetic CDOs. The valuation of these swaps is performed using a similar approach to that of the synthetic CDOs themselves; that is, the base correlation model is used to ensure consistency between the synthetic CDOs and the swaps.

Base correlations, CDS spreads, and recovery rates are unobservable inputs in the determination of fair value of credit default swaps and interest rate swaps.

For additional information on our investments and financial instruments, see the accompanying Notes 1, 3 and 4 and Notes 1, 3 and 4 of the Notes to the Consolidated Financial Statements in our annual report to shareholders for the year ended December 31, 2012.

6. NOTES PAYABLE

A summary of notes payable follows:

(In millions)	June 30, 2013		December 31, 2012	
3.45% senior notes due August 2015	$300		$300	
2.65% senior notes due February 2017	656	(1)	657	(1)
8.50% senior notes due May 2019	850		850	
4.00% senior notes due February 2022	349	(2)	349	(2)
3.625% senior notes due June 2023	700		0	
6.90% senior notes due December 2039	396	(2)	396	(2)
6.45% senior notes due August 2040	448	(2)	448	(2)
5.50% subordinated debentures due September 2052	500		500	
Yen-denominated Uridashi notes:				
2.26% notes due September 2016 (principal amount 8 billion yen)	81		92	
Yen-denominated Samurai notes:				
1.47% notes due July 2014 (principal amount 28.7 billion yen)	291		331	
1.84% notes due July 2016 (principal amount 15.8 billion yen)	160		182	
Variable interest rate notes due July 2014 (1.31% in 2013 and 1.34% in 2012, principal amount 5.5 billion yen)	56		64	
Yen-denominated loans:				
3.60% loan due July 2015 (principal amount 10 billion yen)	101		116	
3.00% loan due August 2015 (principal amount 5 billion yen)	51		58	
Capitalized lease obligations payable through 2022	7		9	
Total notes payable	$4,946		$4,352	

(1) Principal amount plus an issuance premium that is being amortized over the life of the notes

(2) Principal amount net of an issuance discount that is being amortized over the life of the notes

In June 2013, the Parent Company issued $700 million of senior notes through a U.S. public debt offering. The notes bear interest at a fixed rate of 3.625% per annum, payable semi-annually, and have a ten-year maturity. These notes are redeemable at our option in whole at any time or in part from time to time at a redemption price equal to the greater of: (i) the aggregate principal amount of the notes to be redeemed or (ii) the amount equal to the sum of the present values of the remaining scheduled payments for principal of and interest on the notes to be redeemed, not including any portion of the payments of interest accrued as of such redemption date, discounted to such redemption date on a semi-annual basis at the treasury rate plus 20 basis points, plus in each case, accrued and unpaid interest on the principal amount of the notes to be redeemed to, but excluding, such redemption date. We entered into cross-currency interest rate swaps to reduce interest expense by converting the dollar-denominated principal and interest on the senior notes we issued into yen-denominated obligations. By entering into these swaps, we economically converted our $700 million liability into a 69.8 billion yen liability and reduced the interest rate on this debt from 3.625% in dollars to 1.50% in yen.

In March 2013, we terminated our senior unsecured revolving credit facility that was due to expire in June 2013, and the Parent Company and Aflac entered into a 5-year senior unsecured revolving credit facility agreement with a syndicate of financial institutions that provides for borrowings in the amount of 50 billion yen. This credit agreement provides for borrowings in Japanese yen or the equivalent of Japanese yen in U.S. dollars on a revolving basis. Borrowings will bear interest at LIBOR plus the applicable margin of 1.125%. In addition, the Parent Company and Aflac are required to pay a facility fee of .125% on the commitments. As of June 30, 2013, we did not have any borrowings outstanding under our 50 billion yen revolving credit agreement. Borrowings under the credit agreement may be used for general corporate purposes, including a capital contingency plan for our Japanese operations. Borrowings under the financing agreement mature at the termination date of the credit agreement. The agreement requires compliance with certain financial covenants on a quarterly basis. This credit agreement will expire on the

earlier of (a) March 29, 2018, or (b) the date of termination of the commitments upon an event of default as defined in the agreement.

We were in compliance with all of the covenants of our notes payable and line of credit at June 30, 2013. No events of default or defaults occurred during the six-month period ended June 30, 2013.

For additional information, see Notes 4 and 8 of the Notes to the Consolidated Financial Statements in our annual report to shareholders for the year ended December 31, 2012.

7. SHAREHOLDERS' EQUITY

The following table is a reconciliation of the number of shares of the Company's common stock for the six-month periods ended June 30.

(In thousands of shares)	2013	2012
Common stock - issued:		
Balance, beginning of period	665,239	663,639
Exercise of stock options and issuance of restricted shares	770	893
Balance, end of period	666,009	664,532
Treasury stock:		
Balance, beginning of period	197,453	197,329
Purchases of treasury stock:		
Open market	5,263	0
Other	144	205
Dispositions of treasury stock:		
Shares issued to AFL Stock Plan	(770)	(905)
Exercise of stock options	(755)	(72)
Other	(146)	(135)
Balance, end of period	201,189	196,422
Shares outstanding, end of period	464,820	468,110

Outstanding share-based awards are excluded from the calculation of weighted-average shares used in the computation of basic earnings per share (EPS). The following table presents the approximate number of share-based awards to purchase shares, on a weighted-average basis, that were considered to be anti-dilutive and were excluded from the calculation of diluted earnings per share for the following periods.

	Three Months Ended June 30,		Six Months Ended June 30,	
(In thousands)	2013	2012	2013	2012
Anti-dilutive share-based awards	3,235	8,385	3,429	6,921

Share Repurchase Program

During the first six months of 2013, we repurchased 5.3 million shares of our common stock in the open market for $279 million as part of our share repurchase program. We did not repurchase any shares of our common stock in the open market in the first six months of 2012. As of June 30, 2013, a remaining balance of 17.2 million shares of our common stock was available for purchase under a share repurchase authorization by our board of directors in 2008.

Reclassifications from Accumulated Other Comprehensive Income

The tables below are reconciliations of accumulated other comprehensive income by component for the following periods.

Changes in Accumulated Other Comprehensive Income
Three Months Ended
June 30, 2013

(In millions)	Unrealized Foreign Currency Translation Gains (Losses)	Unrealized Gains (Losses) on Investment Securities	Unrealized Gains (Losses) on Derivatives	Pension Liability Adjustment	Total
Balance, beginning of period	$(141)	$1,981	$(9)	$(180)	$1,651
Other comprehensive income before reclassification	(300)	(2,135)	(2)	(1)	(2,438)
Amounts reclassified from accumulated other comprehensive income	(12)	(44)	0	3	(53)
Net current-period other comprehensive income	(312)	(2,179)	(2)	2	(2,491)
Balance, end of period	$(453)	$(198)	$(11)	$(178)	$(840)

All amounts in the table above are net of tax. Amounts in parentheses indicate debits.

Six Months Ended
June 30, 2013

(In millions)	Unrealized Foreign Currency Translation Gains (Losses)	Unrealized Gains (Losses) on Investment Securities	Unrealized Gains (Losses) on Derivatives	Pension Liability Adjustment	Total
Balance, beginning of period	$333	$2,570	$(5)	$(183)	$2,715
Other comprehensive income before reclassification	(770)	(2,686)	(6)	(1)	(3,463)
Amounts reclassified from accumulated other comprehensive income	(16)	(82)	0	6	(92)
Net current-period other comprehensive income	(786)	(2,768)	(6)	5	(3,555)
Balance, end of period	$(453)	$(198)	$(11)	$(178)	$(840)

All amounts in the table above are net of tax. Amounts in parentheses indicate debits.

The tables below summarize the amounts reclassified from each component of accumulated other comprehensive income based on source for the following periods.

Reclassifications Out of Accumulated Other Comprehensive Income

(In millions) Details about Accumulated Other Comprehensive Income Components	Three Months Ended June 30, 2013 Amount Reclassified from Accumulated Other Comprehensive Income(1)	Affected Line Item in the Statements of Earnings
Unrealized foreign currency translation gains (losses)	$18	Sales and redemptions
	(6)	Tax (expense) or benefit(2)
	$12	Net of tax
Unrealized gains (losses) on available-for-sale securities	$68	Sales and redemptions
	0	Other-than-temporary impairment losses realized
	68	Total before tax
	(24)	Tax (expense) or benefit(2)
	$44	Net of tax
Amortization of defined benefit pension items:		
Actuarial gains (losses)	$(4)	Acquisition and operating expenses(3)
	1	Tax (expense) or benefit(2)
	$(3)	Net of tax
Total reclassifications for the period	$53	Net of tax

(1) Amounts in parentheses indicate debits.
(2) Based on 35% tax rate
(3) These accumulated other comprehensive income components are included in the computation of net periodic pension cost (see Note 9 for additional details).

(In millions) Details about Accumulated Other Comprehensive Income Components	Six Months Ended June 30, 2013 Amount Reclassified from Accumulated Other Comprehensive Income(1)	Affected Line Item in the Statements of Earnings
Unrealized foreign currency translation gains (losses)	$24	Sales and redemptions
	(8)	Tax (expense) or benefit(2)
	$16	Net of tax
Unrealized gains (losses) on available-for-sale securities	$181	Sales and redemptions
	(55)	Other-than-temporary impairment losses realized
	126	Total before tax
	(44)	Tax (expense) or benefit(2)
	$82	Net of tax
Amortization of defined benefit pension items:		

Actuarial gains (losses)	$(9)	Acquisition and operating expenses[3]
	3	Tax (expense) or benefit[2]
	$(6)	Net of tax
Total reclassifications for the period	$92	Net of tax

[1] Amounts in parentheses indicate debits.
[2] Based on 35% tax rate
[3] These accumulated other comprehensive income components are included in the computation of net periodic pension cost (see Note 9 for additional details).

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8. SHARE-BASED COMPENSATION

As of June 30, 2013, the Company has outstanding share-based awards under two long-term incentive compensation plans.

The first plan, which expired in February 2007, is a stock option plan which allowed grants for incentive stock options (ISOs) to employees and non-qualifying stock options (NQSOs) to employees and non-employee directors. The options have a term of 10 years. The exercise price of options granted under this plan is equal to the fair market value of a share of the Company's common stock at the date of grant. Options granted before the plan's expiration date remain outstanding in accordance with their terms.

The second long-term incentive compensation plan allows awards to Company employees for ISOs, NQSOs, restricted stock, restricted stock units, and stock appreciation rights. Non-employee directors are eligible for grants of NQSOs, restricted stock, and stock appreciation rights. The ISOs and NQSOs have a term of 10 years, and the share-based awards generally vest based upon time-based conditions or time- and performance-based conditions. Time-based vesting generally occurs after three years. Performance-based vesting conditions generally include the attainment of goals related to Company financial performance. As of June 30, 2013, approximately 13 million shares were available for future grants under this plan, and the only performance-based awards issued and outstanding were restricted stock awards.

Share-based awards granted to U.S.-based grantees are settled with authorized but unissued Company stock, while those issued to Japan-based grantees are settled with treasury shares.

The following table provides information on stock options outstanding and exercisable at June 30, 2013.

	Stock Option Shares (in thousands)	Weighted-Average Remaining Term (in years)	Aggregate Intrinsic Value (in millions)	Weighted-Average Exercise Price Per Share
Outstanding	11,991	4.8	$152	$45.86
Exercisable	10,024	4.0	137	44.94

We received cash from the exercise of stock options in the amount of $41 million during the first six months of 2013, compared with $9 million in the first six months of 2012. The tax benefit realized as a result of stock option exercises and restricted stock releases was $13 million in the first six months of 2013 and 2012.

As of June 30, 2013, total compensation cost not yet recognized in our financial statements related to restricted stock awards was $46 million, of which $20 million (740 thousand shares) was related to restricted stock awards with a performance-based vesting condition. We expect to recognize these amounts over a weighted-average period of approximately 1.7 years. There are no other contractual terms covering restricted stock awards once vested.

For additional information on our long-term share-based compensation plans and the types of share-based awards, see Note 11 of the Notes to the Consolidated Financial Statements included in our annual report to shareholders for the year ended December 31, 2012.

9. BENEFIT PLANS

We have funded defined benefit plans in Japan and the United States, which cover substantially all of our full-time employees. Additionally, we maintain non-qualified, unfunded supplemental retirement plans that provide defined pension benefits in excess of limits imposed by federal tax law for certain Japanese, U.S. and former employees.

We provide certain health care benefits for eligible U.S. retired employees, their beneficiaries and covered dependents ("other postretirement benefits"). The health care plan is contributory and unfunded. Substantially all of our U.S. employees may become eligible to receive other postretirement benefits if they retire at age 55 or older with at least 15 years of service or if they retire when their age plus service, in years, equals or exceeds 80. At retirement, an employee is given an opportunity to elect continuation of coverage under our medical plan until age 65. For certain employees and former employees, additional coverage is provided for all medical expenses for life.

Pension and other postretirement benefit expenses, included in acquisition and operating expenses in the consolidated statement of earnings, included the following components:

	Three Months Ended June 30,					
	Pension Benefits				Other	
	Japan		U.S.		Postretirement Benefits	
(In millions)	2013	2012	2013	2012	2013	2012
Components of net periodic benefit cost:	`					
Service cost	$4	$5	$6	$5	$1	$2
Interest cost	3	3	6	7	1	1
Expected return on plan assets	(1)	(1)	(4)	(4)	0	0
Amortization of net actuarial loss	0	1	3	2	1	0
Net periodic (benefit) cost	$6	$8	$11	$10	$3	$3

	Six Months Ended June 30,					
	Pension Benefits				Other	
	Japan		U.S.		Postretirement Benefits	
(In millions)	2013	2012	2013	2012	2013	2012
Components of net periodic benefit cost:						
Service cost	$8	$9	$11	$11	$3	$3
Interest cost	5	6	13	14	2	2
Expected return on plan assets	(2)	(2)	(8)	(8)	0	0
Amortization of net actuarial loss	1	2	7	4	1	0
Net periodic (benefit) cost	$12	$15	$23	$21	$6	$5

During the six months ended June 30, 2013, Aflac Japan contributed approximately $11 million (using the weighted-average yen/dollar exchange rate for the six-month period ending June 30, 2013) to the Japanese funded defined benefit plan, and Aflac U.S. did not make a contribution to the U.S. funded defined benefit plan.

For additional information regarding our Japanese and U.S. benefit plans, see Note 13 of the Notes to the Consolidated Financial Statements in our annual report to shareholders for the year ended December 31, 2012.

10. COMMITMENTS AND CONTINGENT LIABILITIES

We are a defendant in various lawsuits considered to be in the normal course of business. Members of our senior legal and financial management teams review litigation on a quarterly and annual basis. The final results of any litigation

cannot be predicted with certainty. Although some of this litigation is pending in states where large punitive damages, bearing little relation to the actual damages sustained by plaintiffs, have been awarded in recent years, we believe the outcome of pending litigation will not have a material adverse effect on our financial position, results of operations, or cash flows.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

FORWARD-LOOKING INFORMATION

The Private Securities Litigation Reform Act of 1995 provides a "safe harbor" to encourage companies to provide prospective information, so long as those informational statements are identified as forward-looking and are accompanied by meaningful cautionary statements identifying important factors that could cause actual results to differ materially from those included in the forward-looking statements. We desire to take advantage of these provisions. This report contains cautionary statements identifying important factors that could cause actual results to differ materially from those projected herein, and in any other statements made by Company officials in communications with the financial community and contained in documents filed with the Securities and Exchange Commission (SEC). Forward-looking statements are not based on historical information and relate to future operations, strategies, financial results or other developments. Furthermore, forward-looking information is subject to numerous assumptions, risks and uncertainties. In particular, statements containing words such as "expect," "anticipate," "believe," "goal," "objective," "may," "should," "estimate," "intends," "projects," "will," "assumes," "potential," "target" or si well as specific projections of future results, generally qualify as forward-looking. Aflac undertakes no obligation to update such forward-looking statements.

We caution readers that the following factors, in addition to other factors mentioned from time to time, could cause actual results to differ materially from those contemplated by the forward-looking statements:

- difficult conditions in global capital markets and the economy
- governmental actions for the purpose of stabilizing the financial markets
- defaults and credit downgrades of securities in our investment portfolio
- impairment of financial institutions
- credit and other risks associated with Aflac's investment in perpetual securities
- differing judgments applied to investment valuations
- significant valuation judgments in determination of amount of impairments taken on our investments
- limited availability of acceptable yen-denominated investments
- concentration of our investments in any particular single-issuer or sector
- concentration of business in Japan
- increased derivative activities
- ongoing changes in our industry
- exposure to significant financial and capital markets risk
- fluctuations in foreign currency exchange rates
- significant changes in investment yield rates
- deviations in actual experience from pricing and reserving assumptions
- subsidiaries' ability to pay dividends to Aflac Incorporated
- changes in law or regulation by governmental authorities
- ability to attract and retain qualified sales associates and employees
- decreases in our financial strength or debt ratings
- ability to continue to develop and implement improvements in information technology systems
- interruption in telecommunication, information technology and other operational systems, or a failure to maintain the security, confidentiality or privacy of sensitive data residing on such systems
- changes in U.S. and/or Japanese accounting standards
- failure to comply with restrictions on patient privacy and information security
- level and outcome of litigation
- ability to effectively manage key executive succession
-

- catastrophic events including, but not necessarily limited to, epidemics, pandemics, tornadoes, hurricanes, earthquakes, tsunamis, acts of terrorism and damage incidental to such events
- failure of internal controls or corporate governance policies and procedures

MD&A OVERVIEW

Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) is intended to inform the reader about matters affecting the financial condition and results of operations of Aflac Incorporated and its subsidiaries for the three-month and six-month periods ended June 30, 2013 and 2012. Results of operations for interim periods are not necessarily indicative of results for the entire year. As a result, the following discussion should be read in conjunction with the consolidated financial statements and notes that are included in our annual report to shareholders for the year ended December 31, 2012. This MD&A is divided into the following sections:

- Our Business
- Performance Highlights
- Critical Accounting Estimates
- Results of Operations, consolidated and by segment
- Analysis of Financial Condition, including discussion of market risks of financial instruments
- Capital Resources and Liquidity, including discussion of availability of capital and the sources and uses of cash

OUR BUSINESS

Aflac Incorporated (the Parent Company) and its subsidiaries (collectively, the Company) primarily sell supplemental health and life insurance in the United States and Japan. The Company's insurance business is marketed and administered through American Family Life Assurance Company of Columbus (Aflac), which operates in the United States (Aflac U.S.) and as a branch in Japan (Aflac Japan). Most of Aflac's policies are individually underwritten and marketed through independent agents. Aflac U.S. markets and administers group products through Continental American Insurance Company (CAIC), branded as Aflac Group Insurance. Our insurance operations in the United States and our branch in Japan service the two markets for our insurance business.

PERFORMANCE HIGHLIGHTS

Reflecting the weaker yen/dollar exchange rate, revenues were $6.0 billion in the second quarter of 2013, compared with $5.9 billion in the second quarter of 2012. Net earnings were $889 million, or $1.90 per diluted share, compared with $483 million, or $1.03 per diluted share, in the second quarter of 2012.

Also reflecting the weaker yen/dollar exchange rate, revenues were $12.3 billion in the first six months of 2013, compared with $12.1 billion in the first six months of 2012. Net earnings were $1.8 billion, or $3.80 per diluted share, compared with $1.3 billion, or $2.71 per diluted share, for the first six months of 2012.

Results in the second quarter of 2013 included pretax net realized investment gains of $201 million ($130 million after-tax), compared with net realized investment losses of $418 million ($272 million after-tax) in the second quarter of 2012. Net investment gains in the second quarter of 2013 included $86 million of net gains ($55 million after-tax) from the sale or redemption of securities and $115 million of net gains ($75 million after-tax) from valuing derivatives.

Results for the first six months of 2013 included pretax net realized investment gains of $357 million ($232 million after-tax), compared with net realized investment losses of $463 million ($301 million after-tax) in the first six months of 2012. Net investment gains in the first six months of 2013 included $55 million ($35 million after-tax) of other-than-temporary impairment losses; $205 million of net gains ($132 million after-tax) from the sale or redemption of securities; and $207 million of net gains ($135 million after-tax) from valuing derivatives.

Shareholders' equity included a net unrealized loss on investment securities and derivatives of $209 million at June 30, 2013, compared with a net unrealized gain of $2.6 billion at December 31, 2012.

In June 2013, the Parent Company issued $700 million of senior notes through a U.S. public debt offering. We entered into cross-currency interest rate swaps to economically convert the dollar-denominated principal and interest on the senior notes we issued into yen-denominated obligations. In March 2013, the Parent Company and Aflac entered into a five-year senior unsecured revolving credit facility agreement with a syndicate of financial institutions that provides for borrowings of 50 billion yen or the equivalent of Japanese yen in U.S. dollars. For further information regarding

these transactions, see Note 6 of the Notes to the Consolidated Financial Statements and the Capital Resources and Liquidity section of this MD&A.

In the first six months of 2013, we repurchased 5.3 million shares of our common stock in the open market for $279 million under our share repurchase program.

CRITICAL ACCOUNTING ESTIMATES

We prepare our financial statements in accordance with U.S. generally accepted accounting principles (GAAP). These principles are established primarily by the Financial Accounting Standards Board (FASB). In this MD&A, references to GAAP issued by the FASB are derived from the FASB Accounting Standards Codification™ (ASC). The preparation of financial statements in conformity with GAAP requires us to make estimates based on currently available information when recording transactions resulting from business operations. The estimates that we deem to be most critical to an understanding of Aflac's results of operations and financial condition are those related to the valuation of investments and derivatives, deferred policy acquisition costs (DAC), liabilities for future policy benefits and unpaid policy claims, and income taxes. The preparation and evaluation of these critical accounting estimates involve the use of various assumptions developed from management's analyses and judgments. The application of these critical accounting estimates determines the values for which 95% of our assets and 75% of our liabilities are reported as of June 30, 2013, and thus has a direct effect on net earnings and shareholders' equity. Subsequent experience or use of other assumptions could produce significantly different results.

In the first quarter of 2013, we engaged a third party pricing vendor to value privately issued securities within our investment portfolio which were previously being valued using our discounted cash flow pricing model at December 31, 2012. For further discussion regarding this change in pricing methodology, see Note 5 of the Notes to the Consolidated Financial Statements.

Other than the change in valuation methodology for certain investments as discussed above, there have been no other changes in the items that we have identified as critical accounting estimates during the six months ended June 30, 2013. For additional information, see the Critical Accounting Estimates section of MD&A included in our annual report to shareholders for the year ended December 31, 2012.

New Accounting Pronouncements

For information on new accounting pronouncements and the impact, if any, on our financial position or results of operations, see Note 1 of the Notes to the Consolidated Financial Statements.

RESULTS OF OPERATIONS

The following discussion includes references to our performance measures, operating earnings and operating earnings per diluted share, that are not based on accounting principles generally accepted in the United States of America ("GAAP"). After-tax operating earnings (operating earnings) is the measure of segment profit or loss we use to evaluate segment performance and allocate resources. Consistent with GAAP accounting guidance for segment reporting, operating earnings is our measure of segment performance. Aflac believes that an analysis of operating earnings is vitally important to an understanding of our underlying profitability drivers.

Aflac defines operating earnings (a non-GAAP financial measure) as the profits derived from operations before realized investment gains and losses (securities transactions, impairments, and derivative and hedging activities) as well as nonrecurring items. Aflac's derivative activities include: foreign currency, interest rate and credit default swaps in variable interest entities that are consolidated; foreign currency swaps associated with our senior notes and subordinated debentures; foreign currency forwards used in hedging foreign exchange risk on U.S. dollar-denominated securities in Aflac Japan's portfolio; and foreign currency forwards and options used to hedge certain portions of forecasted cash flows denominated in yen. Nonrecurring items are infrequent activities that are not directly associated with the Company's insurance operations.

Our management uses operating earnings to evaluate the financial performance of Aflac's insurance operations because realized investment gains and losses (securities transactions, impairments, and derivative and hedging activities) as well as nonrecurring items, tend to be driven by general economic conditions and events or are related to infrequent activities not directly associated with our insurance operations, and therefore may obscure the underlying fundamentals and trends in Aflac's insurance operations.

The following table is a reconciliation of items impacting operating and net earnings and operating and net earnings per diluted share.

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Reconciliation of Operating Earnings to Net Earnings

	In Millions		Per Diluted Share		In Millions		Per Diluted Share	
	Three Months Ended June 30,				Six Months Ended June 30,			
	2013	2012	2013	2012	2013	2012	2013	2012
Operating earnings	$759	$755	$1.62	$1.61	$1,549	$1,569	$3.31	$3.35
Items impacting net earnings, net of tax:								
Realized investment gains (losses):								
Securities transactions and impairments	55	(228)	.12	(.49)	97	(310)	.20	(.66)
Impact of derivative and hedging activities:								
Hedge costs related to foreign currency investments	(4)	0	(.01)	.00	(7)	0	(.02)	.00
Other derivative and hedging activities	79	(44)	.17	(.09)	142	9	.31	.02
Net earnings	$889	$483	$1.90	$1.03	$1,781	$1,268	$3.80	$2.71

Realized Investment Gains and Losses

Our investment strategy is to invest primarily in fixed-income securities to provide a reliable stream of investment income, which is one of the drivers of the Company’s profitability. This investment strategy incorporates asset-liability matching (ALM) to align the expected cash flows of the portfolio to the needs of the Company's liability structure. We do not purchase securities with the intent of generating capital gains or losses. However, investment gains and losses may be realized as a result of changes in the financial markets and the creditworthiness of specific issuers, tax planning strategies, and/or general portfolio maintenance and rebalancing. The realization of investment gains and losses is independent of the underwriting and administration of our insurance products, which are the principal drivers of our profitability.

Securities Transactions and Impairments

During the three-month period ended June 30, 2013, we realized pretax investment gains, net of losses, of $86 million ($55 million after-tax) from sales and redemptions of securities.

During the six-month period ended June 30, 2013, we realized pretax investment gains, net of losses, of $205 million ($132 million after-tax) from sales and redemptions of securities. We realized pretax investment losses of $55 million ($35 million after-tax) as a result of the recognition of other-than-temporary impairment losses on certain securities.

During the three-month period ended June 30, 2012, we realized pretax investment losses, net of gains, of $8 million ($5 million after-tax) from sales and redemptions of securities. These net losses primarily resulted from sales related to our plan to reduce the risk exposure in our investment portfolio. We realized pretax investment losses of $343 million ($223 million after-tax) as a result of the recognition of other-than-temporary impairment losses, primarily for certain securities issued by Spanish institutions and further impairments on several securities that had previously been impaired.

During the six-month period ended June 30, 2012, we realized pretax investment gains, net of losses, of $70 million ($45 million after-tax) from sales and redemptions of securities. These gains primarily resulted from both the redemption of a previously impaired perpetual security and sales related to our plan to reduce the risk exposure in our investment portfolio. We realized pretax investment losses of $546 million ($355 million after-tax) as a result of the

recognition of other-than-temporary impairment losses, primarily impairments recognized in the first quarter for two Tier I securities that were sold in the second quarter of 2012 and certain impairments in the second quarter as discussed above.

See Note 3 of the Notes to Consolidated Financial Statements for a more detailed discussion of these investment activities.

The following table details our pretax impairment losses by investment category.

	Three Months Ended June 30,		Six Months Ended June 30,	
(In millions)	2013	2012	2013	2012
Perpetual securities	$0	$76	$0	$216
Corporate bonds	0	120	38	183
Mortgage- and asset-backed securities	0	3	0	3
Sovereign and supranational	0	144	16	144
Equity securities	0	0	1	0
Total other-than-temporary impairment losses realized	$0 [1]	$343 [1]	$55 [1]	$546 [1]

[1] Includes $0 and $267 for the three-month periods and $0 and $295 for the six-month periods ended June 30, 2013 and 2012, respectively, for credit-related impairments; $0 for the three-month period and $1 for the six-month period ended June 30, 2013 for impairments due to severity and duration of decline in fair value; and $0 and $76 for the three-month periods and $54 and $251 for the six-month periods ended June 30, 2013 and 2012, respectively, from change in intent to sell securities

Impact of Derivative and Hedging Activities

Our derivative activities include foreign currency, interest rate and credit default swaps in VIEs that are consolidated; foreign currency forwards on certain fixed-maturity securities; foreign currency forwards and options that hedge certain portions of forecasted cash flows denominated in yen; cross-currency interest rate swaps associated with certain of our senior notes and our subordinated debentures; and an interest rate swap associated with our variable interest rate yen-denominated debt. During the three-month period ended June 30, 2013, we realized pretax investment gains, net of losses, of $115 million ($75 million after-tax), compared with pretax investment losses, net of gains, of $67 million ($44 million after-tax) for the same period in 2012, as a result of valuing these derivatives, net of the effects of hedge accounting. During the six-month period ended June 30, 2013, we realized pretax investment gains, net of losses, of $207 million ($135 million after-tax), compared with pretax investment gains, net of losses, of $13 million ($9 million after-tax) for the same period in 2012, as a result of valuing these derivatives, net of the effects of hedge accounting. For a description of other items that could be included in the Impact of Derivative and Hedging Activities, see the Hedging Activities subsection of MD&A and Note 4 of the accompanying Notes to the Consolidated Financial Statements.

For additional information regarding realized investment gains and losses, see Notes 3 and 4 of the Notes to the Consolidated Financial Statements.

Foreign Currency Translation

Aflac Japan’s premiums and most of its investment income are received in yen. Claims and expenses are paid in yen, and we have yen-denominated assets that support yen-denominated policy liabilities. These and other yen-denominated financial statement items are translated into dollars for financial reporting purposes. We translate Aflac Japan’s yen-denominated income statement into dollars using an average exchange rate for the reporting period, and we translate its yen-denominated balance sheet using the exchange rate at the end of the period.

Due to the size of Aflac Japan, where our functional currency is the Japanese yen, fluctuations in the yen/dollar exchange rate can have a significant effect on our reported results. In periods when the yen weakens, translating yen into dollars results in fewer dollars being reported. When the yen strengthens, translating yen into dollars results in more dollars being reported. Consequently, yen weakening has the effect of suppressing current period results in relation to the comparable prior period, while yen strengthening has the effect of magnifying current period results in relation to the comparable prior period. As a result, we view foreign currency translation as a financial reporting issue for Aflac and not an economic event to our Company or shareholders. Because changes in exchange rates distort the growth rates of our operations, management evaluates Aflac’s financial performance excluding the impact of foreign currency translation.

Income Taxes

Our combined U.S. and Japanese effective income tax rate on pretax earnings was 34.5% for the three-month period ended June 30, 2013, compared with 34.8% for the same period in 2012. Our combined U.S. and Japanese

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effective income tax rate on pretax earnings was 34.5% for the six-month period ended June 30, 2013, compared with 34.7% for the same period in 2012.

Earnings Guidance

Certain items that cannot be predicted or that are outside of management's control may have a significant impact on net earnings. Therefore, in comparing period-over-period results, we also analyze operating earnings (a non-GAAP financial measure) which excludes realized investment gains and losses (securities transactions, impairments, and the impact of derivative and hedging activities) and nonrecurring items from net earnings. We also assume no impact from foreign currency translation on the Aflac Japan segment and the Parent Company's yen-denominated interest expense for a given period in relation to the prior period.

Our objective for 2013 is to increase operating earnings per diluted share by 4% to 7% over 2012, excluding the effect of foreign currency translation. If we achieve our objective for 2013, the following table shows the likely results for operating earnings per diluted share, including the impact of foreign currency translation using various yen/dollar exchange rate scenarios.

2013 Operating Earnings Per Diluted Share Scenarios[1]

Weighted-Average Yen/Dollar Exchange Rate	Operating Earnings Per Diluted Share	% Growth Over 2012	Yen Impact
79.81[2]	$6.86 - 7.06	3.9 - 7.0 %	$ .00
90	6.37 - 6.57	(3.5)- (.5)	(.49)
95	6.17 - 6.37	(6.5)- (3.5)	(.69)
100	5.99 - 6.19	(9.2)- (6.2)	(.87)
105	5.83 - 6.03	(11.7)- (8.6)	(1.03)

[1]Excludes realized investment gains/losses (securities transactions, impairments, and the impact of derivative and hedging activities) and nonrecurring items in 2013 and 2012

[2]Actual 2012 weighted-average exchange rate

Although we are above our target range for the first half of 2013, we plan on increasing spending in the second half of 2013. In Japan, we will increase expenditures on advertising and promotion for our new product launch in August 2013. In the United States, we anticipate increased costs associated with initiatives related to health care reform. As such, we expect operating earnings to increase approximately 5% for the full year of 2013, before the impact of foreign currency. We will face a difficult comparison in the third quarter of 2013 due to the tax benefit of $.10 per diluted share recognized in the same period last year. Assuming we achieve our earnings objective and the yen averages 95 to 105 to the dollar for the third quarter, we would expect earnings in the third quarter to be approximately $1.41 to $1.51 per diluted share. Using that same exchange rate assumption, we would expect full-year 2013 operating earnings will be in the range of $5.83 to $6.37 per diluted share.

INSURANCE OPERATIONS

Aflac's insurance business consists of two segments: Aflac Japan and Aflac U.S. Aflac Japan, which operates as a branch of Aflac, is the principal contributor to consolidated earnings. GAAP financial reporting requires that a company report financial and descriptive information about operating segments in its annual and interim period financial statements. Furthermore, we are required to report a measure of segment profit or loss, certain revenue and expense items, and segment assets.

We measure and evaluate our insurance segments' financial performance using operating earnings on a pretax basis. We define segment operating earnings as the profits we derive from our operations before realized investment gains and losses (securities transactions, impairments, and the impact of derivative and hedging activities) and nonrecurring items. We believe that an analysis of segment pretax operating earnings is vitally important to an understanding of the underlying profitability drivers and trends of our insurance business. Furthermore, because a significant portion of our business is conducted in Japan, we believe it is equally important to understand the impact of translating Japanese yen into U.S. dollars.

We evaluate our sales efforts using new annualized premium sales, an industry operating measure. New annualized premium sales, which include both new sales and the incremental increase in premiums due to conversions, represent

the premiums that we would collect over a 12-month period, assuming the policies remain in force. For Aflac Japan, new

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annualized premium sales are determined by applications submitted during the reporting period. For Aflac U.S., new annualized premium sales are determined by applications that are issued during the reporting period. Premium income, or earned premiums, is a financial performance measure that reflects collected or due premiums that have been earned ratably on policies in force during the reporting period.

AFLAC JAPAN SEGMENT

Aflac Japan Pretax Operating Earnings

Changes in Aflac Japan's pretax operating earnings and profit margins are primarily affected by morbidity, mortality, expenses, persistency and investment yields. The following table presents a summary of operating results for Aflac Japan.

Aflac Japan Summary of Operating Results

	Three Months Ended June 30,		Six Months Ended June 30,	
(In millions)	2013	2012	2013	2012
Premium income	$3,717	$4,216	$7,622	$8,364
Net investment income:				
Yen-denominated investment income	367	473	769	946
Dollar-denominated investment income	286	218	558	475
Net investment income	653	691	1,327	1,421
Other income (loss)	12	0	38	16
Total operating revenues	4,382	4,907	8,987	9,801
Benefits and claims	2,697	3,044	5,528	6,011
Operating expenses:				
Amortization of deferred policy acquisition costs	153	177	316	355
Insurance commissions	231	290	479	585
Insurance and other expenses	361	432	735	846
Total operating expenses	745	899	1,530	1,786
Total benefits and expenses	3,442	3,943	7,058	7,797
Pretax operating earnings[(1)]	$940	$964	$1,929	$2,004
Weighted-average yen/dollar exchange rate	98.76	80.19	95.60	79.88

Percentage change over previous period:	In Dollars				In Yen			
	Three Months Ended June 30,		Six Months Ended June 30,		Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012	2013	2012	2013	2012
Premium income	(11.8)%	11.8 %	(8.9)%	11.9 %	8.6 %	9.7 %	9.2 %	8.8 %
Net investment income	(5.4)	8.6	(6.6)	10.6	16.6	6.9	11.8	7.8
Total operating revenues	(10.7)	11.2	(8.3)	11.6	10.0	9.2	9.8	8.5
Pretax operating earnings[(1)]	(2.5)	4.2	(3.7)	5.5	20.1	2.4	15.2	2.8

(1) See the Insurance Operations section of this MD&A for our definition of segment operating expenses.

The percentage increases in premium income in yen reflect the growth of premiums in force. Annualized premiums in force increased 8.0% to 1.54 trillion yen as of June 30, 2013, compared with 1.42 trillion yen as of June 30, 2012. The increase in annualized premiums in force in yen reflects the sales of new policies combined with the high persistency of Aflac Japan's business. Annualized premiums in force, translated into dollars at respective period-end exchange rates, were $15.6 billion at June 30, 2013, compared with $18.0 billion a year ago.

Aflac Japan's investment portfolios include dollar-denominated securities and reverse-dual currency securities (yen-denominated debt securities with dollar coupon payments). Dollar-denominated investment income from these assets accounted for approximately 42% of Aflac Japan's investment income in the first six months of 2013, compared with 34% a year ago. In periods when the yen strengthens in relation to the dollar, translating Aflac Japan's dollar-denominated investment income into yen lowers growth rates for net investment income, total operating revenues, and pretax operating earnings in yen terms. In periods when the yen weakens, translating

dollar-denominated investment income into yen

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magnifies growth rates for net investment income, total operating revenues, and pretax operating earnings in yen terms. Excluding foreign currency changes from the prior period, dollar-denominated investment income accounted for approximately 38% of Aflac Japan's investment income during the first six months of 2013, compared with 34% a year ago.

The following table illustrates the effect of translating Aflac Japan's dollar-denominated investment income and related items into yen by comparing certain segment results with those that would have been reported had yen/dollar exchange rates remained unchanged from the comparable period in the prior year.

Aflac Japan Percentage Changes Over Previous Period
(Yen Operating Results)
For the Periods Ended June 30,

	Including Foreign Currency Changes				Excluding Foreign Currency Changes[2]			
	Three Months		Six Months		Three Months		Six Months	
	2013	2012	2013	2012	2013	2012	2013	2012
Net investment income	16.6 %	6.9 %	11.8 %	7.8 %	6.8 %	7.4 %	4.0 %	8.6 %
Total operating revenues	10.0	9.2	9.8	8.5	8.6	9.6	8.5	8.7
Pretax operating earnings[1]	20.1	2.4	15.2	2.8	13.5	3.0	9.3	3.2

[1] See the Insurance Operations section of this MD&A for our definition of segment operating earnings.
[2] Amounts excluding foreign currency changes on dollar-denominated items were determined using the same yen/dollar exchange rate for the current period as the comparable period in the prior year.

The following table presents a summary of operating ratios in yen terms for Aflac Japan.

	Three Months Ended June 30,		Six Months Ended June 30,	
Ratios to total revenues:	2013	2012	2013	2012
Benefits and claims	61.5 %	62.0 %	61.5 %	61.3 %
Operating expenses:				
Amortization of deferred policy acquisition costs	3.5	3.6	3.5	3.6
Insurance commissions	5.3	5.9	5.3	6.0
Insurance and other expenses	8.2	8.9	8.2	8.6
Total operating expenses	17.0	18.4	17.0	18.2
Pretax operating earnings[1]	21.5	19.6	21.5	20.5

[1] See the Insurance Operations section of this MD&A for our definition of segment operating earnings.

In the past several years, the ratio of benefits and claims to total revenues (benefit ratio) for our health products has been positively impacted by favorable claim trends, primarily in our cancer product line. We expect this downward claim trend to continue. However, over the last several years, the rate of decline in Aflac Japan's benefit ratio has moderated, due primarily to strong sales results in our ordinary products, including WAYS and child endowment. These products have higher benefit ratios and lower expense ratios than our health products. The benefit ratio has also been impacted by the effect of low investment yields and portfolio derisking, both of which impact our profit margin by reducing the spread between investment yields and required interest on policy reserves. In the three- and six-month periods ended June 30, 2013, the operating expense ratio decreased, resulting in a higher pretax operating profit margin, compared with the same respective period in 2012, primarily due to the change in business mix discussed above. For the full year of 2013, we expect this trend to continue.

Aflac Japan Sales

The following table presents Aflac Japan's new annualized premium sales for the periods ended June 30.

	In Dollars				In Yen			
	Three Months		Six Months		Three Months		Six Months	
(In millions of dollars and billions of yen)	2013	2012	2013	2012	2013	2012	2013	2012
New annualized premium sales	$307	$664	$885	$1,323	30.3	53.2	84.1	105.6
Increase (decrease) over prior year	(53.7)%	50.1 %	(33.0)%	54.5 %	(43.1)%	47.4 %	(20.4)%	50.5 %

The following table details the contributions to new annualized premium sales by major insurance product for the periods ended June 30.

	Three Months		Six Months	
	2013	2012	2013	2012
Medical	27.1 %	16.9 %	19.7 %	17.0 %
Cancer	23.6	13.4	16.0	13.2
Ordinary life:				
Child endowment	11.4	12.2	13.6	13.0
WAYS	23.3	45.2	35.4	44.8
Other ordinary life	10.6	7.9	11.3	7.8
Other	4.0	4.4	4.0	4.2
Total	100.0 %	100.0 %	100.0 %	100.0 %

As anticipated, Aflac Japan's overall sales declined in the second quarter of 2013 compared with the second quarter of 2012. This decline was primarily the result of two factors: the repricing of WAYS and other first sector life products, reflecting lower assumed interest rates; and improved investment returns for equities and fixed-income investments, which caused customers at banks to shift their focus from WAYS-type insurance products to investment trusts.

The foundation of Aflac Japan's product portfolio has been, and continues to be, our cancer and medical products. Sales of cancer and medical products combined decreased 4.9% during the second quarter of 2013, compared with the same period in 2012. We anticipate focusing more on the development of our cancer and medical products following the repricing of our first sector life products in April 2013. With continued cost pressure on Japan’s health care system, we expect the need for cancer and medical products will continue to rise in the future, and we remain convinced that the medical and cancer products Aflac Japan provides will continue to be an important part of our product portfolio.

At June 30, 2013, we had agreements to sell our products at 373 banks, or more than 90% of the total number of banks in Japan. We believe we have significantly more banks selling our supplemental health insurance products than any other insurer operating in Japan. Japanese consumers rely on banks not only to provide traditional bank services, but also to provide insurance solutions, among other services. We believe our long-standing and strong relationships within the Japanese banking sector have proven to be advantageous to us in this channel. Our partnerships throughout the banking sector provide us with a wider demographic of potential customers than we would otherwise have been able to reach, and it also allows banks to expand their product and service offerings to consumers. As expected, sales of the WAYS product declined sharply in the second quarter of 2013, leading to a 67.2% decline in bank channel sales, compared with the second quarter of 2012. Bank channel sales accounted for 26.8% of new annualized premium sales in the second quarter of 2013 for Aflac Japan, compared with 46.5% during the second quarter of 2012.

We remain committed to selling through our traditional channels. These channels, consisting of affiliated corporate agencies, independent corporate agencies and individual agencies, accounted for 71.2% of total new annualized premium sales for Aflac Japan in the second quarter of 2013. During the three-month period ended June 30, 2013, we recruited more than 550 new sales agencies. At June 30, 2013, Aflac Japan was represented by approximately 17,300 sales agencies and more than 126,300 licensed sales associates employed by those agencies.

Our sales target and focus in 2013 continues to be centered around the sale of Aflac Japan's third sector products, including cancer and medical. While third sector cancer and medical product sales were down in the second quarter as expected, we continue to believe consumer response to our third sector products will be strong in the second half of 2013, particularly in the fourth quarter, in large part due to the new medical product that Aflac Japan will be introducing in August 2013. Therefore, we continue to believe Aflac Japan's sales of third sector products will be flat

to up 5% for the full year of 2013.

Japanese Economy

The Bank of Japan's July 2013 Monthly Report of Recent Economic and Financial Developments stated that Japan's economy is starting to recover moderately. Public investment has continued to increase, and housing investment has also been improving. Private consumption has remained resilient, assisted by the improvement in consumer sentiment. The report projected that Japan's economy is expected to recover moderately due to the resilience in domestic demand and the improving overseas economies. Exports are expected to increase moderately, also due to the improving overseas economies. As for domestic demand, public investment is expected to continue trending upward supported by the effects of various economic measures, and housing investment is expected to increase. Private consumption is expected to remain resilient, while industrial production is expected to continue increasing moderately. For additional information, see the Japanese Economy subsection of MD&A in our annual report to shareholders for the year ended December 31, 2012.

Japanese Regulatory Environment

In 2005, legislation aimed at privatizing Japan's postal system (Japan Post) was enacted into law. The privatization laws split Japan Post into four entities that began operating in October 2007. In 2007, one of these entities selected Aflac Japan as its provider of cancer insurance to be sold through its post offices, and, in 2008, we began selling cancer insurance through these post offices. Japan Post has historically been a popular place for consumers to purchase insurance products. Legislation to reform the postal system passed the Diet in April 2012 and resulted in the merger of two of the postal operating entities (the one that delivers the mail and the one that runs the post offices) on October 1, 2012. On July 26, 2013, Aflac Japan entered into a new agreement with Japan Post Holdings to further expand the partnership that was initially established in 2008. Through this alliance, Japan Post Holdings intends to expand the number of post offices that offer Aflac's cancer products, gradually increasing from 1,000 postal outlets to 20,000 outlets. Also, subject to regulatory approval, Japan Post Insurance (Kampo) will enter into an agency contract with Aflac Japan to begin distributing Aflac Japan's cancer insurance products at all of Kampo's 79 directly managed sales offices. Upon consultations with Japan Post Group, Aflac Japan will consider developing an exclusive cancer product for both Japan Post and Kampo.

Aflac Japan Investments

The level of investment income in yen is affected by available cash flow from operations, the timing of investing the cash flow, yields on new investments, and the effect of yen/dollar exchange rates on dollar-denominated investment income. Aflac Japan has historically invested primarily in Japanese Government Bonds (JGBs) and privately issued securities. Privately issued securities generally have higher yields than those available on JGBs and other publicly traded debt instruments. All of the privately issued securities we purchased were rated investment grade at the time of purchase. These securities were generally issued with documentation consistent with standard medium-term note programs. In addition, many of these investments have protective covenants appropriate to the specific issuer, industry and country. These covenants often require the issuer to adhere to specific financial ratios and give priority to repayment of our investment under certain circumstances.

In order to address our challenge of investing in Japan's low-interest-rate environment and reduce the amounts of privately issued securities in our overall portfolio, in the third quarter of 2012, we began investing in higher-yielding U.S. dollar-denominated publicly-traded investment grade corporate fixed-maturity securities, and entered into foreign currency forwards to economically convert these dollar-denominated investments into yen-denominated investments.

The following table presents the results of Aflac Japan’s investment yields for the periods ended June 30.

	Three Months				Six Months			
	2013	[1]	2012		2013	[1]	2012	
New money yield	3.02	%	1.97	%	3.02	%	2.00	%
Return on average invested assets, net of investment expenses	2.92		2.93		2.88		3.06	
Portfolio yield, including dollar-denominated investments, end of period	3.01	%	3.10	%	3.01	%	3.10	%

[1]Yields are reported before the cost of foreign currency forwards that hedge foreign exchange risk of U.S. dollar-denominated publicly-
traded corporate bonds.

See Notes 3, 4 and 5 of the Notes to the Consolidated Financial Statements and the Analysis of Financial Condition section of this MD&A for additional information on our investments and hedging strategies.

AFLAC U.S. SEGMENT

Aflac U.S. Pretax Operating Earnings

Changes in Aflac U.S. pretax operating earnings and profit margins are primarily affected by morbidity, mortality, expenses, persistency and investment yields. The following table presents a summary of operating results for Aflac U.S.

Aflac U.S. Summary of Operating Results

	Three Months Ended June 30,		Six Months Ended June 30,	
(In millions)	2013	2012	2013	2012
Premium income	$1,295	$1,251	$2,575	$2,482
Net investment income	158	153	314	304
Other income	1	2	4	5
Total operating revenues	1,454	1,406	2,893	2,791
Benefits and claims	714	719	1,404	1,397
Operating expenses:				
Amortization of deferred policy acquisition costs	98	92	218	202
Insurance commissions	147	142	292	282
Insurance and other expenses	212	195	415	381
Total operating expenses	457	429	925	865
Total benefits and expenses	1,171	1,148	2,329	2,262
Pretax operating earnings[(1)]	$283	$258	$564	$529
Percentage change over previous year:				
Premium income	3.5 %	5.5 %	3.8 %	5.3 %
Net investment income	3.1	3.6	3.2	4.5
Total operating revenues	3.4	5.2	3.6	5.2
Pretax operating earnings[(1)]	9.9	6.3	6.6	7.2

[(1)] See the Insurance Operations section of this MD&A for our definition of segment operating earnings.

Annualized premiums in force increased 3.6% to $5.5 billion as of June 30, 2013, compared with $5.3 billion as of June 30, 2012.

The following table presents a summary of operating ratios for Aflac U.S.

	Three Months Ended June 30,		Six Months Ended June 30,	
Ratios to total revenues:	2013	2012	2013	2012
Benefits and claims	49.1 %	51.1 %	48.5 %	50.1 %
Operating expenses:				
Amortization of deferred policy acquisition costs	6.7	6.6	7.5	7.2
Insurance commissions	10.1	10.1	10.1	10.1
Insurance and other expenses	14.6	13.9	14.4	13.6
Total operating expenses	31.4	30.6	32.0	30.9
Pretax operating earnings[(1)]	19.5	18.3	19.5	19.0

[(1)]See the Insurance Operations section of this MD&A for our definition of segment operating earnings.

The benefit ratio decreased and the expense ratio increased in the three- and six-month periods ended June 30, 2013, compared with the same respective periods in 2012. For the full year of 2013, we expect the benefit and expense ratios and pretax operating profit margin to be similar to those experienced in 2012.

Aflac U.S. Sales

The following table presents Aflac's U.S. new annualized premium sales for the periods ended June 30.

	Three Months		Six Months	
(In millions)	2013	2012	2013	2012
New annualized premium sales	$364	$359	$696	$709
Increase (decrease) over prior year	1.4 %	1.5 %	(1.9)%	3.0 %

The following table details the contributions to new annualized premium sales by major insurance product category for the periods ended June 30.

	Three Months		Six Months	
	2013	2012	2013	2012
Income-loss protection:				
Short-term disability	20.9 %	20.3 %	21.1 %	20.2 %
Life	5.3	5.6	5.4	5.7
Asset-loss protection:				
Accident	26.9	30.3	27.0	29.8
Critical care[1]	19.5	22.1	20.1	22.9
Supplemental medical:				
Hospital indemnity	17.2	15.3	16.6	15.0
Dental/vision	6.5	6.4	6.4	6.4
Other	3.7	0.0	3.4	0.0
Total	100.0 %	100.0 %	100.0 %	100.0 %

(1) Includes cancer, critical illness, and hospital intensive care products

New annualized premium sales for accident insurance, our leading product category, decreased 10.1%, short-term disability sales increased 4.5%, critical care insurance sales (including cancer insurance) decreased 10.3%, and hospital indemnity insurance sales increased 14.0% in the second quarter of 2013, compared with the same period in 2012.

As part of our U.S. sales strategy, we continue to focus on growing and enhancing the effectiveness of our U.S. sales force. As of June 30, 2013, our distribution network was made up of more than 76,200 licensed sales associates and brokers. Beyond expanding the size and capabilities of our traditional sales force, we remain encouraged about establishing and developing relationships with insurance brokers that typically handle the larger-case market.

The addition of group products has expanded our reach and enabled us to generate more sales opportunities with larger employers, brokers, and our traditional sales agents. We anticipate that the appeal of our group products will continue to enhance our opportunities to connect with larger businesses and their employees. Our portfolio of group and individual products offers businesses the opportunity to give their employees a more valuable and comprehensive selection of benefit options.

The unemployment rate in the United States has shown some signs of improvement; however, we continue to see hiring remain weak, especially at smaller employers where 90% of our business is written. While we are preparing the groundwork for future growth, we are still working hard to achieve our annual sales target. We believe the need for our products remains very strong and are taking measures to better reach potential customers. We continue to look for opportunities to leverage our strong brand and relevant product portfolio in the evolving health care environment.

U.S. Economy

Operating in the U.S. economy continues to be challenging. Our group products and growing relationships with insurance brokers that handle the larger-case market are helping us as we expand our reach selling to larger businesses. However, more than 90% of our products are sold in the small business segment, consisting of accounts with fewer than 100 employees. Small businesses, in particular, have proven to be especially vulnerable to ongoing economic weakness. Small employers are still guarded with respect to their business outlook, and employees have been reluctant to make changes in their benefits in advance of health care reform implementation. Although we believe that the weakened U.S. economy has dampened our sales growth, we also believe our products remain affordable to the average American

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consumer. We believe that consumers' underlying need for our U.S. product line remains strong, and that the United States remains a sizeable and attractive market for our products.

U.S. Regulatory Environment

In March 2010, President Barack Obama signed into law the Patient Protection and Affordable Care Act and Health Care and Education Reconciliation Act of 2010 (ACA) to give Americans of all ages and income levels access to comprehensive major medical health insurance. Although some segments of the law have already been implemented, the major elements of the bill will become effective on January 1, 2014. The primary subject of the legislation is major medical insurance; therefore, we believe that the ACA, as enacted, does not materially affect the design of our insurance products. However, indirect consequences of the legislation and regulations, including short-term uncertainty related to implementation, could present challenges and/or opportunities that could potentially have an impact on our sales model, financial condition and results of operations. Our experience with Japan’s national health care environment leads us to believe that the need for our products will only increase over the coming years.

In July 2010, President Obama signed into law the Dodd-Frank Wall Street Reform and Consumer Protection Act, commonly known as the Dodd-Frank Act, which, among other things, created a Financial Stability Oversight Council (the Council). In April 2012, the Council released a final rule describing the general process the Council will follow in determining whether to designate a nonbank financial company for supervision by the Board of Governors of the U.S. Federal Reserve System (the Board). The Council may designate by a two-thirds vote whether certain nonbank financial companies, including certain insurance companies and insurance holding companies, could pose a threat to the financial stability of the United States, in which case such nonbank financial companies would become subject to prudential regulation by the Board. On April 3, 2013, the Board published a final rule that establishes the requirements for determining when a nonbank financial company is "predominantly engaged in financial activities" - a prerequisite for designation by the Council. Prudential regulation by the Board includes supervision of capital requirements, leverage limits, liquidity requirements and examinations. The Board may limit such company’s ability to enter into merger transactions, restrict its ability to offer financial products, require it to terminate one or more activities, or impose conditions on the manner in which it conducts activities. Although Aflac is a nonbank financial company predominantly engaged in financial activities under Title I of the Dodd-Frank Act, we do not believe Aflac will be considered a company that poses a threat to the financial stability of the United States. Title VII of the Dodd-Frank Act and regulations issued thereunder may have an impact on Aflac's derivative activity, including activity on behalf of Aflac Japan, in particular rules and rule proposals to require central clearing and collateral for certain types of derivatives. The Dodd-Frank Act also established a Federal Insurance Office under the U.S. Treasury Department to monitor all aspects of the insurance industry and of lines of business other than certain health insurance, certain long-term care insurance and crop insurance. Traditionally, U.S. insurance companies have been regulated primarily by state insurance departments. The Dodd-Frank Act requires extensive rule-making and other future regulatory action, which in some cases will take a period of years to implement. However, at the current time, it is not possible to predict with any degree of certainty what impact, if any, the Dodd-Frank Act will have on our U.S. business, financial condition, or results of operations.

Aflac U.S. Investments

The level of investment income is affected by available cash flow from operations, profit repatriation from Aflac Japan, the timing of investing the cash flow, yields on new investments, and other factors. Aflac U.S. has invested primarily in investment grade corporate bonds.

The following table presents the results of Aflac's U.S. investment yields for the periods ended June 30.

	Three Months				Six Months			
	2013		2012		2013		2012	
New money yield	3.70	%	4.36	%	3.70	%	4.52	%
Return on average invested assets, net of investment expenses	5.81		6.42		5.83		6.45	
Portfolio yield, end of period	6.11	%	6.54	%	6.11	%	6.54	%

The decrease in the U.S. new money yield for the three- and six- month periods ended June 30, 2013 reflects a low level of interest rates and tightening credit spreads. See Notes 3 and 5 of the Notes to the Consolidated Financial Statements and the Analysis of Financial Condition section of this MD&A for additional information on our investments.

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ANALYSIS OF FINANCIAL CONDITION

Our financial condition has remained strong in the functional currencies of our operations. The yen/dollar exchange rate at the end of each period is used to translate yen-denominated balance sheet items to U.S. dollars for reporting purposes.

The following table demonstrates the effect of the change in the yen/dollar exchange rate by comparing select balance sheet items as reported at June 30, 2013, with the amounts that would have been reported had the exchange rate remained unchanged from December 31, 2012.

Impact of Foreign Exchange on Balance Sheet Items

(In millions)	As Reported	Exchange Effect	Net of Exchange Effect
Yen/dollar exchange rate[1]	98.59		86.58
Investments and cash	$103,936	$(9,649)	$ 113,585
Deferred policy acquisition costs	9,028	(849)	9,877
Total assets	116,313	(10,722)	127,035
Policy liabilities	90,626	(11,351)	101,977
Total liabilities	102,617	(12,118)	114,735

[1]The exchange rate at June 30, 2013, was 98.59 yen to one dollar, or 12.2% weaker than the December 31, 2012, exchange rate of 86.58.

Market Risks of Financial Instruments

Our investment philosophy is to maximize investment income while emphasizing liquidity, safety and quality. Our investment objective, subject to appropriate risk constraints, is to fund policyholder obligations and other liabilities in a manner that enhances shareholders' equity. We seek to achieve this objective through a diversified portfolio of fixed-income investments that reflects the characteristics of the liabilities it supports.

The following table details investment securities by segment.

Investment Securities by Segment

	Aflac Japan		Aflac U.S.	
(In millions)	June 30, 2013	December 31, 2012	June 30, 2013	December 31, 2012
Securities available for sale, at fair value:				
Fixed maturities	$44,406	$45,472	$11,201 [1]	$11,625 [1]
Perpetual securities	2,731	4,127	103	175
Equity securities	22	23	0	0
Total available for sale	47,159	49,622	11,304	11,800
Securities held to maturity, at amortized cost:				
Fixed maturities	42,718	54,426	0	0
Total held to maturity	42,718	54,426	0	0
Total investment securities	$89,877	$104,048	$11,304	$11,800

[1]Excludes investment-grade, available-for-sale fixed-maturity securities held by the Parent Company of $203 in 2013 and $156 in
2012.

Because we invest in fixed-income securities, our financial instruments are exposed primarily to three types of market risks: currency risk, interest rate risk, and credit risk.

Currency Risk

The functional currency of Aflac Japan's insurance operations is the Japanese yen. All of Aflac Japan's premiums, claims and commissions are received or paid in yen, as are most of its investment income and other expenses. While we began investing a portion of our yen cash flow in dollar-denominated securities in the third quarter of 2012, most of Aflac Japan's investments, cash and liabilities are yen-denominated. When yen-denominated securities mature or are sold, the

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proceeds are generally reinvested in yen-denominated securities. Aflac Japan holds these yen-denominated assets to fund its yen-denominated policy obligations. In addition, Aflac Incorporated has yen-denominated debt obligations.
We are exposed to economic currency risk only when yen funds are actually converted into dollars. This primarily occurs when we repatriate yen-denominated funds from Aflac Japan to Aflac U.S., which is generally done annually. The exchange rates prevailing at the time of repatriation will differ from the exchange rates prevailing at the time the yen profits were earned. A portion of the yen repatriation may be used to service Aflac Incorporated's yen-denominated notes payable with the remainder converted into dollars. In order to hedge foreign exchange risk for a portion of the profit repatriation received in yen from Aflac Japan in July 2013, we entered into foreign exchange forwards and options in the first six months of 2013 as part of a hedging strategy on 65 billion yen. Aflac further hedged foreign exchange risk for a portion of the expected profit repatriation in yen from Aflac Japan scheduled to occur in July 2014 using foreign exchange forwards and options as part of a hedging strategy on 47.5 billion yen.
In addition to profit repatriation, certain investment activities for Aflac Japan expose us to economic currency risk when yen are converted into dollars. As noted above, we invest a portion of our yen cash flows in dollar-denominated assets. This requires that we convert the yen cash flows to U.S. dollars before investing. As previously discussed, we then enter into a foreign currency forward contract to hedge the currency risk on the fair value of the U.S. dollar securities. The dollar coupon payments received on these investments are not hedged and are subject to foreign exchange fluctuations, which are realized in earnings. These coupons are then available for reinvestment through the U.S. dollar program. Also, Aflac Japan has invested in reverse-dual currency securities (RDCs, or yen-denominated debt securities with dollar coupon payments), which exposes Aflac to changes in foreign exchange rates. The foreign currency effect on the yen-denominated securities is accounted for as a component of unrealized gains or losses on available-for-sale securities in accumulated other comprehensive income, while the foreign currency effect on the dollar coupons is realized in earnings. The dollar coupons received in this RDC program are converted to yen and are available for reinvestment in yen. The RDCs provided a higher yield at the time of purchase than those available on Japanese government or other public corporate bonds, while still adhering to prudent standards of credit quality. The yen/dollar exchange rate would have to strengthen to approximately 45 before the yield on these instruments would equal that of a comparable yen-denominated instrument.
Aside from the activities discussed above, we generally do not convert yen into dollars; however, we do translate financial statement amounts from yen into dollars for financial reporting purposes. Therefore, reported amounts are affected by foreign currency fluctuations. We report unrealized foreign currency translation gains and losses in accumulated other comprehensive income. In periods when the yen weakens against the dollar, translating yen into dollars causes fewer dollars to be reported. When the yen strengthens, translating yen into dollars causes more dollars to be reported. The weakening of the yen relative to the dollar will generally adversely affect the value of our yen-denominated investments in dollar terms. We attempt to minimize the exposure of shareholders' equity to foreign currency translation fluctuations. We accomplish this by investing a portion of Aflac Japan's investment portfolio in dollar-denominated securities and by the Parent Company's issuance of yen-denominated debt (for additional information, see the discussion under the Hedging Activities subsection of MD&A). As a result, the effect of currency fluctuations on our net assets is reduced.
The following table demonstrates the effect of foreign currency fluctuations by presenting the dollar values of our yen-denominated assets and liabilities, and our consolidated yen-denominated net asset exposure at selected exchange rates.

Dollar Value of Yen-Denominated Assets and Liabilities at Selected Exchange Rates						
(In millions)	June 30, 2013			December 31, 2012		
Yen/dollar exchange rates	83.59	98.59[1]	113.59	71.58	86.58[1]	101.58
Yen-denominated financial instruments:						
Assets:						
Securities available for sale:						
Fixed maturities[2]	$25,342	$21,487	$18,649	$30,649	$25,339	$21,597
Fixed maturities - consolidated variable interest entities[3]	2,542	2,155	1,870	3,272	2,705	2,306
Perpetual securities	2,661	2,255	1,957	4,270	3,530	3,009
Perpetual securities - consolidated variable interest entities[3]	429	364	316	592	489	417
Equity securities	21	17	15	21	18	15
Securities held to maturity:						
Fixed maturities	50,085	42,464	36,857	65,481	54,137	46,143
Fixed maturities - consolidated variable interest entities[3]	299	254	220	349	289	246
Cash and cash equivalents	490	416	361	463	383	326
Derivatives[4]	2,402	620	821	960	345	538
Other financial instruments	168	143	125	186	153	131
Subtotal	84,439	70,175	61,191	106,243	87,388	74,728
Liabilities:						
Notes payable	881	747	648	1,030	852	726
Japanese policyholder protection corporation	2	2	2	28	23	20
Derivatives[4]	702	447	1,809	567	934	1,829
Subtotal	1,585	1,196	2,459	1,625	1,809	2,575
Net yen-denominated financial instruments	82,854	68,979	58,732	104,618	85,579	72,153
Other yen-denominated assets	8,862	7,514	6,522	10,189	8,423	7,179
Other yen-denominated liabilities	101,908	86,403	74,994	119,778	99,026	84,403
Consolidated yen-denominated net assets (liabilities) subject to foreign currency fluctuation[2]	$(10,192)	$(9,910)	$(9,740)	$(4,971)	$(5,024)	$(5,071)

[1] Actual period-end exchange rate
[2] Does not include the U.S. dollar-denominated corporate bonds for which we have entered into foreign currency forwards as
discussed in the Aflac Japan Investment subsection of MD&A
[3] Does not include U.S. dollar-denominated bonds that have corresponding cross-currency swaps in consolidated VIEs
[4] Changes in yen rates have significant impacts on the values of derivative assets and liabilities. The hypothetical changes in derivative values for the asset and liability line items include any required reclassification that would be necessary due to the changes in values.

We are required to consolidate certain variable interest entities (VIEs). Some of the consolidated VIEs in our Aflac Japan portfolio use foreign currency swaps to convert foreign denominated cash flows to yen, the functional currency of Aflac Japan, in order to minimize cash flow fluctuations. Foreign currency swaps exchange an initial principal amount in two currencies, agreeing to re-exchange the currencies at a future date, at an agreed upon exchange rate. There may also be periodic exchanges of payments at specified intervals based on the agreed upon rates and notional amounts. Prior to consolidation, our beneficial interest in these VIEs was a yen-denominated available-for-sale fixed maturity security. Upon consolidation, the original yen-denominated investment was derecognized and the underlying

U.S. dollar-denominated fixed-maturity or perpetual securities and cross-currency swaps were recognized. The combination of a U.S. dollar-denominated investment and cross-currency swap economically creates a yen-denominated investment and has no impact on our net investment hedge position.

Similarly, the combination of the U.S. corporate bonds and the foreign currency forwards that we have entered into, as discussed in the Aflac Japan Investment subsection of MD&A, economically creates a yen-denominated investment that qualifies for inclusion as a component of our investment in Aflac Japan for net investment hedge purposes.

For additional information regarding our Aflac Japan net investment hedge, see the Hedging Activities subsection of MD&A.

Interest Rate Risk

Our primary interest rate exposure is to the impact of changes in interest rates on the fair value of our investments in debt and perpetual securities. We estimate that the reduction in the fair value of debt and perpetual securities we own resulting from a 100 basis point increase in market interest rates, based on our portfolios at June 30, 2013, and December 31, 2012, would be as follows:

(In millions)	June 30, 2013	December 31, 2012
Effect on yen-denominated debt and perpetual securities	$(9,050)	$(10,559)
Effect on dollar-denominated debt and perpetual securities	(3,072)	(2,909)
Effect on total debt and perpetual securities	$(12,122)	$(13,468)

There are various factors that affect the fair value of our investment in debt and perpetual securities. Included in those factors are changes in the prevailing interest rate environment, which directly affect the balance of unrealized gains or losses for a given period in relation to a prior period. Decreases in market yields generally improve the fair value of debt and perpetual securities, while increases in market yields generally have a negative impact on the fair value of our debt and perpetual securities. However, we do not expect to realize a majority of any unrealized gains or losses because we generally have the intent and ability to hold such securities until a recovery of value, which may be maturity. For additional information on unrealized losses on debt and perpetual securities, see Note 3 of the Notes to the Consolidated Financial Statements.

We attempt to match the duration of our assets with the duration of our liabilities. Currently, when debt and perpetual securities we own mature, the proceeds may be reinvested at a yield below that of the interest required for the accretion of policy benefit liabilities on policies issued in earlier years. However, adding riders to our older policies has helped offset negative investment spreads on these policies. Overall, adequate profit margins exist in Aflac Japan’s aggregate block of business because of changes in the mix of business and favorable experience from mortality, morbidity and expenses.

We entered into an interest rate swap agreement related to the 5.5 billion yen variable interest rate Samurai notes that we issued in July 2011. This agreement effectively converted the variable interest rate notes to fixed rate notes to eliminate the volatility in our interest expense. We also have interest rate swaps related to some of our consolidated VIEs. These interest rate swaps are primarily used to convert interest receipts on floating-rate fixed-maturity securities contracts to fixed rates. For further information, see Note 4 of the accompanying Notes to the Consolidated Financial Statements and Note 8 of the Notes to the Consolidated Financial Statements and the Interest Rate Risk subsection of MD&A in our annual report to shareholders for the year ended December 31, 2012.

Credit Risk

A significant portion of our investment portfolio consists of fixed income or perpetual securities that expose us to the credit risk of the underlying issuer. We carefully evaluate this risk on every new investment and closely monitor the credit risk of our existing investment portfolio. We incorporate the needs of our products and liabilities, the overall requirements of the business, and other factors in addition to our underwriting of the credit risk for each investment in the portfolio.

Evaluating the underlying risks in our credit portfolio involves a multitude of factors including but not limited to our assessment of the issuers business activities, assets, products, market position, financial condition, and future prospects. We also must incorporate the assessment of the Nationally Recognized Statistical Rating Organizations (NRSROs) and the SVO in assigning credit ratings to our specific portfolio holdings. We employ a team of experienced credit investment professionals to perform extensive internal assessments of the credit risks for all our portfolio holdings and potential new investments.

The ratings of our securities referenced in the two tables below are based on the ratings designations provided by major NRSROs (Moody's, S&P and Fitch) or, if not rated, are determined based on the ratings assigned by the SVO of the NAIC and/or our internal analysis of such securities. For investment-grade securities where the ratings assigned by the major credit agencies are not equivalent, we use the second lowest rating that is assigned. For a description of the ratings

methodology that we use when a security is split-rated, see "Market Risks of Financial Instruments - Below-Investment-Grade and Split-Rated Securities" in the Analysis of Financial Condition section of this MD&A.
The distributions by credit rating of our purchases of debt securities, based on acquisition cost, were as follows:
Composition of Purchases by Credit Rating

	Six Months Ended June 30, 2013	Twelve Months Ended December 31, 2012	Six Months Ended June 30, 2012
AAA	.9 %	.5 %	.5 %
AA	38.7	72.1	87.0
A	30.1	10.3	6.4
BBB	27.8	15.9	4.5
BB or lower	2.5	1.2	1.6
Total	100.0 %	100.0 %	100.0 %

Purchases of securities from period to period are determined based on multiple objectives including appropriate portfolio diversification, the relative value of a potential investment and availability of investment opportunities, liquidity, credit and other risk factors while adhering to our investment policy guidelines. We did not purchase any perpetual securities during the periods presented in the table above. The increase in purchases of A and BBB rated securities in 2013 was related primarily to the purchase of U.S. dollar-denominated corporate fixed-income publicly traded securities for the Aflac Japan portfolio as discussed further in the Results of Operations - Aflac Japan Segment section of this MD&A. The purchases of BB or lower rated securities in 2013 and 2012 were due to a limited program that was initiated in 2011 to invest in senior secured bank loans to U.S. and Canadian corporate borrowers, most of which have below-investment-grade ratings. The program is managed externally by third party firms specializing in this asset class. This mandate requires a minimum average credit quality of BB-/Ba3, prohibits loans rated below B/B2, and restricts exposure to any individual credit to less than 3% of the program’s assets. The objectives of this program include enhancing the yield on invested assets, achieving further diversification of credit risk, and mitigating the risk of rising interest rates through the acquisition of floating rate assets.
The distributions of debt and perpetual securities we own, by credit rating, were as follows:
Composition of Portfolio by Credit Rating

	June 30, 2013		December 31, 2012	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
AAA	1.5 %	1.6 %	1.5 %	1.6 %
AA	42.2	43.4	46.2	45.6
A	25.4	25.9	22.8	23.7
BBB	26.4	25.0	24.8	24.6
BB or lower	4.5	4.1	4.7	4.5
Total	100.0 %	100.0 %	100.0 %	100.0 %

As of June 30, 2013, our direct and indirect exposure to securities in our investment portfolio that were guaranteed by third parties was immaterial both individually and in the aggregate.
Subordination Distribution
The majority of our total investments in debt and perpetual securities was senior debt at June 30, 2013, and December 31, 2012. We also maintained investments in subordinated financial instruments that primarily consisted of Lower Tier II, Upper Tier II, and Tier I securities, listed in order of seniority. The Lower Tier II (LTII) securities are debt instruments with fixed maturities. Our Upper Tier II (UTII) and Tier I investments consisted of debt instruments with fixed maturities and perpetual securities, which have an economic maturity as opposed to a stated maturity.
The following table shows the subordination distribution of our debt and perpetual securities.

Subordination Distribution of Debt and Perpetual Securities

(In millions)	June 30, 2013		December 31, 2012	
	Amortized Cost	Percentage of Total	Amortized Cost	Percentage of Total
Senior notes	$93,908	92.7 %	$102,978	91.9 %
Subordinated securities:				
Fixed maturities (stated maturity date):				
Lower Tier II	3,570	3.5	3,985	3.6
Tier I[1]	148	.1	405	.3
Surplus notes	334	.3	335	.3
Trust preferred - non-banks	85	.1	85	.1
Other subordinated - non-banks	51	.1	51	.0
Total fixed maturities	4,188	4.1	4,861	4.3
Perpetual securities (economic maturity date):				
Upper Tier II	2,084	2.0	2,825	2.5
Tier I	910	.9	1,079	1.0
Other subordinated - non-banks	272	.3	309	.3
Total perpetual securities	3,266	3.2	4,213	3.8
Total debt and perpetual securities	$101,362	100.0 %	$112,052	100.0 %

[1]Includes trust preferred securities

Portfolio Composition

For information regarding the amortized cost for our investments in debt and perpetual securities, the cost for equity securities and the fair values of these investments, refer to Note 3 of the Notes to the Consolidated Financial Statements.

Investment Concentrations

One of our largest investment concentrations as of June 30, 2013, was banks and financial institutions. Within the countries we approve for investment opportunities, we primarily invest in financial institutions that are strategically crucial to each approved country's economy. The bank and financial institution sector is a highly regulated industry and plays a strategic role in the global economy. Within this sector, our credit risk by geographic region or country of issuer at June 30, 2013, based on amortized cost, was: Europe, excluding the United Kingdom (30%); United States (27%); Australia (8%); Japan (7%); United Kingdom (8%); and other (20%).

Our 20 largest global investment exposures as of June 30, 2013, were as follows:

Largest Global Investment Positions

(In millions)	Amortized Cost	% of Total	Seniority	Ratings Moody's	S&P	Fitch
Japan National Government[1]	$35,542	35.06 %	Senior	Aa3	AA-	A+
Israel Electric Corporation Limited	657	.65	Senior	Baa3	BB+	—
Republic of South Africa	617	.61	Senior	Baa1	BBB	BBB
Bank of America Corp. (includes Merrill Lynch)	456	.45				
Merrill Lynch & Co. Inc.	253	.25	Senior	Baa2	A-	A
Bank of America Corp.	203	.20	Lower Tier II	Baa3	BBB+	BBB+
Bank of Tokyo-Mitsubishi UFJ Ltd.	456	.45				
Bank of Tokyo-Mitsubishi UFJ Ltd. (BTMU Curacao Holdings NV)	456	.45	Lower Tier II	A1	A	A-
Investcorp SA	425	.42				
Investcorp Capital Limited	425	.42	Senior	Ba2	—	BB
Metlife Inc.	419	.41				
Metropolitan Life Global Funding I	254	.25	Senior	Aa3	AA-	A+
Metlife Inc	165	.16	Senior	A3	A-	A-
Deutsche Bank AG	406	.40				
Deutsche Postbank AG	243	.24	Lower Tier II	Baa3	—	A-
Deutsche Bank Capital Trust II	147	.14	Tier I	Ba2	BBB	BBB-
Deutsche BK CAP FDG Capital Trust I	16	.02	Tier I	Ba2	BBB	BBB-
Sumitomo Mitsui Financial Group Inc.	406	.40				
Sumitomo Mitsui Banking Corporation (includes SMBC International Finance)	254	.25	Upper Tier II	A2	BBB+	—
Sumitomo Mitsui Banking Corporation	101	.10	Lower Tier II	A1	A	—
Sumitomo Mitsui Banking Corporation	51	.05	Upper Tier II	A2	BBB+	—
National Grid PLC	406	.40				
National Grid Gas PLC	203	.20	Senior	A3	A-	A
National Grid Electricity Transmission PLC	203	.20	Senior	A3	A-	A
Telecom Italia SpA	406	.40				
Telecom Italia Finance SA	203	.20	Senior	Baa3	BBB-	BBB
Olivetti Finance NV	203	.20	Senior	Baa3	BBB-	BBB
JP Morgan Chase & Co. (including Bear Stearns)	404	.40				
JPMorgan Chase & Co. (including Bear Stearns Companies Inc.)	356	.35	Senior	A2	A	A+
JPMorgan Chase & Co. (FNBC)	20	.02	Senior	Aa1	A+	—
JPMorgan Chase & Co. (Bank One Corp.)	17	.02	Lower Tier II	A3	A-	A
JPMorgan Chase & Co. (NBD Bank)	11	.01	Lower Tier II	A1	A	A
Citigroup Inc.	400	.39				
Citigroup Inc. (includes Citigroup Global Markets Holdings Inc.)	304	.30	Senior	Baa2	A-	A
Citigroup Inc. (Citicorp)	95	.09	Senior	Baa2	A-	A

Citigroup Inc. (Citicorp)	1	.00	Lower Tier II	Baa3	BBB+	BBB+
Banobras	375	.37	Senior	Baa1	BBB	BBB+
Deutsche Telekom AG	358	.35				
Deutsche Telekom AG	304	.30	Senior	Baa1	BBB+	BBB+
Deutsche Telekom International Finance	54	.05	Senior	Baa1	BBB+	BBB+
Petroleos Mexicanos (Pemex)	355	.35				
Pemex Proj FDG Master TR	304	.30	Senior	Baa1	BBB	BBB+
Premex Finance LTD	51	.05	Senior	Baa1	A-	A
Sultanate of Oman	355	.35	Senior	A1	A	—
Koninklijke Ahold NV	349	.34				
Koninklijke Ahold NV	334	.33	Senior	Baa3	BBB	BBB
Ahold USA Lease	15	.01	Senior	Baa3	BBB	—
Nordea Bank AB	342	.34				
Nordea Bank AB	261	.26	Tier I	Baa3	BBB+	BBB+
Nordea Bank Finland	80	.08	Upper Tier II	Baa2	A-	A-
Nordea Bank AB	1	.00	Senior	Aa3	AA-	AA-
SLM Corp (Sallie Mae)	334	.33	Senior	Ba1	BBB-	BB+
Subtotal	$43,468	42.87 %				
Total debt and perpetual securities	$101,362	100.00%				

[1] JGBs or JGB-backed securities

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As previously disclosed, we own long-dated debt instruments in support of our long-dated policyholder obligations. Many of our largest global investment holdings are positions that were purchased many years ago and increased in size due to merger and consolidation activity among the issuing entities. In addition, many of our largest holdings are yen-denominated, therefore strengthening of the yen can increase our position in dollars, and weakening of the yen can decrease our position in dollars. Beginning in 2005, we have generally limited our investment exposures to individual issuers to no more than 5% of total adjusted capital (TAC) on a statutory accounting basis, with the exception of obligations of the Japanese and U.S. governments. However, existing investment exposures that exceeded 5% of TAC at the time this guidance was adopted, or exposures that may exceed this threshold from time to time through merger and consolidation activity, are not automatically reduced through sales of the issuers' securities but rather are reduced over time consistent with our investment policy.

Geographical Exposure

The following table indicates the geographic exposure of our investment portfolio.

	June 30, 2013		December 31, 2012	
(In millions)	Amortized Cost	% of Total	Amortized Cost	% of Total
Japan	$39,297	38.8 %	$48,598	43.4 %
United States and Canada	28,725	28.3	24,512	22.0
United Kingdom	3,676	3.6	4,025	3.6
Germany	3,277	3.2	3,965	3.5
France	2,262	2.2	2,500	2.2
PIIGS	3,587	3.5	4,550	4.1
Portugal	244	.2	272	.3
Italy	2,046	2.0	2,327	2.1
Ireland	436	.4	492	.4
Spain	861	.9	1,459	1.3
Nordic Region	2,785	2.8	3,407	3.0
Sweden	1,184	1.2	1,513	1.3
Norway	679	.7	814	.7
Denmark	458	.4	551	.5
Finland	464	.5	529	.5
Other Europe	3,586	3.5	4,441	3.9
Netherlands	2,006	2.0	2,259	2.0
Switzerland	247	.2	688	.6
Czech Republic	507	.5	577	.5
Austria	337	.3	386	.3
Belgium	279	.3	293	.3
Poland	210	.2	238	.2
Asia excluding Japan	4,669	4.6	5,397	4.8
Africa and Middle East	3,106	3.1	3,611	3.2
Latin America	3,094	3.1	3,381	3.0
Australia	2,728	2.7	2,982	2.7
All Others	570	.6	683	.6
Total debt and perpetual securities	$101,362	100.0 %	$112,052	100.0 %

Investments in Certain European Countries

Since 2008, many countries in Europe, and specifically Greece, Ireland, Italy, Portugal, and Spain (collectively the "peripheral Eurozone" countries), have been experiencing a debt crisis. Recently, Cyprus joined the list of European sovereigns requiring official assistance to address that country's banking crisis. Collective action by multiple parties including the European Central Bank (ECB), International Monetary Fund (IMF), European Council, and individual

member states' governments has improved market perception of the situation. Although risks ranging from individual country downgrades to dissolution of the entire union appear to have been reduced, economic activity remains subdued throughout the region. Because of these factors, European investments generally have a higher level of inherent risk and potential volatility.

The primary factor considered when determining the domicile of investment exposure is the legal domicile of the issuer. However, other factors such as the location of the parent guarantor, the location of the company's headquarters or major business operations (including location of major assets), location of primary market (including location of revenue generation) and specific country risk publicly recognized by rating agencies can influence the assignment of the country (or geographic) risk location. When the issuer is a special financing vehicle or a branch or subsidiary of a global company, then we consider any guarantees and/or legal, regulatory and corporate relationships of the issuer relative to its ultimate parent in determining the proper assignment of country risk.

We had no direct exposure to Greece or Cyprus as of June 30, 2013 and December 31, 2012. Our direct investment exposures to Ireland, Italy, Portugal and Spain and the related maturities of those investments were as follows:

June 30, 2013

	One to Five Years		Five to Ten Years		After Ten Years		Total	
(In millions)	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Available-for-sale securities:								
Ireland:								
Banks/financial institutions	$0	$0	$0	$0	$233	$152	$233	$152
Italy:								
Public utilities	0	0	0	0	15	15	15	15
Other corporate	0	0	0	0	317	292	317	292
Portugal:								
Public utilities	8	8	135	137	101	91	244	236
Spain:								
Sovereign	0	0	0	0	67	107	67	107
Banks/financial institutions	34	38	0	0	0	0	34	38
Other corporate	0	0	0	0	202	170	202	170
Held-to-maturity securities:								
Ireland:								
Banks/financial institutions	0	0	0	0	203	135	203	135
Italy:								
Sovereign	0	0	0	0	254	198	254	198
Banks/financial institutions	0	0	0	0	152	109	152	109
Public utilities	0	0	0	0	750	660	750	660
Other corporate	0	0	0	0	558	480	558	480
Spain:								
Public utilities	0	0	0	0	355	298	355	298
Other corporate	0	0	0	0	203	186	203	186
Total gross and net funded exposure	$42	$46	$135	$137	$3,410	$2,893	$3,587	$3,076

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December 31, 2012

	One to Five Years		Five to Ten Years		After Ten Years		Total	
(In millions)	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Available-for-sale securities:								
Ireland:								
Banks/financial institutions	$0	$0	$0	$0	$261	$183	$261	$183
Italy:								
Public utilities	0	0	0	0	15	17	15	17
Other corporate	0	0	0	0	360	387	360	387
Portugal:								
Public utilities	0	0	156	155	116	100	272	255
Spain:								
Sovereign	0	0	0	0	76	91	76	91
Banks/financial institutions	34	36	0	0	64	66	98	102
Public utilities	0	0	0	0	427	420	427	420
Other corporate	0	0	0	0	223	217	223	217
Held-to-maturity securities:								
Ireland:								
Banks/financial institutions	0	0	0	0	231	197	231	197
Italy:								
Sovereign	0	0	0	0	289	263	289	263
Banks/financial institutions	0	0	0	0	173	157	173	157
Public utilities	0	0	0	0	855	845	855	845
Other corporate	0	0	0	0	635	594	635	594
Spain:								
Public utilities	0	0	0	0	404	380	404	380
Other corporate	0	0	0	0	231	224	231	224
Total gross and net funded exposure	$34	$36	$156	$155	$4,360	$4,141	$4,550	$4,332

We do not have any unfunded exposure in the European countries shown in the preceding table, and we have not entered into any hedges to mitigate credit risk for our funded exposure. The banks and financial institutions investments in Ireland, Italy, Portugal and Spain represented 4% of total investments in the banks and financial institutions sector at June 30, 2013 and December 31, 2012, and 1% of total investments in debt and perpetual securities at June 30, 2013 and December 31, 2012.

Ireland

As of June 30, 2013, our total direct exposure within Ireland consisted of senior unsecured bank obligations. Senior securities issued by the Bank of Ireland with amortized costs and fair values totaling $203 million and $122 million, respectively, were rated below investment grade at Ba2/BB+/BBB by Moody's, S&P and Fitch, respectively. We believe that these unrealized losses were more closely linked to the Irish government's aggressive approach to

addressing its debt burden, which included the possibility of imposing losses on senior debt holders of certain non-viable Irish banks. While the political risk of burden-sharing remains, it significantly subsided during the second half of 2011 as the government has shifted its focus to reducing its debt burden. This Irish bank is current on its obligation to us, and we

believe it has the ability to meet its obligations to us. In addition, as of June 30, 2013, we had the intent to hold this investment to recovery in value. As a result, we did not recognize an other-than-temporary impairment for this investment as of June 30, 2013. The other senior security holdings in Ireland were issued by DEPFA Bank PLC and had an amortized cost of $233 million and fair value of $165 million as of June 30, 2013. DEPFA is an Irish-domiciled and licensed financial institution that is a wholly owned subsidiary of Hypo Real Estate Holding, a German licensed and regulated financial institution. Due to this ownership by a German parent, DEPFA has not been included in the Republic of Ireland's bank re-structuring and capitalization plan. DEPFA was current on its obligation to us and was rated investment grade at Baa3/BBB/BBB+ by Moody's, S&P and Fitch, respectively, as of June 30, 2013.

We expect the operating environment will continue to be difficult in 2013 as Ireland's government continues utilizing austerity measures to reduce deficits. Meaningful economic growth will be difficult due to the aforementioned austerity measures, weak domestic demand, high unemployment and depressed real estate markets. Further, Ireland remains susceptible to contagion risks from difficulties of other European countries. Although there has been substantial improvement in the political environment and the fiscal outlook has improved recently, Ireland's economic and ratings profile is expected to remain under pressure in the short-term.

Italy

Although Italy remains a country of heightened inherent risk and Moody's, S&P, and Fitch all had downgrade actions for Italy in 2012, as of June 30, 2013, Italy remained rated investment grade by the three major rating agencies.

As of June 30, 2013, our total direct exposure within Italy was $2.0 billion, at amortized cost. This exposure comprised $254 million of direct investment in the sovereign of Italy; a senior unsecured bank obligation of $152 million; and several utility and industrial companies of $765 million and $875 million, respectively. Our total exposure to Italy-based utility companies contained $548 million of securities that have below-investment-grade put options.

We expect the operating environment will continue to be difficult in 2013 as the uncertainty of the recent elections combines with the planned austerity measures to reduce deficits. Meaningful economic growth will be difficult due to the aforementioned austerity measures and a contraction of bank credit. Although there has been substantial improvement, the political environment and the fiscal outlook remain tenuous, and Italy's economic and ratings profile is expected to remain under pressure in the short-term.

Corporate issuers domiciled in Italy will continue to carry sovereign rating risk, but we expect they will continue to meet obligations due to a variety of factors supporting their individual credit profile.

As of June 30, 2013, all of our Italian exposures were rated investment grade and were current on their obligations to us, and we believe they have the ability to meet their obligations to us.

Portugal

As of June 30, 2013, our total direct exposure to Portugal was $244 million, at amortized cost. All of this exposure is to two electric utility issuers domiciled in Portugal; Redes Energeticas Nacionas SGPS, S.A. (REN) and Energias de Portugal SA (EDP). Our exposure to REN and EDP was $102 million and $142 million, respectively, at amortized cost. Both of these securities have been rated by external rating agencies and the Company as below investment grade as of June 30, 2013; however, they were both current on their obligations to us.

Our holdings domiciled in Portugal will continue to carry sovereign rating risk and could experience ratings pressure and difficulty in accessing capital markets because of that risk. However, we expect they will continue to meet debt

obligations as a result of a variety of factors supporting their overall credit profile.

Spain

Although Spain remains a country of heightened inherent risk and Moody's, S&P, and Fitch all had multiple downgrade actions for Spain throughout 2012, as of June 30, 2013, Spain remained rated investment grade by the three major rating agencies.

We expect the operating environment will continue to be difficult in 2013 as Spain's government implements austerity measures to reduce deficits at both the federal and regional levels. In addition, economic growth will be pressured due to the aforementioned austerity measures and a contraction of bank credit. Greater uncertainty over their fiscal profiles has made it difficult for the regional governments in Spain to obtain reasonable financing for existing and new debt facilities.

Therefore, Spain's and its regional governments' economic and ratings profile are expected to remain under pressure for the forseeable future.

As of June 30, 2013, our total direct exposure to Spain was $861 million, at amortized cost. This exposure comprised $67 million of investments in sub-sovereign (i.e. regional governments) issuers; one Lower Tier II obligation of $34 million; and Spain-domiciled utilities and industrials of $355 million and $405 million, respectively.

Concerns about Spain's sovereign's fiscal and economic condition has led to an increase in its overall cost of funding. The increase in funding costs as well as concerns about fiscal and economic conditions also have had a negative impact on the Spanish sub-sovereigns' cost of funding and made access to credit almost impossible for them. We recognized an other-than-temporary impairment of $144 million on our Spanish sub-sovereign investment in Generalitat de Catalunya in the second quarter of 2012. As of June 30, 2013, our investment of $67 million, at amortized cost, in Generalitat de Catalunya was rated Ba3/BB/BBB- by Moody's, S&P, and Fitch, respectively, and we have classified this investment as below investment grade.

In the second quarter of 2013, we sold our below-investment grade Spanish senior unsecured bank investment issued by Bankia SA (Bancaja Emisiones SA Unipersonal), which had an amortized cost of $59 million at March 31, 2013, and realized a gain of $35 million on the sale.

Our holdings, especially utilities, domiciled in Spain will continue to carry sovereign rating risk and could experience ratings pressure and difficulty in accessing capital markets because of the risk. However, we expect they will continue to meet our debt obligations as a result of a variety of factors supporting their overall credit profile.

As of June 30, 2013, with the exception of the securities discussed above, the remaining securities of our Spain-domiciled exposures were rated investment grade and were current on their obligations to us, and we believe they have the ability to meet their obligations to us.

European sovereign debt crisis - monitoring and mitigating exposure

During most of 2011, we saw the European sovereign crisis persist and escalate. Throughout 2012 and continuing into 2013, our internal team of experienced credit professionals continued to monitor the impact of the crisis on our individual investment holdings' overall credit quality. Our analysis includes factors beyond a baseline assessment of a company's assets, operations, financial statements, and credit metrics that may provide support for the instruments we own. Specifically, for our investments in European banks and financial institutions, we monitor the importance of the issuer to its local financial system, the likelihood of government support, and our investment's position in the capital structure of the issuer. For our investments in European utilities, we monitor the role of the issuer in its local economy as a provider of necessary infrastructure, and we monitor the value of the underlying assets owned by the issuer. For our investment in European corporates, industrials, and other commercial entities, we monitor the general credit quality of the issuer, the geographical mix of the issuer's customers (i.e. domestic vs. foreign), the geographical breakdown of the issuer's assets (i.e. domestic versus foreign), the value of the underlying assets owned by the issuer, capitalization of the issuer, and overall profitability and cash generation ability of the issuer. We monitor NRSRO actions and the likely actions for our investment exposures, as well as overall market conditions. By performing these analyses, we make a determination on the probability of timely payment of principal and interest of the issuers of our investments.

Some of our peripheral Eurozone fixed income investment contain covenants that we believe mitigate our risk to the issuer. These covenants could include put options that allow us to put our holdings at a predetermined price, usually par, should the issuer be downgraded to below investment grade by a rating agency, plus restrictions on the ability to incur additional debt, sell assets, or provide collateral for indebtedness.

Apart from our direct investments in peripheral Eurozone sovereign debt, our other exposures as of June 30, 2013 to the European sovereign debt crisis were investments in peripheral Eurozone banks and financial institutions of $622 million, peripheral Eurozone non-banks (excluding sovereigns) of $2.6 billion, core Eurozone[1] banks and financial institutions of $2.7 billion, core Eurozone non-banks (excluding sovereigns) of $5.4 billion, core Eurozone sovereigns of $594 million, and non-Eurozone[2] holdings throughout the balance of Europe of $7.0 billion, all at amortized cost. Other exposures to the European sovereign debt crisis that are not possible to measure include the impact of slower economic activity throughout Europe and its impact on global economic growth; the impact of a potential break-up of the European Union; and market disruption including illiquidity and impaired valuations due to heightened concerns and lack of investor confidence.

Given the severity of the crisis in Europe and the potential lasting impact, we are monitoring the situation closely. Among the areas that we believe warrant continued attention include the heightened interrelationship between political, monetary, fiscal, and economic forces; the possibility of continued contagion to additional sovereigns and other entities; further stress on the banking systems throughout the region; and the impact on the underlying economic fundamentals throughout the Euro region. See the following discussion regarding steps that management has taken in the past couple years to reduce our investment exposure to Europe.

Derisking

During the past couple years, we have had a general strategy of reducing the overall risk profile of our investment portfolio. During the first quarter of 2013, we reduced our exposure to European Tier I securities through a tender of our investment in UniCredit Bank AG (HVB Funding Trust I, III, & VI) which had an amortized cost of $257 million at December 31, 2012. During the second quarter of 2013, we reduced our exposure to peripheral Eurozone countries through the sale of our investment in Bankia SA, a below-investment-grade Spanish bank security which had an amortized cost of $59 million at March 31, 2013. Also during the second quarter of 2013, we reduced our exposure to non-Eurozone European countries through the sale of our investment in SEB AB, a bank perpetual security which had an amortized cost of $159 million at March 31, 2013. Our efforts in 2011 and 2012 were largely focused on reducing our exposure to European issuers and to banks and financial institutions. As a result of these derisking activities, we have significantly reduced our exposure to these areas. At the start of 2008, sovereign and financial investments in peripheral Eurozone countries of $3.3 billion comprised 5.9% of total investments and cash, declining to $943 million, or .9% of total investments and cash, by the end of the second quarter of 2013. At the start of 2008, investments in perpetual securities of $8.3 billion comprised 14.7% of total investments and cash, declining to $3.3 billion, or 3.1% of total investments and cash, by the end of the second quarter of 2013. As a result of these portfolio activities, we have dramatically reduced the impact to our portfolio from the European financial crisis. We will continue to be vigilant in monitoring our holdings and evaluating opportunities that may arise to further and appropriately reduce, reposition, and manage the risks in our portfolio.

Securities by Type of Issuance

We have investments in both publicly and privately issued securities. Our ability to sell either type of security is a function of overall market liquidity which is impacted by, among other things, the amount of outstanding securities of a particular issuance, trading history of the security, overall market conditions, and idiosyncratic events affecting the specific issuer.

[1]Core Eurozone includes Germany, France, Netherlands, Austria, Belgium and Finland.
[2]Non-Eurozone Europe includes the United Kingdom, Switzerland, Sweden, Norway, Denmark, Czech Republic and Poland.

The following table details investment securities by type of issuance.
Investment Securities by Type of Issuance

(In millions)	June 30, 2013 Amortized Cost	June 30, 2013 Fair Value	December 31, 2012 Amortized Cost	December 31, 2012 Fair Value
Publicly issued securities:				
Fixed maturities	$63,927	$65,047	$67,116	$70,026
Perpetual securities	127	146	128	146
Equity securities	9	14	11	13
Total publicly issued	64,063	65,207	67,255	70,185
Privately issued securities:				
Fixed maturities	34,169	33,524	40,723	42,068
Perpetual securities	3,139	2,688	4,085	4,156
Equity securities	8	8	9	10
Total privately issued	37,316	36,220	44,817	46,234
Total investment securities	$101,379	$101,427	$112,072	$116,419

The following table details our privately issued investment securities.

Privately Issued Securities

(Amortized cost, in millions)	June 30, 2013		December 31, 2012	
Privately issued securities as a percentage of total debt and perpetual securities	36.8	%	40.0	%
Privately issued securities held by Aflac Japan	$34,330		$41,624	
Privately issued securities held by Aflac Japan as a percentage of total debt and perpetual securities	33.9	%	37.1	%

Reverse-Dual Currency Securities[1]

(Amortized cost, in millions)	June 30, 2013		December 31, 2012	
Privately issued reverse-dual currency securities	$7,677		$9,916	
Publicly issued collateral structured as reverse-dual currency securities	2,611		2,781	
Total reverse-dual currency securities	$10,288		$12,697	
Reverse-dual currency securities as a percentage of total debt and perpetual securities	10.1	%	11.3	%

[1] Principal payments in yen and interest payments in dollars

Aflac Japan has invested in privately issued securities to better match liability characteristics and secure higher yields than those available on Japanese government or other public corporate bonds. Aflac Japan’s investments in yen-denominated privately issued securities consist primarily of non-Japanese issuers and have longer maturities, thereby allowing us to improve our asset/liability matching and our overall investment returns. Most of our privately issued securities were issued under medium-term note programs and have standard documentation commensurate with credit ratings of the issuer, except when internal credit analysis indicates that additional protective and/or event-risk covenants were required.

Below-Investment-Grade and Split-Rated Securities
The below-investment-grade securities shown in the following table were investment grade at the time of purchase and were subsequently downgraded.
Below-Investment-Grade Securities[1]

	June 30, 2013				December 31, 2012			
(In millions)	Par Value	Amortized Cost	Fair Value	Unrealized Gain (Loss)	Par Value	Amortized Cost	Fair Value	Unrealized Gain(Loss)
Israel Electric Corporation Limited	$700	$657	$606	$(51)	$797	$748	$716	$(32)
Republic of Tunisia	477	296	298	2	739	496	496	0
Investcorp Capital Limited	425	425	309	(116)	477	477	418	(59)
Commerzbank AG (includes Dresdner Bank)	406	261	306	45	462	297	394	97
SLM Corp (Sallie Mae)	334	334	219	(115)	*	*	*	*
Lloyds Banking Group PLC	328	294	338	44	328	292	351	59
UPM-Kymmene	314	314	225	(89)	358	358	263	(95)
Societe Generale[2]	254	253	194	(59)	289	288	302	14
Bank of Ireland	203	203	122	(81)	231	231	153	(78)
Generalitat de Catalunya	183	67	107	40	208	76	91	15
Tokyo Electric Power Co., Inc.	175	176	181	5	199	201	203	2
Energias de Portugal SA (EDP)	144	142	144	2	158	156	155	(1)
IKB Deutsche Industriebank AG	132	59	60	1	150	78	96	18
Redes Energeticas Nacionais SGPS,S.A. (REN)	101	101	91	(10)	116	116	100	(16)
Finance For Danish Industry (FIH)	101	52	53	1	116	90	100	10
Barclays Bank PLC[2]	65	48	60	12	65	48	62	14
Sparebanken Vest[2]	60	60	49	(11)	60	60	60	0
Unicredit Bank AG (HVB Funding Trust I, III, & VI)	0	0	0	0	341	257	257	0
CSAV (Tollo Shipping Co. S.A.)	0	0	0	0	277	117	145	28
Bankia SA (Bancaja Emisiones SA Unipersonal)	0	0	0	0	173	64	66	2
Other Issuers (below $50 million in par value)[3]	358	358	367	9	448	419	429	10
Total	$4,760	$4,100	$3,729	$(371)	$5,992	$4,869	$4,857	$(12)

* Investment grade at respective reporting date
[1] Does not include senior secured bank loans in an externally managed portfolio that were below investment grade when initially purchased
[2] Includes perpetual security
[3] Includes 13 issuers in 2013 and 14 issuers in 2012

In 2011, we initiated a limited program to invest in senior secured bank loans to U.S. and Canadian corporate borrowers, most of which have below-investment-grade ratings. The program is managed externally by third party

firms specializing in this asset class. This mandate requires a minimum average credit quality of BB-/Ba3, prohibits loans rated below B/B2, and prohibits exposure to any individual credit greater than 3% of the program's assets. The objectives of this program include enhancing the yield on invested assets, achieving further diversification of credit risk, and mitigating the risk of rising interest rates through the acquisition of floating rate assets. Our investments in this program totaled $480 million at June 30, 2013, compared with $414 million at December 31, 2012, on an amortized cost basis.

Excluding the senior secured bank loans discussed above that were rated below investment grade when initially purchased, below-investment-grade debt and perpetual securities represented 4.0% of total debt and perpetual securities at June 30, 2013, compared with 4.3% at December 31, 2012, on an amortized cost basis. Debt and perpetual securities classified as below investment grade at June 30, 2013 and December 31, 2012 were generally reported as available for sale and carried at fair value.

Occasionally, a debt or perpetual security will be split rated. This occurs when one rating agency rates the security as investment grade while another rating agency rates the same security as below investment grade. As of the first quarter of 2012, our policy has been to utilize the second lowest rating designation assigned to the security, which in this case where there are only two ratings - one investment grade and one below investment grade - would result in the security being rated as below investment grade. In the event that the second lowest rating designation from the major credit rating agencies (Moody's, S&P and Fitch) is investment grade, our policies do not preclude us from assigning a below-investment-grade rating if our own internal analysis shows a credit deterioration has occurred and our assessment results in a rating below that which is assigned by such agencies. Our review in those cases includes evaluating the issuer’s credit position as well as current market pricing and other factors, such as the issuer’s or security’s inclusion on a credit rating downgrade watch list. Split-rated securities, excluding the senior secured bank loan investments discussed above, totaled $2.7 billion as of June 30, 2013, compared with $3.8 billion as of December 31, 2012, and represented 2.7% of total debt and perpetual securities, at amortized cost, at June 30, 2013, compared with 3.4% at December 31, 2012. The 10 largest split-rated securities as of June 30, 2013, were as follows:

Split-Rated Securities

(In millions)	Amortized Cost	Investment-Grade Status
Israel Electric Corporation Limited	$657	Below Investment Grade
SLM Corp. (Sallie Mae)	334	Below Investment Grade
Societe Generale[1]	253	Below Investment Grade
Bank of Ireland	203	Below Investment Grade
Barclays Bank PLC[1][2]	173	Below Investment Grade/ Investment Grade
Deutsche Bank Capital Trust II & Capital Funding Trust I[1]	163	Investment Grade
Transnet Ltd.	152	Investment Grade
Energias de Portugal SA (EDP)	142	Below Investment Grade
Goldman Sachs Capital I	120	Investment Grade
Redes Energeticas Nacionais (REN)	101	Below Investment Grade

[1] Perpetual security

[2] Barclays is listed as "Below Investment Grade (BIG)/ Investment Grade (IG)" since the Upper Tier II holdings ($125 million amortized cost) are IG and the Tier I holdings ($48 million amortized cost) are BIG

For the interest rate, foreign currency, and credit default swaps associated with our VIE investments for which we are the primary beneficiary, we bear the risk of foreign exchange or interest rate loss due to counterparty default even though we are not a direct counterparty to those contracts. We are a direct counterparty to the interest rate and foreign currency swaps that we have on certain of our senior notes, subordinated debentures, and Samurai notes; foreign currency forwards; and foreign currency options, therefore we are exposed to credit risk in the event of nonperformance by the counterparties in those contracts. The risk of counterparty default for our VIE and senior note and subordinated debenture swaps is mitigated by collateral posting requirements the counterparty must meet. The counterparty risk associated with the foreign currency forwards and foreign currency options is the risk that at expiry of the contract, the counterparty is unable to deliver the agreed upon amount of yen at the agreed upon price or delivery date, thus exposing the Company to additional unhedged exposure to U.S. dollars in the Aflac Japan investment portfolio. See Note 4 of the Notes to the Consolidated Financial Statements for more information.

Other-than-temporary Impairment

See Note 3 of the Notes to the Consolidated Financial Statements for a discussion of our impairment policy.

Unrealized Investment Gains and Losses

The following table provides details on amortized cost, fair value and unrealized gains and losses for our investments in debt and perpetual securities by investment-grade status as of June 30, 2013.

(In millions)	Total Amortized Cost	Total Fair Value	Percentage of Total Fair Value		Gross Unrealized Gains	Gross Unrealized Losses
Available-for-sale securities:						
Investment-grade securities	$54,080	$54,449	53.7	%	$2,567	$ 2,198
Below-investment-grade securities	4,564	4,195	4.1		179	548
Held-to-maturity securities:						
Investment-grade securities	42,718	42,761	42.2		1,322	1,279
Total	$101,362	$101,405	100.0	%	$4,068	$ 4,025

The following table presents an aging of debt and perpetual securities in an unrealized loss position as of June 30, 2013.

Aging of Unrealized Losses

(In millions)	Total Amortized Cost	Total Unrealized Loss	Less than Six Months		Six Months to Less than 12 Months		12 Months or Longer	
			Amortized Cost	Unrealized Loss	Amortized Cost	Unrealized Loss	Amortized Cost	Unrealized Loss
Available-for-sale securities:								
Investment-grade securities	$27,733	$2,198	$22,197	$1,420	$4,157	$479	$1,379	$299
Below-investment-grade securities	2,451	548	870	112	0	0	1,581	436
Held-to-maturity securities:								
Investment-grade securities	12,062	1,279	6,539	445	893	78	4,630	756
Total	$42,246	$4,025	$29,606	$1,977	$5,050	$557	$7,590	$1,491

The following table presents a distribution of unrealized losses on debt and perpetual securities by magnitude as of June 30, 2013.

Percentage Decline From Amortized Cost

(In millions)	Total Amortized Cost	Total Unrealized Loss	Less than 20%		20% to 50%		Greater than 50%	
			Amortized Cost	Unrealized Loss	Amortized Cost	Unrealized Loss	Amortized Cost	Unrealized Loss
Available-for-sale securities:								
Investment-grade securities	$27,733	$2,198	$26,116	$1,726	$1,617	$472	$0	$0
Below-investment-grade securities	2,451	548	1,153	121	1,298	427	0	0
Held-to-maturity securities:								
	12,062	1,279	9,810	723	2,252	556	0	0

Investment-grade securities								
Total	$42,246	$4,025	$37,079	$2,570	$5,167	$1,455	$0	$0

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The following table presents the 10 largest unrealized loss positions in our portfolio as of June 30, 2013.

(In millions)	Credit Rating	Amortized Cost	Fair Value	Unrealized Loss
Investcorp Capital Limited	BB	$425	$309	$(116)
SLM Corp (Sallie Mae)	BB	334	219	(115)
UPM-Kymmene	BB	314	225	(89)
Kommunal Landspankasse (KLP) [1]	BBB	249	165	(84)
Bank of Ireland	BB	203	122	(81)
Bank of America Corp	A	456	379	(77)
AXA [1]	BBB	325	249	(76)
KLM Royal Dutch Airlines [1]	BBB	272	203	(69)
DEPFA Bank PLC	BBB	233	165	(68)
Svenska Handelsbanken AB [1]	BBB	184	120	(64)

[1] Includes perpetual security

Declines in fair value noted above were impacted by changes in interest rates and credit spreads, yen/dollar exchange rates, and issuer credit status. However, we currently believe it would be inappropriate to recognize impairment charges because we believe the changes in fair value are temporary. See the Market Risks of Financial Instruments - Credit Risk subsection of this MD&A for a discussion of unrealized losses related to Ireland, and see the Unrealized Investment Gains and Losses section in Note 3 of the Notes to the Consolidated Financial Statements for further discussions of unrealized losses related to financial institutions, including perpetual securities, and other corporate investments.

Investment Valuation and Cash

We estimate the fair values of our securities available for sale on a monthly basis. We monitor the estimated fair values obtained from our custodian, pricing vendors and brokers for consistency from month to month, while considering current market conditions. We also periodically discuss with our custodian and pricing brokers and vendors the pricing techniques they use to monitor the consistency of their approach and periodically assess the appropriateness of the valuation level assigned to the values obtained from them. If a fair value appears unreasonable, we will re-examine the inputs and assess the reasonableness of the pricing data with the vendor. Additionally, we may compare the inputs to relevant market indices and other performance measurements. The output of this analysis is presented to the Company's Valuations and Classifications Subcommittee, or VCS. Based on the analysis provided to the VCS, the valuation is confirmed or may be revised if there is evidence of a more appropriate estimate of fair value based on available market data. With the implementation in the first quarter of 2013 of the pricing change associated with privately issued securities as previously discussed, we have performed verification of the inputs and calculations in the models to confirm that the valuations represent reasonable estimates of fair value.

Cash and cash equivalents totaled $2.4 billion, or 2.3% of total investments and cash, as of June 30, 2013, compared with $2.0 billion, or 1.7%, at December 31, 2012. For a discussion of the factors affecting our cash balance, see the Operating Activities, Investing Activities and Financing Activities subsections of this MD&A.

For additional information concerning our investments, see Notes 3, 4, and 5 of the Notes to the Consolidated Financial Statements.

Deferred Policy Acquisition Costs

The following table presents deferred policy acquisition costs by segment.

(In millions)	June 30, 2013	December 31, 2012	% Change
Aflac Japan	$6,116	$6,801	(10.1)% [1]
Aflac U.S.	2,912	2,857	1.9
Total	$9,028	$9,658	(6.5)%

[1] Aflac Japan's deferred policy acquisition costs increased 2.4% in yen during the six months ended June 30, 2013.

See Note 1 of the Notes to the Consolidated Financial Statements in our annual report to shareholders for the year ended December 31, 2012 for a discussion of changes to the accounting policy for DAC which was effective January 1, 2012.

Policy Liabilities

The following table presents policy liabilities by segment.

(In millions)	June 30, 2013	December 31, 2012	% Change
Aflac Japan	$81,830	$89,183	(8.2)%[1]
Aflac U.S.	8,794	8,534	3.0
Other	2	3	(33.3)
Total	$90,626	$97,720	(7.3)%

[1]Aflac Japan's policy liabilities increased 4.5% in yen during the six months ended June 30, 2013.

Notes Payable

Notes payable totaled $4.9 billion at June 30, 2013, compared with $4.4 billion at December 31, 2012. The ratio of adjusted debt to total capitalization was 23.9% as of June 30, 2013, compared with 23.4% as of December 31, 2012. Adjusted debt is the sum of gross notes payable, less 50% of our subordinated debentures and the portion of our senior notes designated as pre-funding of our 2014 maturities. Total capitalization is the sum of adjusted debt plus shareholders' equity, excluding the unrealized gains and losses on investment securities and derivatives. See Note 6 of the accompanying Notes to the Consolidated Financial Statements for additional information on our notes payable.

Benefit Plans

Aflac Japan and Aflac U.S. have various benefit plans. For additional information on our Japanese and U.S. plans, see Note 9 of the accompanying Notes to the Consolidated Financial Statements and Note 13 of the Notes to the Consolidated Financial Statements in our annual report to shareholders for the year ended December 31, 2012.

Policyholder Protection Corporation

The Japanese insurance industry has a policyholder protection system that provides funds for the policyholders of insolvent insurers. Legislation enacted regarding the framework of the Life Insurance Policyholder Protection Corporation (LIPPC) included government fiscal measures supporting the LIPPC. On December 27, 2011, Japan's FSA announced the plans to enhance the stability of the LIPPC by extending the government's fiscal support of the LIPPC through March 2017. Accordingly, the FSA submitted legislation to the Diet on January 27, 2012 to extend the government's fiscal support framework, and the legislation was approved on March 30, 2012.

Hedging Activities

Net Investment Hedge

Our primary exposure to be hedged is our investment in Aflac Japan, which is affected by changes in the yen/dollar exchange rate. To mitigate this exposure, we have taken the following courses of action. First, Aflac Japan maintains a portfolio of dollar-denominated securities, which serves as an economic currency hedge of a portion of our investment in Aflac Japan. The foreign exchange gains and losses related to this portfolio are taxable in Japan and the U.S. when the securities mature or are sold. Until maturity or sale, deferred tax expense or benefit associated with the foreign exchange gains or losses are recognized in other comprehensive income. Second, we have designated the majority of the Parent Company's yen-denominated liabilities (Samurai and Uridashi notes and yen-denominated loans) as non-derivative hedging instruments and certain foreign currency swaps, forwards and options as derivative hedges of our net investment in Aflac Japan. At the beginning of each quarter, we make our net investment hedge designation. If the total of the designated Parent Company non-derivative and derivatives notional is equal to or less than our net investment in Aflac Japan, the hedge is deemed to be effective, and the exchange effect on the yen-denominated liabilities and the change in estimated fair value of the derivatives are reported in the unrealized foreign currency component of other comprehensive income. We estimate that if the designated net investment hedge positions exceeded our net investment in Aflac Japan by 10 billion yen, we would report a foreign exchange gain/loss of approximately $1 million for every 1% yen weakening/strengthening in the end-of-period yen/dollar exchange rate. Our net investment hedge was effective during the three- and six-month periods ended June 30, 2013 and 2012, respectively.

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The yen net asset figure calculated for hedging purposes differs from the yen-denominated net asset position as discussed in the Currency Risk subsection of MD&A. As disclosed in that subsection, the consolidation of the underlying assets in certain VIEs requires that we derecognize our yen-denominated investment in the VIE and recognize the underlying U.S. dollar-denominated fixed-maturity or perpetual securities and cross-currency swaps. While these U.S. dollar investments will create foreign currency fluctuations, the combination of the U.S. dollar-denominated investment and the cross-currency swap economically creates a yen-denominated investment that qualifies for inclusion as a component of our investment in Aflac Japan. Similarly, the combination of the U.S. corporate bonds and the foreign currency forwards that we have entered into, as discussed in the Aflac Japan Investment subsection of MD&A, economically creates a yen-denominated investment that qualifies for inclusion as a component of our investment in Aflac Japan.
The dollar values of our yen-denominated net assets, including economic yen-denominated investments for net investment hedging purposes as discussed above, are summarized as follows (translated at end-of-period exchange rates):

(In millions)	June 30, 2013	December 31, 2012
Aflac Japan net assets	$11,898	$13,580
Aflac Japan dollar-denominated net assets	(8,061)	(8,317)
Consolidated yen-denominated net assets (liabilities)	$3,837	$5,263

For the hedge of our net investment in Aflac Japan, we have designated certain of the Parent Company's yen-denominated liabilities, foreign currency forwards, options, and swaps as a hedge of our net investment in Aflac Japan. Our consolidated yen-denominated net assets position was partially hedged at $3,575 million as of June 30, 2013 and partially hedged at $850 million as of December 31, 2012.
Cash Flow Hedges
We have freestanding derivative instruments related to our consolidated VIE investments that are reported in the consolidated balance sheet at fair value within other assets and other liabilities. As of June 30, 2013, two of the freestanding swaps that are used within VIEs to hedge the risk arising from changes in foreign currency exchange rates qualified for hedge accounting.

We have an interest rate swap agreement related to the 5.5 billion yen variable interest rate Samurai notes that we issued in July 2011. By entering into this contract, we swapped the variable interest rate to a fixed interest rate of 1.475%. We have designated this interest rate swap as a hedge of the variability in our interest cash flows associated with the variable interest rate Samurai notes. This hedge was effective during the three- and six-month periods ended June 30, 2013 and 2012, respectively.
Fair Value Hedges
In the third quarter of 2012, we began entering into foreign currency forwards to mitigate the foreign exchange risk associated with new investments in U.S. dollar-denominated fixed-maturities that support yen-denominated liabilities within our Aflac Japan segment.
See Note 4 of the Notes to the Consolidated Financial Statements for additional information on our hedging activities.
Off-Balance Sheet Arrangements

As of June 30, 2013, we had no material letters of credit, standby letters of credit, guarantees or standby repurchase obligations. See Note 14 of the Notes to the Consolidated Financial Statements in our annual report to shareholders for the year ended December 31, 2012, for information on material unconditional purchase obligations that are not recorded on our balance sheet.

CAPITAL RESOURCES AND LIQUIDITY
Aflac provides the primary sources of liquidity to the Parent Company through dividends and management fees. The following table presents the amounts provided for the six-month periods ending June 30.

Liquidity Provided by Aflac to Parent Company

(In millions)	2013	2012
Dividends declared or paid by Aflac	$327	$0
Management fees paid by Aflac	153	128

The primary uses of cash by the Parent Company are shareholder dividends, the repurchase of its common stock and interest on its outstanding indebtedness. The Parent Company's sources and uses of cash are reasonably predictable and are not expected to change materially in the future. For additional information, see the Financing Activities subsection of this MD&A.

The Parent Company also accesses debt security markets to provide additional sources of capital. We filed a shelf registration statement with the SEC in May 2012 which enables us to issue an indefinite amount of senior and subordinated debt, in one or more series, from time to time until May 2015. In June 2013, the Parent Company issued $700 million of senior notes under this registration statement. In December 2011, we filed a shelf registration statement with Japanese regulatory authorities that allows us to issue up to 100 billion yen of yen-denominated Samurai notes in Japan through January 2014. If issued, these yen-denominated Samurai notes would not be available to U.S. persons. We believe outside sources for additional debt and equity capital, if needed, will continue to be available. For additional information, see Note 6 of the Notes to the Consolidated Financial Statements.

The principal sources of cash for our insurance operations are premiums and investment income. The primary uses of cash by our insurance operations are investments, policy claims, commissions, operating expenses, income taxes and payments to the Parent Company for management fees and dividends. Both the sources and uses of cash are reasonably predictable.

When making an investment decision, our first consideration is based on product needs. Our investment objectives provide for liquidity through the purchase of investment-grade debt securities. These objectives also take into account duration matching, and because of the long-term nature of our business, we have adequate time to react to changing cash flow needs.

As a result of policyholder aging, claims payments are expected to gradually increase over the life of a policy. Therefore, future policy benefit reserves are accumulated in the early years of a policy and are designed to help fund future claims payments. We expect our future cash flows from premiums and our investment portfolio to be sufficient to meet our cash needs for benefits and expenses.

In June 2012, the Parent Company and Aflac entered into a 364-day senior unsecured revolving credit facility agreement in the amount of 50 billion yen with a syndicate of financial institutions. This credit agreement provided for borrowings in Japanese yen or the equivalent of Japanese yen in U.S. dollars on a revolving basis. Borrowings would have born interest at LIBOR plus the applicable margin of 1.025%. We terminated this agreement in March 2013, and the Parent Company and Aflac entered into a new five-year senior unsecured revolving credit facility agreement with a syndicate of financial institutions in the amount of 50 billion yen. This credit agreement provides for borrowings in Japanese yen or the equivalent of Japanese yen in U.S. dollars on a revolving basis. Borrowings will bear interest at LIBOR plus the applicable margin of 1.125%. In addition, the Parent Company and Aflac are required to pay a facility fee of .125% on the commitments. Borrowings under the credit agreement may be used for general corporate purposes, including a capital contingency plan for our Japanese operations. Borrowings under the financing agreement mature at the termination date of the credit agreement. The agreement requires compliance with certain financial covenants on a quarterly basis. This credit agreement will expire on the earlier of (a) March 29, 2018, or (b) the date of termination of the commitments upon an event of default as defined in the agreement. As of June 30, 2013, no borrowings were outstanding under our 50 billion yen revolving credit agreement.

Our financial statements convey our financing arrangements during the periods presented. We have not engaged in material intra-period short-term financings during the periods presented that are not otherwise reported in our balance sheet. We were in compliance with all of the covenants of our notes payable at June 30, 2013. We have not entered into transactions involving the transfer of financial assets with an obligation to repurchase financial assets that have been accounted for as a sale under applicable accounting standards, including securities lending transactions. See Note 3 of the Notes to the Consolidated Financial Statements and Note 1 of the Notes to the Consolidated Financial Statements in our annual report to shareholders for the year ended December 31, 2012, for more information on our

securities lending activity. We do not have a known trend, demand, commitment, event or uncertainty that would reasonably result in our liquidity increasing or decreasing by a material amount. Our cash and cash equivalents include unrestricted cash on hand, money market instruments, and other debt instruments with a maturity of 90 days or less when purchased, all of which has minimal market, settlement or other risk exposure.

Consolidated Cash Flows

We translate cash flows for Aflac Japan’s yen-denominated items into U.S. dollars using weighted-average exchange rates. In periods when the yen weakens, translating yen into dollars causes fewer dollars to be reported. When the yen strengthens, translating yen into dollars causes more dollars to be reported.

The following table summarizes consolidated cash flows by activity for the six-month periods ended June 30.

(In millions)	2013	2012
Operating activities	$5,698	$7,245
Investing activities	(5,810)	(8,058)
Financing activities	526	725
Exchange effect on cash and cash equivalents	(67)	(31)
Net change in cash and cash equivalents	$347	$(119)

Operating Activities

The following table summarizes operating cash flows by source for the six-month periods ended June 30.

(In millions)	2013	2012
Aflac Japan	$5,202	$6,968
Aflac U.S. and other operations	496	277
Total	$5,698	$7,245

Investing Activities

Operating cash flow is primarily used to purchase debt securities to meet future policy obligations. The following table summarizes investing cash flows by source for the six-month periods ended June 30.

(In millions)	2013	2012
Aflac Japan	$(5,557)	$(7,794)
Aflac U.S. and other operations	(253)	(264)
Total	$(5,810)	$(8,058)

Prudent portfolio management dictates that we attempt to match the duration of our assets with the duration of our liabilities. Currently, when our debt and perpetual securities mature, the proceeds may be reinvested at a yield below that required for the accretion of policy benefit liabilities on policies issued in earlier years. However, the long-term nature of our business and our strong cash flows provide us with the ability to minimize the effect of mismatched durations and/or yields identified by various asset adequacy analyses. When market opportunities arise, we dispose of selected debt and perpetual securities that are available for sale to improve the duration matching of our assets and liabilities, improve future investment yields, and/or re-balance our portfolio. As a result, dispositions before maturity can vary significantly from year to year. Dispositions before maturity were approximately 3% of the year-to-date average investment portfolio of debt and perpetual securities available for sale during the six-month periods ended June 30, 2013 and 2012.

Financing Activities

Consolidated cash provided by financing activities was $526 million in the first six months of 2013, compared with consolidated cash provided by financing activities of $725 million for the same period of 2012. In June 2013, the Parent Company issued $700 million of senior notes through a U.S. public debt offering. The Parent Company intends to use the net proceeds from the offering to repay, redeem or repurchase, in whole or in part, one or more of the Company's (i) 28.7 billion yen fixed interest rate Samurai notes due July 2014, (ii) 5.5 billion yen variable interest rate Samurai notes due July 2014, and (iii) $300 million senior notes due August 2015. The balance of the net proceeds is expected to be used for general corporate purposes, including capital contributions to subsidiaries, if needed. For information regarding the debt issuances in 2012, see Note 8 of the Notes to the Consolidated Financial Statements in our annual report to shareholders for the year ended December 31, 2012.

Cash returned to shareholders through dividends and treasury stock purchases was $602 million during the six-month period ended June 30, 2013, compared with $306 million during the six-month period ended June 30, 2012.

See our preceding discussion in this Capital Resources and Liquidity section of MD&A regarding the five-year senior unsecured revolving credit facility agreement entered into by the Parent Company and Aflac in March 2013 in the amount of 50 billion yen. As of June 30, 2013, no borrowings were outstanding under our 50 billion yen revolving credit agreement.

We were in compliance with all of the covenants of our notes payable and line of credit at June 30, 2013.
The following tables present a summary of treasury stock activity during the six-month periods ended June 30.

Treasury Stock Purchased		
(In millions of dollars and thousands of shares)	2013	2012
Treasury stock purchases	$287	$10
Number of shares purchased:		
Open market	5,263	0
Other	144	205
Total shares purchased	5,407	205

Treasury Stock Issued		
(In millions of dollars and thousands of shares)	2013	2012
Stock issued from treasury:		
Cash financing	$39	$11
Noncash financing	36	35
Total stock issued from treasury	$75	$46
Number of shares issued	1,671	1,112

During the first six months of 2013, we repurchased 5.3 million shares of our common stock for $279 million as part of our share repurchase program. As of June 30, 2013, a remaining balance of 17.2 million shares of our common stock was available for purchase under a share repurchase authorization by our board of directors in 2008. We plan to purchase a total of $600 million of our common stock in 2013. Additionally, our current plan remains to increase our share repurchase activity in 2014 by purchasing $600 to $900 million of our common stock shares.

Cash dividends paid to shareholders were $.35 per share in the second quarter of 2013, compared with $.33 per share in the second quarter of 2012. The following table presents the dividend activity for the six-month periods ended June 30.

(In millions)	2013	2012
Dividends paid in cash	$315	$296
Dividends through issuance of treasury shares	12	12
Total dividends to shareholders	$327	$308

In July 2013, the board of directors declared the third quarter cash dividend of $.35 per share. The dividend is payable on September 3, 2013, to shareholders of record at the close of business on August 21, 2013.

Regulatory Restrictions

Aflac is domiciled in Nebraska and is subject to its regulations. A life insurance company’s statutory capital and surplus is determined according to rules prescribed by the NAIC, as modified by the insurance department in the insurance company’s state of domicile. Statutory accounting rules are different from GAAP and are intended to emphasize policyholder protection and company solvency. The continued long-term growth of our business may require increases in the statutory capital and surplus of our insurance operations. Aflac’s insurance operations may secure additional statutory capital through various sources, such as internally generated statutory earnings or equity contributions by the Parent Company from funds generated through debt or equity offerings. The NAIC’s risk-based capital (RBC) formula is used by insurance regulators to help identify inadequately capitalized insurance companies. The RBC formula quantifies insurance risk, business risk, asset risk and interest rate risk by weighing the types and mixtures of risks inherent in the insurer’s operations. We estimate that Aflac’s company action level RBC ratio as of

June 30, 2013 may exceed 700%, which is

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higher than our ratio as of December 31, 2012 of 630%. Aflac's RBC ratio remains high and reflects a strong capital and surplus position. The maximum amount of dividends that can be paid to the Parent Company by Aflac without prior approval of Nebraska's director of insurance is the greater of the net income from operations, which excludes net realized investment gains, for the previous year determined under statutory accounting principles, or 10% of statutory capital and surplus as of the previous year-end. Dividends declared by Aflac during 2013 in excess of $2.3 billion would require such approval.

In addition to limitations and restrictions imposed by U.S. insurance regulators, Japan's FSA may not allow profit repatriations from Aflac Japan if the transfers would cause Aflac Japan to lack sufficient financial strength for the protection of policyholders. The FSA maintains its own solvency standard. While we have not yet completed our FSA financial statements for the second quarter of 2013, we estimate that as of June 30, 2013, Aflac Japan's solvency margin ratio (SMR) will be approximately 585%, compared with 686% at the end of the first quarter. The decline in the SMR was primarily due to a spike in U.S. interest rates and the increase in Japanese interest rates, which lowered fair values of the available-for-sale investment portfolio in Japan. The estimate for the SMR remains at the high end of our targeted range of 500% to 600%. Given the sensitivity of the solvency margin ratio to interest rate changes, we have entered into a five-year senior unsecured revolving credit facility in the amount of 50 billion yen as a capital contingency plan in the event of a rapid change in interest rates. We continue to evaluate alternatives for reducing the sensitivity of the solvency margin ratio against interest rate and foreign exchange rate changes.

Payments are made from Aflac Japan to the Parent Company for management fees and to Aflac U.S. for allocated expenses and remittances of earnings. The following table details Aflac Japan remittances for the six-month periods ended June 30.

Aflac Japan Remittances

(In millions of dollars)	2013	2012
Aflac Japan management fees paid to Parent Company	$19	$14
Expenses allocated to Aflac Japan	41	30

In July 2013, Aflac Japan remitted profits to Aflac U.S. of 76.8 billion yen, or $771 million, compared with profit remittances of 33.1 billion yen, or $422 million, in 2012. We had entered into foreign exchange forwards and options as part of a hedging strategy on 65.0 billion yen of the 2013 repatriation, resulting in $24 million of additional funds received when the yen was exchanged into dollars. We anticipate that there will not be any further profit remittances from Aflac Japan during the remainder of 2013.

For additional information on regulatory restrictions on dividends, profit repatriations and other transfers, see Note 12 of the Notes to the Consolidated Financial Statements and the Regulatory Restrictions subsection of MD&A, both in our annual report to shareholders for the year ended December 31, 2012.

Other

For information regarding commitments and contingent liabilities, see Note 10 of the Notes to the Consolidated Financial Statements.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

The information required by Item 3 is incorporated by reference from the Market Risks of Financial Instruments subsection of MD&A in Part I, Item 2 of this report.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

The Company's management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the period covered by this quarterly report (the "Evaluation Date"). Based on such evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that, as of the Evaluation Date, the Company's disclosure controls and procedures are effective.

Changes in Internal Control Over Financial Reporting

There have not been any changes in the Company's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the second fiscal quarter of 2013 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds
Issuer Purchases of Equity Securities
During the first six months of 2013, we repurchased shares of Aflac common stock as follows:

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
January 1 - January 31	0	$0.00	0	22,422,204
February 1 - February 28	1,570,020	49.89	1,455,000	20,967,204
March 1 - March 31	1,530,799	50.79	1,523,800	19,443,404
April 1 - April 30	0	0.00	0	19,443,404
May 1 - May 31	1,808	55.61	0	19,443,404
June 1 - June 30	2,284,549	56.69	2,284,000	17,159,404
Total	5,387,176 (2)	$53.03	5,262,800	17,159,404 (1)

(1)The total remaining shares available for purchase at June 30, 2013, consisted of 17,159,404 shares related to a 30,000,000
share repurchase authorization by the board of directors announced in January 2008.
(2)During the first six months of 2013, 2,357 shares were purchased in connection with income tax withholding obligations related
to the vesting of restricted-share-based awards during the period.

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Item 6. Exhibits

(a) EXHIBIT INDEX

3.0	-	Articles of Incorporation, as amended – incorporated by reference from Form 10-Q for June 30, 2008, Exhibit 3.0 (File No. 001-07434).
3.1	-	Bylaws of the Corporation, as amended – incorporated by reference from Form 10-Q for March 31, 2010, Exhibit 3.1 (File No. 001-07434).
4.0	-	There are no instruments with respect to long-term debt not being registered in which the total amount of securities authorized exceeds 10% of the total assets of Aflac Incorporated and its subsidiaries on a consolidated basis. We agree to furnish a copy of any long-term debt instrument to the Securities and Exchange Commission upon request.
4.1	-	Indenture, dated as of May 21, 2009, between Aflac Incorporated and The Bank of New York Mellon Trust Company, N.A., as trustee – incorporated by reference from Form 8-K dated May 21, 2009, Exhibit 4.1 (File No. 001-07434).
4.2	-	First Supplemental Indenture, dated as of May 21, 2009, between Aflac Incorporated and The Bank of New York Mellon Trust Company, N.A., as trustee (including the form of 8.500% Senior Note due 2019) – incorporated by reference from Form 8-K dated May 21, 2009, Exhibit 4.2 (File No. 001-07434).
4.3	-	Second Supplemental Indenture, dated as of December 17, 2009, between Aflac Incorporated and The Bank of New York Mellon Trust Company, N.A., as trustee (including the form of 6.900% Senior Note due 2039) – incorporated by reference from Form 8-K dated December 14, 2009, Exhibit 4.1 (File No. 001-07434).
4.4	-	Third Supplemental Indenture, dated as of August 9, 2010, between Aflac Incorporated and The Bank of New York Mellon Trust Company, N.A., as trustee (including the form of 6.45% Senior Note due 2040) - incorporated by reference from Form 8-K dated August 4, 2010, Exhibit 4.1 (File No. 001-07434).
4.5	-	Fourth Supplemental Indenture, dated as of August 9, 2010, between Aflac Incorporated and The Bank of New York and Mellon Trust Company, N.A., as trustee (including the form of 3.45% Senior Note due 2015) – incorporated by reference from Form 8-K dated August 4, 2010, Exhibit 4.2 (File No. 001-07434).
4.6	-	Fifth Supplemental Indenture, dated as of February 10, 2012, between Aflac Incorporated and The Bank of New York Mellon Trust Company, N.A., as trustee (including the form of 2.65% Senior Note due 2017) - incorporated by reference from Form 8-K dated February 8, 2012, Exhibit 4.1 (File No. 001-07434).
4.7	-	Sixth Supplemental Indenture, dated as of February 10, 2012, between Aflac Incorporated and The Bank of New York Mellon Trust Company, N.A., as trustee (including the form of 4.00% Senior Note due 2022) - incorporated by reference from Form 8-K dated February 8, 2012, Exhibit 4.2 (File No. 001-07434).
4.8	-	Seventh Supplemental Indenture, dated as of July 31, 2012, between Aflac Incorporated and The Bank of New York Mellon Trust Company, N.A., as trustee (including the form of 2.65% Senior Note due 2017) - incorporated by reference from Form 8-K dated July 27, 2012, Exhibit 4.1 (File No. 001-07434).
4.9	-	Eighth Supplemental Indenture, dated as of June 10, 2013, between Aflac Incorporated and The Bank of New York Mellon Trust Company, N.A., as trustee (including the form of 3.625% Senior Note due 2023) - incorporated by reference from Form 8-K dated June 10, 2013, Exhibit 4.1 (File No. 001-07434).
4.10	-	Subordinated Indenture, dated as of September 26, 2012, between Aflac Incorporated and The Bank of New York Mellon Trust Company, N.A., as trustee - incorporated by reference from Form 8-K dated October 1, 2012, Exhibit 4.1 (File No. 001-07434).
4.11	-	First Supplemental Indenture, dated as of September 26, 2012, between Aflac Incorporated and The Bank of New York Mellon Trust Company, N.A., as trustee (including the form of 5.50%

		Subordinated Debenture due 2052) - incorporated by reference from Form 8-K dated October 1, 2012, Exhibit 4.2 (File No. 001-07434).
10.0*	-	American Family Corporation Retirement Plan for Senior Officers, as amended and restated October 1, 1989 – incorporated by reference from 1993 Form 10-K, Exhibit 10.2 (File No. 001-07434).
10.1*	-	Amendment to American Family Corporation Retirement Plan for Senior Officers, dated December 8, 2008 – incorporated by reference from 2008 Form 10-K, Exhibit 10.1 (File No. 001-07434).
10.2*	-	Aflac Incorporated Supplemental Executive Retirement Plan, as amended and restated January 1, 2009 – incorporated by reference from 2008 Form 10-K, Exhibit 10.5 (File No. 001-07434).

10.3*	-	First Amendment to the Aflac Incorporated Supplemental Executive Retirement Plan, as amended and restated January 1, 2009 – incorporated by reference from 2012 Form 10-K, Exhibit 10.3 (File No. 001-07434).
10.4*	-	Aflac Incorporated Executive Deferred Compensation Plan, as amended and restated, effective January 1, 2009 – incorporated by reference from 2008 Form 10-K, Exhibit 10.9 (File No. 001-07434).
10.5*	-	First Amendment to the Aflac Incorporated Executive Deferred Compensation Plan dated June 1, 2009 – incorporated by reference from Form 10-Q for June 30, 2009, Exhibit 10.4 (File No. 001-07434).
10.6*	-	Aflac Incorporated Amended and Restated 2009 Management Incentive Plan – incorporated by reference from the 2008 Shareholders’ Proxy Statement, Appendix B (File No. 001-07434).
10.7*	-	First Amendment to the Aflac Incorporated Amended and Restated 2009 Management Incentive Plan, dated December 19, 2008 – incorporated by reference from 2008 Form 10-K, Exhibit 10.11 (File No. 001-07434).
10.8*	-	Aflac Incorporated 2013 Management Incentive Plan - incorporated by reference from the 2012 Proxy Statement, Appendix B (File No. 001-07434).
10.9*	-	Aflac Incorporated Sales Incentive Plan – incorporated by reference from 2007 Form 10-K, Exhibit 10.8 (File No. 001-07434).
10.10*	-	1999 Aflac Associate Stock Bonus Plan, amended and restated as of January 1, 2013 - incorporated by reference from Form 10-Q for March 31, 2013, Exhibit 10.10 (File No. 001-07434).
10.11*	-	Aflac Incorporated 1997 Stock Option Plan – incorporated by reference from the 1997 Shareholders’ Proxy Statement, Appendix B (File No. 001-07434).
10.12*	-	Form of Officer Stock Option Agreement (Non-Qualifying Stock Option) under the Aflac Incorporated 1997 Stock Option Plan – incorporated by reference from Form 8-K dated January 28, 2005, Exhibit 10.5 (File No. 001-07434).
10.13*	-	Form of Officer Stock Option Agreement (Incentive Stock Option) under the Aflac Incorporated 1997 Stock Option Plan – incorporated by reference from Form 8-K dated January 28, 2005, Exhibit 10.6 (File No. 001-07434).
10.14*	-	Notice of grant of stock options and stock option agreement to officers under the Aflac Incorporated 1997 Stock Option Plan – incorporated by reference from Form 8-K dated January 28, 2005, Exhibit 10.7 (File No. 001-07434).
10.15*	-	2004 Aflac Incorporated Long-Term Incentive Plan (as amended and restated March 14, 2012) – incorporated by reference from the 2012 Proxy Statement, Appendix A (File No. 001-07434).
10.16*	-	Form of Non-Employee Director Stock Option Agreement (NQSO) under the 2004 Aflac Incorporated Long-Term Incentive Plan (as amended and restated March 14, 2012).
10.17*	-	Notice of grant of stock options to non-employee director under the 2004 Aflac Incorporated Long-Term Incentive Plan (as amended and restated March 14, 2012).
10.18*	-	Form of Non-Employee Director Restricted Stock Award Agreement under the 2004 Aflac Incorporated Long-Term Incentive Plan (as amended and restated March 14, 2012).
10.19*	-	Notice of restricted stock award to non-employee director under the 2004 Aflac Incorporated Long-Term Incentive Plan (as amended and restated March 14, 2012).
10.20*	-	U.S. Form of Officer Restricted Stock Award Agreement under the 2004 Aflac Incorporated Long-Term Incentive Plan (as amended and restated March 14, 2012).
10.21*	-	Japan Form of Officer Restricted Stock Award Agreement under the 2004 Aflac Incorporated Long-Term Incentive Plan (as amended and restated March 14, 2012).
10.22*	-	Notice of time based restricted stock award to officers under the 2004 Aflac Incorporated Long-Term Incentive Plan (as amended and restated March 14, 2012).
10.23*	-	Notice of performance based restricted stock award to officers under the 2004 Aflac Incorporated Long-Term Incentive Plan (as amended and restated March 14, 2012).

10.24*	-	U.S. Form of Officer Stock Option Agreement (Non-Qualifying Stock Option) under the 2004 Aflac Incorporated Long-Term Incentive Plan (as amended and restated March 14, 2012).

10.25*	-	Japan Form of Officer Stock Option Agreement (Non-Qualifying Stock Option) under the 2004 Aflac Incorporated Long-Term Incentive Plan (as amended and restated March 14, 2012).
10.26*	-	U.S. Form of Officer Stock Option Agreement (Incentive Stock Option) under the 2004 Aflac Incorporated Long-Term Incentive Plan (as amended and restated March 14, 2012).
10.27*	-	Japan Form of Officer Stock Option Agreement (Incentive Stock Option) under the 2004 Aflac Incorporated Long-Term Incentive Plan (as amended and restated March 14, 2012).
10.28*	-	U.S. Notice of grant of stock options to officers under the 2004 Aflac Incorporated Long-Term Incentive Plan (as amended and restated March 14, 2012).
10.29*	-	Japan Notice of grant of stock options to officers under the 2004 Aflac Incorporated Long-Term Incentive Plan (as amended and restated March 14, 2012).
10.30*	-	Aflac Incorporated Retirement Plan for Directors Emeritus, as amended and restated, dated February 9, 2010 – incorporated by reference from 2009 Form 10-K, Exhibit 10.26 (File No. 001-07434).
10.31*	-	Amendment to Aflac Incorporated Retirement Plan for Directors Emeritus, as amended and restated, dated August 10, 2010 – incorporated by reference from Form 10-Q for September 30, 2010, Exhibit 10.27 (File No. 001-07434).
10.32*	-	Aflac Incorporated Employment Agreement with Daniel P. Amos, dated August 1, 1993 – incorporated by reference from 1993 Form 10-K, Exhibit 10.4 (File No. 001-07434).
10.33*	-	Amendment to Aflac Incorporated Employment Agreement with Daniel P. Amos, dated December 8, 2008 – incorporated by reference from 2008 Form 10-K, Exhibit 10.32 (File No. 001-07434).
10.34*	-	Aflac Incorporated Employment Agreement with Kriss Cloninger III, dated February 14, 1992, and as amended November 12, 1993 – incorporated by reference from 1993 Form 10-K, Exhibit 10.6 (File No. 001-07434).
10.35*	-	Amendment to Aflac Incorporated Employment Agreement with Kriss Cloninger III, dated November 3, 2008 – incorporated by reference from 2008 Form 10-K, Exhibit 10.34 (File No. 001-07434).
10.36*	-	Amendment to Aflac Incorporated Employment Agreement with Kriss Cloninger III, dated December 19, 2008 – incorporated by reference from 2008 Form 10-K, Exhibit 10.35 (File No. 001-07434).
10.37*	-	Amendment to Aflac Incorporated Employment Agreement with Kriss Cloninger III, dated March 15, 2011 – incorporated by reference from Form 10-Q for March 31, 2011, Exhibit 10.33 (File No. 001-07434).
10.38*	-	Aflac Incorporated Employment Agreement with Paul S. Amos II, dated January 1, 2005 – incorporated by reference from Form 8-K dated February 7, 2005, Exhibit 10.2 (File No. 001-07434).
10.39*	-	Amendment to Aflac Incorporated Employment Agreement with Paul S. Amos II, dated December 19, 2008 – incorporated by reference from 2008 Form 10-K, Exhibit 10.39 (File No. 001-07434).
10.40*	-	Amendment to Aflac Incorporated Employment Agreement with Paul S. Amos II, dated March 7, 2012 - incorporated by reference from Form 10-Q for March 31, 2012, Exhibit 10.36 (File No. 001-07434).
10.41*	-	Aflac Incorporated Employment Agreement with Joey Loudermilk, dated September 12, 1994 and as amended December 10, 2008 – incorporated by reference from 2008 Form 10-K, Exhibit 10.40 (File No. 001-07434).
10.42*	-	Amendment to Aflac Incorporated Employee Agreement with Joey Loudermilk, dated December 14, 2011 - incorporated by reference from 2011 Form 10-K, Exhibit 10.37 (File No. 001-07434).
10.43*	-	Aflac Incorporated Employment Agreement with Tohru Tonoike, effective February 1, 2007 – incorporated by reference from 2008 Form 10-K, Exhibit 10.41 (File No. 001-07434).
10.44*	-	

		Amendment to Aflac Incorporated Employment Agreement with Tohru Tonoike, dated February 9, 2010 – incorporated by reference from 2009 Form 10-K, Exhibit 10.36 (File No. 001-07434).
10.45*	-	Amendment to Aflac Incorporated Employment Agreement with Tohru Tonoike, dated October 8, 2012 – incorporated by reference from 2012 Form 10-K, Exhibit 10.40 (File No. 001-07434).
10.46*	-	Aflac Retirement Agreement with E. Stephen Purdom, dated February 15, 2000 – incorporated by reference from 2000 Form 10-K, Exhibit 10.13 (File No. 001-07434).
11	-	Statement regarding the computation of per-share earnings for the Registrant.
12	-	Statement regarding the computation of ratio of earnings to fixed charges for the Registrant.
15	-	Letter from KPMG LLP regarding unaudited interim financial information.

31.1	-	Certification of CEO dated August 6, 2013, required by Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934.
31.2	-	Certification of CFO dated August 6, 2013, required by Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934.
32	-	Certification of CEO and CFO dated August 6, 2013, pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
99.1	-	Senior unsecured revolving credit facility agreement, dated March 29, 2013 - incorporated by reference from Form 10-Q for March 31, 2013, Exhibit 99.1 (File No. 001-07434).
101.INS	-	XBRL Instance Document.(1)
101.SCH	-	XBRL Taxonomy Extension Schema.
101.CAL	-	XBRL Taxonomy Extension Calculation Linkbase.
101.DEF	-	XBRL Taxonomy Extension Definition Linkbase.
101.LAB	-	XBRL Taxonomy Extension Label Linkbase.
101.PRE	-	XBRL Taxonomy Extension Presentation Linkbase.

(1) Includes the following materials contained in this Quarterly Report on Form 10-Q for the period ended June 30, 2013, formatted in XBRL (eXtensible Business Reporting Language): (i) Consolidated Statements of Earnings, (ii) Consolidated Statements of Comprehensive Income (Loss), (iii) Consolidated Balance Sheets, (iv) Consolidated Statements of Shareholders' Equity, (v) Consolidated Statements of Cash Flows, (vi) Notes to the Consolidated Financial Statements

* Management contract or compensatory plan or arrangement required to be filed as an exhibit pursuant to Item 6 of this report

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

	Aflac Incorporated
August 6, 2013	/s/ Kriss Cloninger III (Kriss Cloninger III) President, Chief Financial Officer, Treasurer and Director
August 6, 2013	/s/ June Howard (June Howard) Senior Vice President, Financial Services; Chief Accounting Officer

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