



“Today, we are one of the world’s most broadly diversified life insurance companies — by geography, by product, and by distribution channel.”

Earnings Growth 2011-2014

- 12.1 percent in Operating Earnings
- 9.6 percent in Operating Earnings Per Share

To My Fellow Shareholders:

One of the great strengths of MetLife’s business is diversification. Today, we are one of the world’s most broadly diversified life insurance companies — by geography, by product, and by distribution channel. What this means in practice is that softness in one part of our business is often offset by strength in another, resulting in overall performance that is more even than if our business were highly concentrated.

The benefits of geographic diversification were clearly evident in 2014. While economic growth in various parts of the world suffered, a relatively healthy U.S. economy helped lift MetLife’s business results in our largest market. The benefits of product diversification were also evident last year as soft underwriting margins were offset by better-than-expected investment spreads and favorable equity markets.

The strength of our business model enabled MetLife to generate full-year 2014 operating earnings of \$6.6 billion, a 5 percent increase over 2013, and operating earnings per share of \$5.74, up 2 percent from the prior-year period. Our operating return on equity (ROE) for all of 2014 was 12 percent, the second year in a row that we achieved an operating ROE at the low end of our 2016 target range of 12 percent to 14 percent.¹

Multi-Year Performance

As pleased as we are with MetLife’s 2014 performance, the success of a long-term business should be gauged over a multi-year period. Here too MetLife is performing well.

From 2011, when I became CEO, through 2014, the company’s operating earnings grew at a compound annual rate of 12.1 percent. Over the same period, operating earnings per share (EPS) grew at a compound annual rate of 9.6 percent. In addition, since the introduction of MetLife’s corporate strategy in 2012, the company’s operating ROE has averaged 11.8 percent, only slightly below the bottom of our 2016 target range. I am not attributing all of the company’s recent performance to our strategy work — in the life insurance business, profits emerge slowly over time — but I am confident that our decisions have improved risk-adjusted returns to shareholders.

Delivering close to double-digit operating EPS growth and a 12 percent operating ROE during the past three years is especially noteworthy given that the 10-year Treasury yield has averaged 2.2 percent since the summer of 2011 and our capital management actions have been conservative due to regulatory uncertainty.

A Commitment to Cash Flow

I am less satisfied with MetLife’s level of free cash flow generation, which is the most important business metric in determining the company’s ability to return capital to shareholders. While the ratio of free cash flow to operating earnings has shown improvement, reaching 44 percent in 2014, it is still below the level we think is necessary to maximize shareholder value. We are striving to increase the amount of cash generated by the business and believe that our target of 45 percent to 55 percent for 2015 to 2017 is achievable, assuming we have a reasonable regulatory environment and gradually rising interest rates.

¹ “Operating ROE” refers to operating return on equity excluding accumulated other comprehensive income other than foreign currency translation adjustments. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Non-GAAP and Other Financial Disclosures” in MetLife, Inc.’s 2014 Annual Report (accessible at <http://investor.metlife.com> under “Related Links” by selecting “Annual Reports,” then selecting “MetLife, Inc. 2014 Annual Report”) for this and other non-GAAP definitions and reconciliations.

Expense Reductions

- \$600 million in net saves in 2014
- On track for \$1 billion in gross saves in 2015

Over time, the performance of life insurance stocks has become more closely correlated with the ratio of free cash flow to operating earnings. Since the financial crisis, investors have shown increasing skepticism toward reported earnings for life insurers. Unlike metrics whose correlation to stock price performance can vary based on the macro environment and investor sentiment, nothing is more fundamental than cash. Growing free cash flow by investing capital at attractive risk-adjusted returns is the surest way to maximize shareholder value over time. That is why free cash flow generation has become an enterprisewide imperative at MetLife and will be informing all of our major business decisions in the months and years ahead.

Strategy Highlights

Helping to drive MetLife's success in 2014 was the notable progress we made on the company's strategic initiatives.

We are pleased to have reached our goal of \$600 million in net expense saves ahead of schedule, and we remain on track to achieve \$1 billion in gross expense saves by the end of 2015. Both parts of this strategic initiative are important — delivering cost savings that fall to the bottom line, and reinvesting in the business to drive future growth. We will continue to invest a significant portion of our reinvestment dollars in technology improvements that make it easier to do business with MetLife.

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Managing the amount of risk we take on is another critical element in MetLife's business strategy. From a high of \$28.4 billion in 2011, MetLife reduced sales of variable annuities (VAs) to \$6.3 billion in 2014. We believe our strategic initiative to Refocus the U.S. Business is essentially complete, and in 2015 we are looking to resume growth in our annuity business through a range of products. For example, our new guaranteed minimum withdrawal benefit VA, “FlexChoice,” has a better risk profile while still offering customers a competitive benefit. We believe the design of the new product will contribute to a more than 50 percent increase in total annuity sales in 2015.

Even with a rebound in annuity sales, we anticipate that VA risk will moderate over time. We continue to emphasize growth in less capital-intensive protection products, and expect the related businesses to grow at a faster rate than Retail Annuities. As a result, the demands that the annuity business places on our overall capital base should go down over time.

Much of our anticipated growth in protection-oriented products will take place outside of the United States, consistent with MetLife's strategic initiative to Grow Emerging Markets. MetLife's emerging market sales grew by a healthy 24 percent in 2014, or 14 percent excluding a large Mexico group contract. We believe emerging markets will remain a growth engine for the company over the longer term, even as a strong dollar dampens the earnings contribution from non-U.S. markets in the near term.

Capital Returns in 2014

- 27 percent dividend increase
- \$2 billion in share buybacks announced

Returning Capital

MetLife's strong business performance has allowed the company to significantly increase the amount of capital it returns to shareholders.

MetLife increased its quarterly dividend payment to common shareholders by 27 percent in 2014, on top of a 49 percent increase in 2013. The current annual dividend is \$1.40 per common share, up from 74 cents in 2012.

MetLife also announced \$2 billion in share buybacks in 2014, our first since the financial crisis in 2008. MetLife announced an initial \$1 billion in share buybacks in June of 2014, which we completed before year-end. In December, we announced an additional \$1 billion in share buybacks for 2015. As a result of weakness in MetLife's stock price in the early part of this year, we aggressively repurchased shares, and our second \$1 billion program is nearly complete.

We believe it is prudent to hold an elevated amount of capital until there is greater clarity on the prudential standards that will apply to MetLife. As of year-end 2014, MetLife held \$6.1 billion in cash and liquid assets at its holding companies.

Interest Rates and Return on Equity

Low interest rates continue to be a headwind for the life insurance industry. In our view, the current rate environment is largely explained by unprecedented market intervention from central banks and a sluggish global economy. Over the long term, we believe the 10-year Treasury yield should be 4.0–4.5 percent based on the Federal Reserve's 2 percent inflation target and expectations for long-term economic growth. We assume the 10-year Treasury yield normalizes by year-end 2017, but also see risk of a lower-for-longer environment for interest rates.

MetLife's strategy of shifting our product mix toward less interest-sensitive products has helped mitigate the impact of a low-rate scenario. However, if interest rates remain low indefinitely, it would likely be difficult to sustain our 2014 operating ROE of 12 percent over the long term. This is not a MetLife-specific challenge. Maintaining current return targets in a long-term low rate scenario would likely be a challenge for most businesses, particularly those in the financial services industry.

Fortunately, absolute returns do not tell the whole story. It is also important to consider relative returns. If interest rates remain low indefinitely, there would likely be a downward reset in return expectations across all asset classes. Because equity returns are measured against the risk-free rate, the spread between MetLife's operating ROE and the 10-year Treasury yield is a key metric. For example, if investors consider a 12 percent operating ROE acceptable when the risk-free rate is 4 percent, they should consider a 10 percent operating ROE acceptable when the risk-free rate is 2 percent. In each case the spread over the risk-free rate is an identical 800 basis points. On this basis, there is reason to be optimistic about MetLife's prospects even if interest rates stay low.

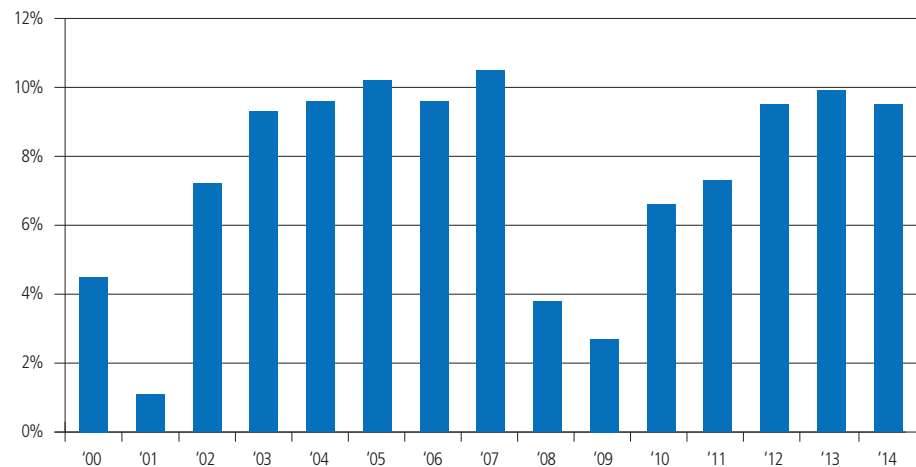
If you look at the spread between MetLife's operating ROE and the 10-year Treasury yield going back to 2000, the year we went public, you can see that the company's recent performance has been comparatively strong (see chart, p. iv). During the past three years, from 2012 to 2014, the spread between MetLife's operating ROE and the 10-year Treasury yield has averaged 960 basis points, close to pre-financial crisis levels.

“In addition to solid performance relative to the risk-free rate, the quality of the company's operating ROE has improved”

In addition to a solid performance relative to the risk free rate, the quality of the company's operating ROE has improved — largely due to lower leverage and de-risking in the U.S. business. MetLife also has a better business mix as a result of our 2010 acquisition of Alico and our strategy of focusing on the sale of less capital-intensive protection-oriented products. This favorable shift in the company's product mix should continue to improve our operating ROE relative to the risk-free rate and reduce our cost of equity capital over time.

Operating ROE¹ Spread over 10-Year Treasury Yield²

Returns relative to risk-free rate are near pre-crisis levels



¹ Excludes accumulated other comprehensive income other than foreign currency translation adjustments.

² 10-year Treasury yield is average in each period. Historical reported results for the years 2000 through 2007 have not been modified for current period events such as the adoption of new accounting pronouncements and subsequent events, including acquisitions and dispositions, discontinued operations and divested business.

Regulatory Matters

As is well known by now, MetLife has filed a legal challenge to its designation as a Systemically Important Financial Institution by the Financial Stability Oversight Council (FSOC).

When we filed the challenge in January, I said we had hoped to avoid litigation in light of the substantial and compelling evidence we presented to FSOC demonstrating that MetLife is not systemically important. The Dodd-Frank Act is clear that size alone does not make a company systemic. We believe we have a strong legal case to present to the court and look forward to its eventual decision.

As a former regulator, I want to emphasize that MetLife has always supported appropriate regulation of the life insurance industry and has operated under a stringent state regulatory system for decades. However, adding a new federal standard for just the largest life insurers while retaining a different standard for everyone else will harm competition and drive up the cost of financial protection without making the financial system safer.

We believe the government should preserve a level playing field in the life insurance industry. If additional regulation is necessary, the government has a superior tool at its disposal — an approach that focuses on potentially systemic activities regardless of the size of the firm. FSOC has already embraced this activities-based approach for the asset management industry.

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Litigation takes time to resolve, and in the meantime, the Federal Reserve is now one of MetLife's regulators. We are cooperating fully with representatives from the Federal Reserve Bank of New York as they carry out their supervisory duties. At the same time, we continue to discuss with regulators and lawmakers in Washington the need for capital rules that reflect the business of insurance. With the enactment of the Insurance Capital Standards Clarification Act in December of 2014, the Federal Reserve now has the flexibility it needs to appropriately tailor capital rules for life insurers.

Conclusion

MetLife is committed to creating long-term value for shareholders. Since 2011, we have made progress on this commitment by growing operating earnings per share at close to a double digit rate and improving operating ROE from 10 percent to 12 percent. Also, we are beginning to see better free cash flow performance, as the ratio of free cash flow to operating earnings improved to 44 percent in 2014. Finally, the improvement in earnings, operating ROE and cash flow has occurred while we have continued to reduce the level of risk in the business.

On behalf of MetLife's Board of Directors, management, associates and advisors, I want to say thank you for the trust you have placed in us to run your company. We will continue to strive every day to earn it.

Sincerely,



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

March 12, 2015