Chairman’s Letter

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

—Metropolitan Life Insurance Company, Annual Report, 1870

To my fellow shareholders:

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

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

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

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

Refocus the U.S. Business

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

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

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

Grow Emerging Markets

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

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

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

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

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

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

Build the Global Employee Benefits Business

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

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

Drive Toward Customer Centricity and a Global Brand

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

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

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

The Foundation for Success

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

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

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

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

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

The Policy Environment Facing MetLife

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

Low Interest Rates

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

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

SIFI Designation and Prudential Regulation

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

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

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

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

Conclusion

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

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

Sincerely,

Steven A. Kandarian

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

March 15, 2013