

# Chairman's Letter

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To my fellow shareholders:

When I became President and CEO of MetLife, Inc. on May 1, 2011, I knew I was taking the reins of a great insurance company — one of the very best in the world. But I also knew that if we combined our existing strengths with the right strategy and organizational structure, MetLife could be a great company by any measure. I believe we are off to a very strong start.

In this letter, I will review our financial achievements for 2011 and discuss the ways we are positioning MetLife to continue to deliver shareholder value over the long term.

Before I do, I want to share with you my thoughts on the Federal Reserve's recent decision to object to MetLife's incremental capital distribution plan. MetLife remains the same financially strong company it has always been. The established ratios used to measure insurance company capital adequacy, such as the NAIC's risk-based capital ratio, show that MetLife is financially strong. Moreover, at year-end 2011 we had \$3.5 billion of excess capital, which we project will grow to \$6 billion to \$7 billion at year-end 2012 before any capital distribution actions. Our plan to deregister as a bank holding company by the end of the second quarter of 2012 is on track, which will help ensure we can operate on a level playing field with other insurance companies. While I am deeply disappointed with the Federal Reserve's decision barring us from returning capital to shareholders at this time, MetLife remains committed to creating shareholder value and returning excess capital to shareholders.

## A Solid Year

In 2011, MetLife's operating earnings per share<sup>1</sup> were up 16% from 2010, and our operating return on common equity was up 10% from 2010. These results are particularly noteworthy in light of the challenging environment faced by the insurance industry in 2011 — a volatile global economy, declining interest rates, flat equity markets, and natural disasters in the United States and Japan.

MetLife succeeded in 2011 by getting the fundamentals right. Underwriting margins remained solid despite record catastrophes in the U.S. and Japan. In addition, our risk management culture helped our core spreads remain relatively stable despite the low interest-rate environment, largely on the strength of our hedging and asset-liability management programs.

Our acquisition of Alico in November 2010 contributed significantly to our strong results in 2011. When we emerged from the financial crisis as one of the only companies in a position to buy Alico, we said the deal would be accretive to earnings in the first year. That has proven to be the case — indeed, it is one of the principal reasons our financial results improved in 2011. Looking ahead, I am confident that MetLife's global operations will continue to drive profitable growth for the company.

## Our Key Strengths

As I have been telling investors and analysts since last fall, I believe MetLife has the strongest platform for shareholder value creation in the life insurance industry. That platform is built on four pillars.

First, we are one of the most **geographically diverse** insurance companies in the world. Our presence has grown from 17 countries pre-Alico to more than 50 today and now spans 90% of the global insurance market. We have leadership positions in the two largest insurance markets in the world — the United States and Japan. And we have strong and growing positions in high-growth markets with attractive demographics and increasing demand for insurance products. Overall, we are among the top five life insurers by revenue in almost half the markets in which we do business. This global presence differentiates us from most of our peers, giving us access to more attractive markets and creating economies of scale. We believe this is a competitive advantage that is very difficult to replicate.

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<sup>1</sup> "Operating earnings per share" means operating earnings available to common shareholders per diluted common share.

Second, in addition to being highly diversified by geography, we have **exceptional product and distribution diversity**. MetLife is not overly dependent on any one product for earnings, and we can adjust our mix to take advantage of market opportunities. We can also leverage our product capabilities around the world. For example, we believe the expertise we have developed with Accident & Health in Japan and China will allow us to sell this product successfully in markets throughout Asia and the Americas. In addition, we have expertise in all four distribution channels — face-to-face, bancassurance, broker and direct — which allows customers to do business with us how they wish. In every channel, and across the company, we are placing a much stronger focus on becoming a customer-centric company, breaking down barriers and becoming easier to do business with.

Third, we have what we believe is the **best risk-management culture in the business**, which saw us safely through the financial crisis and allowed us to complete the \$16.3 billion purchase of Alico. Today, that same commitment to risk management is allowing us to weather the low interest rate environment with a far smaller impact on earnings than many expected. A significant part of the reason is that we started buying protection against low interest rates in 2004, when rates were much higher and the cost of hedging was comparatively low. Even under an extended low-rate scenario, we expect to continue to generate excess capital.

Finally, we have **one of the strongest brands in the industry**, driven by our nearly 145-year history of doing what is right for our customers. We recently re-launched our brand in the United States around the promise that MetLife will enable and embolden consumers to build their financial security, and we kicked off our campaign with our first-ever ad during the Super Bowl. This built on our 2011 acquisition of the naming rights to MetLife Stadium, home of the NFL's Giants and Jets. We are also extending the reach of our brand to new customers in key markets. Our re-branding efforts for the combined MetLife-Alico companies are now complete and have been well received across the globe. In an industry where many products are easy to replicate, brand becomes a key differentiator — one that we believe is helping to drive consumer preference for our products and create shareholder value.

### **The Right Strategy**

As we did in 2007 and again in 2009, MetLife is conducting a strategic business review to ensure that we capitalize on our strengths. As CEO of MetLife, I believe it is important for us to continuously reassess our strategy, especially in light of the uncertain external environment.

Our strategic review is being guided by core principles essential to running a successful enterprise. First and foremost, we are committed to taking a portfolio view of our businesses. That means we will invest in the businesses that will deliver the highest risk-adjusted returns for shareholders. No business is automatically entitled to capital. All must compete on the basis of which will deliver the most value to shareholders.

A corollary principle is that we will strike the right balance between growth, profitability and risk. MetLife will not pursue growth for growth's sake. On the contrary, we are committed to achieving returns in excess of our long-term cost of capital. We will not achieve this goal overnight. But over time, we will fix or exit businesses that cannot consistently clear their hurdle rates.

You can see these principles in action in our decision to exit the long-term care business in 2010. You can see them in our decision in 2011 to sell businesses in the Caribbean and Taiwan, and sell certain blocks in the U.K., which will free up more than \$1 billion of capital. Finally, you can see them in our decision to re-price our leading variable annuity product and our plan to reduce our VA sales to roughly \$18 billion in 2012.

### **The Right Structure**

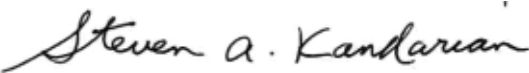
Of course, having the right strategy is not sufficient. We must also have the right structure in place to ensure that we are positioned to deliver superior business results. Last November, I announced that MetLife was reorganizing from a U.S. and International structure into three broad geographic regions — the Americas, EMEA, and Asia — and creating a Global Employee Benefits business. We believe this structure lays the foundation for a truly global company: It eliminates the separation between the U.S. and the rest of the world, drives collaboration and efficiency, and more effectively meets the needs of our customers. With these changes, we have taken a big step toward operating as One MetLife.

### **Conclusion**

In closing, let me say that as proud as I am of our achievements in 2011, I am even more excited about the opportunities that lie ahead. I believe that MetLife is building the right strengths, the right strategy and the right structure to achieve our vision of being recognized as the leading global life insurance and employee benefits company.

From the entire team here at MetLife, thank you for entrusting us to run your company.

Sincerely,

A handwritten signature in black ink that reads "Steven A. Kandarian". The signature is written in a cursive style with a small dot above the 'i' in "Kandarian".

Steven A. Kandarian  
Chairman of the Board, President and Chief Executive Officer  
MetLife, Inc.

March 16, 2012