MetLife

Navigating life together

Chairman’s Letter

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To My Fellow Shareholders:

This will be my final letter to shareholders as Chairman of MetLife. I would like to review our 2018 achievements—which were considerable—and also survey the tremendous transformation our company has undergone over the past eight years. As I pass the baton to Michel Khalaf as CEO, I am confident we have laid a solid foundation that will allow MetLife to create significant value for shareholders, customers, employees and the world at large.

The year 2018 marked a turning point for MetLife. We closed the book on key challenges and pivoted to the future.

Our long struggle to remain on a level playing field with competitors came to a successful end when the federal government dropped its appeal of the court victory rescinding our designation as a systemically important financial institution (SIFI). We completed the final leg of the spin-off of our U.S. retail business, the centerpiece of our strategy to become less capital intensive and interest-rate sensitive. And we created a new group within MetLife focused on our performance as a sustainable company.

We are in the business of making and keeping promises. For more than 150 years, MetLife has been there for people after life's most destabilizing moments, and the management team feels a deep sense of responsibility to our customers and their families. We are committed to running the company responsibly and with a long-term perspective so that we can keep our promises for generations to come.

Sustainability means profits must be tied to purpose. The first half is just as important as the second. Without profits, a public company will not be able to fulfill its purpose for very long. I am pleased that MetLife delivered strong financial performance in 2018. We generated $5 billion of net income and $5.5 billion of adjusted earnings driven by solid underwriting, good volume growth, disciplined expense management, and tax reform. We grew adjusted earnings per share by 37 percent and achieved an adjusted return on equity of 12.6 percent.[i]

Strong cash generation helped us return a record $5.7 billion to shareholders in 2018 through common stock repurchases and dividends. This was well ahead of our $5 billion target and demonstrates our commitment to being good stewards of our shareholders' capital.

Capital is precious, and our goal is always to deploy it to its highest and best use. When we have opportunities for organic growth or acquisitions that exceed our cost of equity, we will pursue them—and in fact, MetLife deployed more than $3 billion toward new business growth in 2018. But when we do not, we will return excess capital to shareholders, as we should.

Share buybacks have come under criticism in certain quarters on the grounds that they are unfair to workers. In politics, the temptation is to set up diametrically opposed positions—either you're completely on the side of workers, or you're completely on the side of shareholders. The truth is, you should be for both.

I agree with those who say if you're not providing for your employees and just giving back money to your shareholders, that's not a fair deal. Some have argued that before you do buybacks, you should pay all workers at least $15 an hour, offer seven days of paid sick leave, and offer decent pensions and reliable health benefits. I'm proud that MetLife does all of these things, and more. In fact, we used a portion of the proceeds of tax reform to *improve* the benefits we offer our workers.

But you have to take care of your shareholders as well. They have given you money to invest for them and their families, and you have an obligation to provide them a fair return. A lot of middle-income people have their retirement funds invested in MetLife through mutual funds or other institutional investors. They benefit when we pay dividends and repurchase shares.

I believe it would be a mistake to let the government start making capital allocation decisions for companies. Our free-market system has the best track record of any economic system in allocating capital where it will produce the greatest wealth for the greatest number of people.

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In addition to our strong financial performance, MetLife made good progress operationally in 2018. We successfully remediated the material weaknesses associated with our group annuity business in the United States and our run-off Japan variable annuity business in the MetLife Holdings segment. Both material weaknesses were lifted as announced in our 10-K.

Our focus since we self-identified and self-reported the group annuity issue has been to enhance our processes so that we deliver better service to our customers. Going forward, we will further strengthen our ownership culture so that employees continue to feel empowered to escalate issues quickly. This is the best way for us to live up to the high standards we set for ourselves. Our financial performance is—and should be—tied to the value we create for our customers and the experience we deliver for them.

MetLife's Path of Transformation

Since I announced my retirement, I have been asked many times about my legacy at MetLife. I think of it in two ways. First, I believe I helped de-risk the company on both the financial and regulatory fronts. And second, I helped strengthen the company operationally, providing a solid foundation for a new era of profitable growth.

Eighteen months after I joined the company in 2005 as Chief Investment Officer, we sold Peter Cooper Village/Stuyvesant Town in Manhattan for $5.4 billion. While this was regarded as a historic, top-of-the-market asset sale, it was actually a de-risking move. That one property had risen so much in value that it represented nearly 50 percent of our entire real estate equity portfolio, posing concentration risk.

That same approach to risk guided us as the storm clouds of the financial crisis began to gather. I am proud that we saw the housing bubble earlier than most and took action to significantly reduce our holdings of subprime mortgage-backed securities. We also saw the recession coming in October of 2007, two months ahead of the official start, and made a decision to sell down billions of dollars of assets we thought would be most vulnerable in a downturn.

Our efforts to de-risk MetLife's asset portfolio helped us come through the financial crisis in such strong financial shape that we were able to buy Alico from AIG for $16.4 billion, helping AIG repay U.S. taxpayers and making MetLife a truly global insurance company.

When I became CEO in May of 2011, I knew our major task would be to de-risk our liabilities, just as we had de-risked our assets. After going public, the company had been growing the top line with complicated guarantees that produced impressive GAAP earnings, but with poor underlying economics. While we had exited the long-term care business the prior year largely because some of us in leadership viewed the liabilities as unhedgeable, we were still selling a number of products that would not perform well in a lower-for-longer interest-rate environment.

Initially, I thought that exiting universal life with secondary guarantees and ratcheting down variable annuity sales would get the job done. Eventually, we realized the best course would be to spin off our U.S. retail business altogether and create two distinct value propositions for shareholders. Our goal for MetLife was clear: drive up our return on equity while driving down our cost of equity. We have made great strides toward this goal. MetLife is a less volatile company than it was in 2011, with a lower beta, which has allowed us to deliver returns in excess of our cost of equity capital.

Our goal for MetLife was clear: drive up our return on equity while driving down our cost of equity.

While the decision to separate Brighthouse Financial made strong economic sense, it was still not easy. The hardest part was the emotional component. This was our core business dating all the way back to our founding in 1868, and the decision to separate was the most difficult one I faced during my tenure.

At the same time as we were de-risking, we were improving MetLife's economics by boosting free cash flow and the value of new business written. We expanded capital-light businesses with high internal rates of return and shorter payback periods, and we fixed or exited businesses that failed to meet those criteria. As a result, our ratio of free cash flow to adjusted earnings rose from 26 percent in 2012 to an average of 66 percent over 2017 and 2018.[ii] This stronger free cash flow has enabled MetLife to repurchase more than $10 billion of common shares over the last five years and increase our common dividend at an 11.4 percent compound annual growth rate since 2011.

The life insurance business is long term by its nature. We create value for customers by making promises that can extend for decades, and the profits from the business we write often emerge slowly. In an environment that is very short-term focused, this requires discipline and determination. Sometimes we must make tough decisions that do not maximize near-term GAAP earnings in favor of doing the right thing for the company over the

long run. This is how we have tried to run MetLife over the past eight years, with a focus on creating value for customers and shareholders over time.

Operationally, MetLife has made tremendous strides as well. When I became CEO, we faced a number of challenges. Our cost structure was inefficient. Our customer service was not where it needed to be, and our approach to technology and digital was status quo. We have reshaped the company on all three fronts.

On cost, MetLife is now top quartile in tech-spending efficiency among large insurance peers. This has helped contribute to an overall 140 basis point improvement in our direct expense ratio[iii] since 2015. MetLife made a commitment in 2016 to deliver $800 million in pre-tax margin improvement by 2020, and we remain on track to do so.

These savings have not come at the expense of needed investments. Across the enterprise, we have invested in technology to improve the customer experience. In our U.S. centers, we have improved across all key metrics over the last six years: Net promoter scores are up by 139 percent; first-call resolution has increased by 36 percent; customer satisfaction has improved by 21 percent; and we have received five J.D. Power certifications for customer service across our call centers.

No less important has been our focus on the future. The threat of disruption is real, and MetLife has not been standing still. Partnering with Techstars, we have launched a Digital Innovation Accelerator to identify, mentor, and give us early access to disruptors in the insurance space. We have also launched a Global Digital Venture Fund to partner with venture capital firms, pilot best concepts, and broaden our own thinking. Finally, LumenLab, our innovation hub in Singapore, is driving a culture of innovation across MetLife with a goal of reshaping how we engage with customers. In April 2019, LumenLab's work on a blockchain-supported product won MetLife a spot on Forbes' first-ever Blockchain 50 list.

The threat of disruption is real, and MetLife has not been standing still.

An Existential Threat

In the midst of all these efforts, we were confronted with a regulatory risk larger than any MetLife had faced in its history. Because we won our SIFI suit decisively, it may be hard to remember how ominous the threat appeared in 2013.

The actions of the Financial Stability Oversight Council (FSOC) and the Federal Reserve at the time made two things clear: First, only three out of more than 800 U.S. life insurers would be labeled SIFIs, and second, the capital requirements for SIFIs could have been significantly higher than for other firms. We viewed this as an existential threat that would make it impossible for MetLife to price many of its products competitively and lead to the potential breakup of the company into multiple pieces, to the detriment of customers and shareholders alike.

The Dodd-Frank Act included a provision allowing companies to seek judicial review of their SIFI designations. No company wants to take the federal government to court, but this was a path I felt we must pursue for

the sake of our customers, employees and shareholders. On the merits, we felt that FSOC was simply wrong. MetLife did not meet the definition of a "systemic" financial institution as outlined in Dodd-Frank. We are not that interconnected with other financial institutions, and our liabilities subject to a "run on the bank" are nowhere near large enough to destabilize the U.S. financial system.

In addition, FSOC failed to follow its own rules. It was supposed to assess MetLife's vulnerability to "material financial distress." Instead, it simply assumed we would fail. These errors of both substance and process caused the federal district court to deem FSOC's designation of MetLife "fatally flawed."

We were given many warnings against challenging the government—you will lose; your brand will suffer; you will face retribution. But if anything, because we took a principled stand and fought for what we knew was right, MetLife emerged with its reputation enhanced.

I believe it is important for companies to take a public stand and advocate for policies that are in the best interest of their customers, employees and shareholders. While the SIFI challenge was our most prominent example, we also made our views known on taxes, regulation, trade, and monetary policy. The pro-growth positions we took, many of which became official policy, have helped fuel the strongest U.S. economy in a decade—and better results for MetLife, as well. My advice to business leaders is: Don't abandon the public square. Your voice is needed to ensure the preservation of a free-market system that has done a remarkable job of creating wealth and raising living standards.

My advice to business leaders is: Don't abandon the public square.

Our Noble Purpose

Underpinning everything we do at MetLife is our noble purpose of providing financial security to tens of millions of people. By pooling risk, investing wisely, and paying benefits when they are needed most, we create tremendous positive social impact. All advanced societies have governmental social insurance. All of them have also preserved private insurance as a vital component of the financial safety net that helps people deal with life's risks.

MetLife's role as a force for good was on display in many ways in 2018:

- We paid approximately $48 billion in claims and benefits to policyholders.
- We fueled jobs and economic growth by investing $589 billion in total assets under management for policyholders and clients in agriculture, infrastructure, real estate, and businesses of all kinds.
- MetLife Foundation fulfilled its five-year commitment to provide $200 million in grants to improve financial inclusion worldwide.
- We were named to the Dow Jones Sustainability Index (North America) for the third year in a row.
- We were named one of America's 100 Most JUST Companies by JUST Capital and Forbes in recognition of our high performance on issues Americans define as priorities for good corporate behavior.

Conclusion

It has been a tremendous honor for me to lead this great company. My goal was to leave MetLife better than I found it, and I believe that is what we have done over the past eight years. We've divested businesses that were not meeting our return hurdles, we've invested in technology to improve our operations and the customer experience, and we've set the company on a path to profitable growth.

There are many people I want to thank, including the Board of Directors for their support, especially during our long SIFI battle. I want to thank the Executive Group for helping to turn the ship to put us on a better course. They took our strategy from words on paper to action on the ground. I want to thank those who worked with me in the Office of the CEO, who made everything run smoothly.

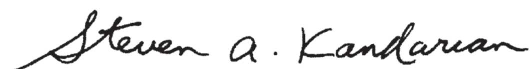
Most of all, I want to thank MetLife's employees. Any company's success is the sum total of the contributions made by its people. Those of us in leadership often receive the credit, but it's those in the trenches who do the hard work every day. The amount of transformation that has occurred at MetLife is remarkable, and our employees should take great pride in their accomplishments.

Finally, on behalf of the entire Board of Directors, I want to express our confidence that we are leaving the company in great hands. Michel Khalaf has brought deep knowledge of our industry, an entrepreneurial spirit, and strong leadership skills to each of the roles he has held during a long and successful career in the life insurance industry.

Michel shares my pride in the value we create for shareholders, the protection we provide to our customers, the opportunities we create for our employees, and the positive impact we make on society. I wish him every success.

The amount of transformation that has occurred at MetLife is remarkable, and our employees should take great pride in their accomplishments.

Sincerely,



Steven A. Kandarian
Chairman of the Board, President, and Chief Executive Officer
MetLife, Inc.
April 25, 2019

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i Refers to adjusted ROE, excluding AOCI other than FCTA.

ii Free cash flow as a percentage of adjusted earnings for 2017 and 2018 have been modified to exclude total notable and separation-related items.

iii Direct expense ratio excludes notable items and pension risk transfers.

Forward-Looking Statements

This letter may contain or incorporate by reference information that includes or is based upon forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements give expectations or forecasts of future events. These statements can be identified by the fact that they do not relate strictly to historical or current facts. They use words such as "anticipate," "estimate," "expect," "project," "intend," "plan," "believe," "will," and other words and terms of similar meaning, or are tied to future periods, in connection with a discussion of future financial performance. In particular, these include statements relating to future actions, prospective services or products, future performance or results of current and anticipated services or products, sales efforts, expenses, the outcome of contingencies such as legal proceedings, trends in operations and financial results.

Any or all forward-looking statements may turn out to be wrong. They can be affected by inaccurate assumptions or by known or unknown risks and uncertainties. Many such factors will be important in determining the actual future results of MetLife, its subsidiaries and affiliates. These statements are based on current expectations and the current economic environment. They involve a number of risks and uncertainties that are difficult to predict. These statements are not guarantees of future performance. Actual results could differ materially from those expressed or implied in the forward-looking statements. Risks, uncertainties, and other factors that might cause such differences include the risks, uncertainties and other factors identified in MetLife's 2018 Form 10-K, any Quarterly Reports on Form 10-Q or Current Report on Form 8-K filed by MetLife with the SEC after the date of the 2018 Form 10-K under the captions "Note Regarding Forward-Looking Statements" or "Risk Factors," and other filings MetLife makes with the SEC. MetLife does not undertake any obligation to publicly correct or update any forward-looking statement if MetLife later becomes aware that such statement is not likely to be achieved. Please consult any further disclosures MetLife makes on related subjects in reports to the SEC.

NON-GAAP AND OTHER FINANCIAL DISCLOSURES

Any references in this Chairman's Letter (except in this section and the tables that accompany this section) to:	**should be read as, respectively:**
(i) net income (loss);	(i) net income (loss) available to MetLife, Inc.'s common shareholders;
(ii) net income (loss) per share;	(ii) net income (loss) available to MetLife, Inc.'s common shareholders per diluted common share;
(iii) adjusted earnings;	(iii) adjusted earnings available to common shareholders;
(iv) adjusted earnings per share;	(iv) adjusted earnings available to common shareholders per diluted common share;
(v) return on equity;	(v) return on MetLife, Inc.'s common stockholders' equity;
(vi) return on equity, excluding AOCI other than FCTA; and	(vi) return on MetLife, Inc.'s common stockholders' equity, excluding AOCI, other than FCTA; and
(vii) adjusted return on equity, excluding AOCI other than FCTA.	(vii) adjusted return on MetLife, Inc.'s common stockholders' equity, excluding AOCI other than FCTA.

In this Chairman's Letter, MetLife presents certain measures of its performance that are not calculated in accordance with accounting principles generally accepted in the United States of America **(GAAP)**. MetLife believes that these non-GAAP financial measures enhance the understanding of MetLife's performance by highlighting the results of operations and the underlying profitability drivers of the business.

The following non-GAAP financial measures should not be viewed as substitutes for the most directly comparable financial measures calculated in accordance with GAAP:

Non-GAAP financial measures:	**Comparable GAAP financial measures:**
(i) adjusted premiums, fees and other revenues;	(i) premiums, fees and other revenues;
(ii) adjusted premiums, fees & other revenues, excluding pension risk transfer;	(ii) premiums, fees and other revenues;
(iii) capitalization of deferred policy acquisition costs (DAC), as reported on an adjusted basis;	(iii) capitalization of DAC;
(iv) other expenses, as reported on an adjusted basis;	(iv) other expenses;
(v) adjusted earnings;	(v) income (loss) from continuing operations, net of income tax;
(vi) adjusted earnings available to common shareholders;	(vi) net income (loss) available to MetLife, Inc.'s common shareholders;
(vii) adjusted earnings available to common shareholders per diluted common share;	vii) net income (loss) available to MetLife, Inc.'s common shareholders per diluted common share;
(viii) adjusted return on equity;	(viii) return on equity;
(ix) adjusted return on equity, excluding AOCI other than FCTA;	(ix) return on equity;
(x) total assets under management;	(x) total investments;
(xi) free cash flow of all holding companies;	(xi) MetLife, Inc. (parent company only) net cash provided by (used in) operating activities;
(xii) adjusted expense ratio;	(xii) expense ratio;
(xiii) adjusted expense ratio, excluding total notable items related to other expenses and PRT;	(xiii) expense ratio;
(xiv) direct expense ratio; and	(xiv) expense ratio; and
(xv) direct expense ratio, excluding total notable items related to direct expenses and PRT.	(xv) expense ratio.

Reconciliations of these non-GAAP measures to the most directly comparable GAAP measures are included in this section. Reconciliations of these non-GAAP measures to the most directly comparable GAAP measures is not accessible on a forward-looking basis because we believe it is not possible without unreasonable efforts to provide other than a range of net investment gains and losses and net derivative gains and losses, which can fluctuate significantly within or outside the range and from period to period and may have a material impact on net income.

MetLife's definitions of the various non-GAAP and other financial measures discussed in this Chairman's Letter may differ from those used by other companies:

Adjusted earnings and related measures

- adjusted earnings;
- adjusted earnings available to common shareholders;
- adjusted earnings available to common shareholders per diluted common share;

These measures are used by management to evaluate performance and allocate resources. Consistent with GAAP guidance for segment reporting, adjusted earnings is also MetLife's GAAP measure of segment performance. Adjusted earnings and other financial measures based on adjusted earnings are also the measures by which MetLife senior management's and many other employees' performance is evaluated for the purposes of determining their compensation under applicable compensation plans. Adjusted earnings and other financial measures based on adjusted earnings allow analysis of MetLife's performance relative to its business plan and facilitate comparisons to industry results.

Adjusted earnings is defined as adjusted revenues less adjusted expenses, net of income tax. Adjusted loss is defined as negative adjusted earnings. Adjusted earnings available to common shareholders is defined as adjusted earnings less preferred stock dividends.

Adjusted revenues and adjusted expenses

These financial measures, along with the related adjusted premiums, fees and other revenues, focus on our primary businesses principally by excluding the impact of market volatility, which could distort trends, and revenues and costs related to non-core products and certain entities required to be consolidated under GAAP. Also, these measures exclude results of discontinued operations under GAAP and other businesses that have been or will be sold or exited by MetLife but do not meet the discontinued operations criteria under GAAP and are referred to as divested businesses. Divested businesses also includes the net impact of transactions with exited businesses that have been eliminated in consolidation under GAAP and costs relating to businesses that have been or will be sold or exited by MetLife that do not meet the criteria to be included in results of discontinued operations under GAAP. In addition, for the year ended December 31, 2016, adjusted revenues and adjusted expenses exclude the financial impact of converting MetLife's Japan operations to calendar-year end reporting without retrospective application of this change to prior periods and is referred to as lag elimination. Adjusted revenues also excludes net investment gains (losses) **(NIGL)** and net derivative gains (losses) **(NDGL)**. Adjusted expenses also excludes goodwill impairments.

The following additional adjustments are made to revenues, in the line items indicated, in calculating adjusted revenues:

- Universal life and investment-type product policy fees excludes the amortization of unearned revenue related to NIGL and NDGL and certain variable annuity guaranteed minimum income benefits **(GMIB)** fees **(GMIB fees)**;
- Net investment income: (i) includes earned income on derivatives and amortization of premium on derivatives that are hedges of investments or that are used to replicate certain investments but do not qualify for hedge accounting treatment, (ii) excludes post-tax adjusted earnings adjustments relating to insurance joint ventures accounted for under the equity method, (iii) excludes certain amounts related to contractholder-directed equity securities, (iv) excludes certain amounts related to securitization entities that are variable interest entities **(VIEs)** consolidated under GAAP; and (v) includes distributions of profits from certain other limited partnership interests that were previously accounted for under the cost method, but are now accounted for at estimated fair value, where the change in estimated fair value is recognized in NIGL under GAAP; and
- Other revenues is adjusted for settlements of foreign currency earnings hedges and excludes fees received in association with services provided under transition service agreements **(TSA fees)**.

The following additional adjustments are made to expenses, in the line items indicated, in calculating adjusted expenses:

- Policyholder benefits and claims and policyholder dividends excludes: (i) changes in the policyholder dividend obligation related to NIGL and NDGL, (ii) inflation-indexed benefit adjustments associated with contracts backed by inflation-indexed investments and amounts associated with periodic crediting rate adjustments based on the total return of a contractually referenced pool of assets and other pass-through adjustments, (iii) benefits and hedging costs related to GMIBs **(GMIB costs)**, and (iv) market value adjustments associated with surrenders or terminations of contracts **(Market value adjustments)**;
- Interest credited to policyholder account balances includes adjustments for earned income on derivatives and amortization of premium on derivatives that are hedges of policyholder account balances but do not qualify for hedge accounting treatment and excludes certain amounts related to net investment income earned on contractholder-directed equity securities;
- Amortization of DAC and value of business acquired **(VOBA)** excludes amounts related to: (i) NIGL and NDGL, (ii) GMIB fees and GMIB costs and (iii) Market value adjustments;
- Amortization of negative VOBA excludes amounts related to Market value adjustments;
- Interest expense on debt excludes certain amounts related to securitization entities that are VIEs consolidated under GAAP; and
- Other expenses excludes costs related to: (i) noncontrolling interests, (ii) implementation of new insurance regulatory requirements, and (iii) acquisition, integration and other costs. Other expenses includes TSA fees.

Adjusted earnings also excludes the recognition of certain contingent assets and liabilities that could not be recognized at acquisition or adjusted for during the measurement period under GAAP business combination accounting guidance.

The tax impact of the adjustments mentioned above are calculated net of the U.S. or foreign statutory tax rate, which could differ from MetLife's effective tax rate. Additionally, the provision for income tax (expense) benefit also includes the impact related to the timing of certain tax credits, as well as certain tax reforms.

Return on equity and related measures

- Return on MetLife, Inc.'s common stockholders' equity: net income (loss) available to MetLife, Inc.'s common shareholders divided by MetLife, Inc.'s average common stockholders' equity.
- Return on MetLife, Inc.'s common stockholders' equity, excluding AOCI other than FCTA: net income (loss) available to MetLife, Inc.'s common shareholders divided by MetLife, Inc.'s average common stockholders' equity, excluding AOCI other than FCTA.
- Adjusted return on MetLife, Inc.'s common stockholders' equity: adjusted earnings available to common shareholders divided by MetLife, Inc.'s average common stockholders' equity.
- Adjusted return on MetLife, Inc.'s common stockholders' equity, excluding AOCI other than FCTA: adjusted earnings available to common shareholders divided by MetLife, Inc.'s average common stockholders' equity, excluding AOCI other than FCTA.

The above measures represent a level of equity consistent with the view that, in the ordinary course of business, MetLife does not plan to sell most investments for the sole purpose of realizing gains or losses. Also refer to the utilization of adjusted earnings and other financial measures based on adjusted earnings mentioned above.

Expense ratio, direct expense ratio and adjusted expense ratio:

- Expense ratio: other expenses, net of capitalization of DAC, divided by premiums, fees and other revenues.
- Direct expense ratio: direct expenses, on an adjusted basis, divided by adjusted premiums, fees and other revenues.
- Direct expense ratio, excluding total notable items related to direct expenses and PRT: direct expenses, on an adjusted basis, excluding total notable items related to direct expenses, divided by adjusted premiums, fees and other revenues, excluding PRT.
- Adjusted expense ratio: other expenses, net of capitalization of DAC, both on an adjusted basis, divided by adjusted premiums, fees and other revenues.

- Adjusted expense ratio, excluding total notable items related to other expenses and PRT: other expenses, net of capitalization of DAC, both on an adjusted basis, excluding total notable items related to other expenses, divided by adjusted premiums, fees and other revenues, excluding PRT.

The following additional information is relevant to an understanding of MetLife's performance results:

- MetLife uses a measure of free cash flow to facilitate an understanding of its ability to generate cash for reinvestment into its businesses or use in non-mandatory capital actions. MetLife defines free cash flow as the sum of cash available at MetLife's holding companies from dividends from operating subsidiaries, expenses and other net flows of the holding companies (including capital contributions to subsidiaries), and net contributions from debt to be at or below target leverage ratios. This measure of free cash flow is prior to capital actions, such as common stock dividends and repurchases, debt reduction and mergers and acquisitions. Free cash flow should not be viewed as a substitute for net cash provided by (used in) operating activities calculated in accordance with GAAP. The free cash flow ratio is typically expressed as a percentage of annual adjusted earnings available to common shareholders.

- Notable items represent a positive (negative) impact to adjusted earnings available to common shareholders. Notable items reflect the unexpected impact of events that affect MetLife's results, but that were unknown and that MetLife could not anticipate when it devised its Business Plan. Notable items also include certain items regardless of the extent anticipated in the Business Plan, to help investors have a better understanding of MetLife's results and to evaluate and forecast those results.

- Total Assets Under Management **(Total AUM)** is a financial measure based on methodologies other than GAAP. Total AUM are comprised of GA AUM, plus Indexed SA AUM plus TP AUM (each as defined below). MetLife believes the use of Total AUM enhances the understanding of the depth and breadth of its investment management services on behalf of its general account investment portfolio, separate account index investment portfolios and unaffiliated/third party clients.

General Account Assets Under Management **(GA AUM)** is a financial measure based on methodologies other than GAAP. MetLife utilizes GA AUM to describe assets in its general account investment portfolio which are actively managed and stated at estimated fair value. MetLife believes the use of GA AUM enhances the understanding and comparability of its general account investment portfolio. GA AUM are comprised of general account Total Investments and cash and cash equivalents, excluding policy loans, other invested assets, contractholder-directed equity securities and fair value option securities, as substantially all of those assets are not actively managed in MetLife's general account investment portfolio. Mortgage loans and certain real estate investments included in GA AUM have been adjusted from carrying value to estimated fair value. Classification of GA AUM by sector is based on the nature and characteristics of the underlying investments which can vary from how they are classified under GAAP.

Passive-Indexed Separate Account Assets Under Management **(Indexed SA AUM)** are passive-indexed insurance company separate account investment portfolios, which are stated at estimated fair value, managed by MetLife that track the return of industry market indices. Indexed SA AUM represent separate account assets of MetLife insurance companies which are included in MetLife, Inc.'s consolidated financial statements at estimated fair value.

Third Party Assets Under Management **(TP AUM)** are non-proprietary assets managed by MetLife on behalf of unaffiliated/third party clients, which are stated at estimated fair value. TP AUM are owned by such unaffiliated/third party clients; accordingly, TP AUM are not included in MetLife, Inc.'s consolidated financial statements.

GA AUM and Total AUM are non-GAAP financial measures and should not be viewed as substitutes for Total Investments, the most directly comparable GAAP measure. Total Investments under GAAP includes short-term investments and excludes cash and cash equivalents.

Total Company - Reconciliation of Net Income (Loss) Available to MetLife, Inc.'s Common Shareholders to Adjusted Earnings Available to Common Shareholders	**2012** (In millions)
Net income (loss) available to MetLife, Inc.'s common shareholders	$ 1,202
Adjustments from net income (loss) available to MetLife, Inc.'s common shareholders to adjusted earnings available to common shareholders:	
Less: Net investment gains (losses)	(352)
Less: Net derivative gains (losses)	(1,919)
Less: Goodwill impairment	(1,868)
Less: Other adjustments to continuing operations	(2,492)
Less: Provision for income tax (expense) benefit	2,174
Less: Income (loss) from discontinued operations, net of income tax	48
Add: Net income (loss) attributable to noncontrolling interests	38
Adjusted earnings available to common shareholders	$ 5,649

Total Company - Reconciliation of Net Income (Loss) Available to MetLife, Inc.'s Common Shareholders to Adjusted Earnings Available to Common Shareholders	2017	2017 Earnings Per Weighted Average Common Shares Diluted (1)	2018	2018 Earnings Per Weighted Average Common Shares Diluted (1)
	(In millions, except per share data)			
Net income (loss) available to MetLife, Inc.'s common shareholders	$ 3,907	$ 3.62	$ 4,982	$ 4.91
Adjustments from net income (loss) available to MetLife, Inc.'s common shareholders to adjusted earnings available to common shareholders:				
Less: Net investment gains (losses)	(308)	(0.29)	(298)	(0.29)
Less: Net derivative gains (losses)	(590)	(0.55)	851	0.84
Less: Other adjustments to continuing operations	(1,622)	(1.51)	(941)	(0.95)
Less: Provision for income tax (expense) benefit	3,188	2.96	(86)	(0.08)
Less: Income (loss) from discontinued operations, net of income tax	(986)	(0.91)	-	-
Add: Net income (loss) attributable to noncontrolling interests	10	0.01	5	-
Adjusted earnings available to common shareholders	$ 4,235	$ $3.93	$ 5,461	$ 5.39
Weighted average common shares outstanding - diluted		1,078.5		1,013.9

(1) Adjusted earnings available to common shareholders is calculated on a standalone basis and may not equal the sum of adjusted earnings available to common shareholders.

Return on Equity	2018
Return on MetLife, Inc.'s:	
Common stockholders' equity	9.6%
Common stockholders' equity, excluding AOCI other than FCTA	11.5%
Adjusted return on MetLife, Inc.'s:	
Common stockholders' equity	10.6%
Common stockholders' equity, excluding AOCI other than FCTA	12.6%

Total Company — Premiums, Fees and Other Revenues	2015	2018
	(In millions)	
Premiums, fees and other revenues	$ 50,035	$ 51,222
Less: Unearned revenue adjustments	5	(7)
Less: GMIB fees	382	120
Less: Settlement of foreign currency earnings hedges	(37)	19
Less: TSA fees	-	305
Less: Divested businesses	4	7
Adjusted premiums, fees and other revenues	$ 49,681	$ 50,778

	2012	2017	2018
	(In billions, except per ratio data)		
Reconciliation of Net Cash Provided by Operating Activities of MetLife, Inc. to Free Cash Flow of All Holding Companies			
MetLife, Inc. (parent company only) net cash provided by operating activities	$ 2.6	$ 6.5	$ 5.5
Adjustments from net cash provided by operating activities to free cash flow:			
Add: Incremental debt to be at or below target leverage ratios	–	–	–
Add: Adjustments from net cash provided by operating activities to free cash flow (1)	(1.5)	(0.3)	(1.1)
MetLife, Inc. (parent company only) free cash flow	1.1	6.2	4.4
Other MetLife, Inc. holding companies free cash flow (2)	0.4	(0.5)	(1.0)
Free cash flow of all holding companies (3)	$ 1.5	$ 5.7	$ 3.4
Ratio of net cash provided by operating activities to consolidated net income (loss) available to MetLife, Inc.'s common shareholders:			
MetLife, Inc. (parent company only) net cash provided by operating activities	$ 2.6	$ 6.5	$ 5.5
Consolidated net income (loss) available to MetLife, Inc.'s common shareholders (3)	$ 1.2	$ 3.9	$ 5.0
Ratio of net cash provided by operating activities (parent company only) to consolidated net income (loss) available to MetLife, Inc.'s common shareholders (3),(4)	218%	165%	110%
Ratio of free cash flow to adjusted earnings available to common shareholders:			
Free cash flow of all holding companies (5)	$ 1.5	$ 5.7	$ 3.4
Consolidated adjusted earnings available to common shareholders (5)	$ 5.6	$ 4.2	$ 5.5
Ratio of free cash flow of all holding companies to consolidated adjusted earnings available to common shareholders (5)	26%	134%	62%

(1) Adjustments include: (i) capital contributions to subsidiaries; (ii) returns of capital from subsidiaries; (iii) repayments on and (issuances of) loans to subsidiaries, net; and (iv) investment portfolio and derivatives changes and other, net.

(2) Components include: (i) dividends and returns of capital from subsidiaries; (ii) capital contributions from MetLife, Inc.; (iii) capital contributions to subsidiaries; (iv) repayments on and (issuances of) loans to subsidiaries, net; (v) other expenses; (vi) dividends and returns of capital to MetLife, Inc. and (vii) investment portfolio changes and other, net.

(3) Consolidated net income (loss) available to MetLife, Inc.'s common shareholders for 2018 includes costs related to the separation of Brighthouse Financial, Inc. (Brighthouse) and its subsidiaries (Separation) of $0.08 billion, net of income tax. Excluding this amount from the denominator of the ratio, this ratio, as adjusted, would be 109%. Consolidated net income (loss) available to MetLife, Inc.'s common shareholders for 2017 includes Separation-related costs of $0.3 billion, net of income tax. Excluding this amount from the denominator of the ratio, this ratio, as adjusted, would be 153%.

(4) Including the free cash flow of other MetLife, Inc. holding companies of ($1.0) billion, ($0.5) billion and $0.4 billion for the years ended December 31, 2018, 2017 and 2012, respectively, in the numerator of the ratio, this ratio, as adjusted, would be 90%, 153% and 250%, respectively. Including the free cash flow of other MetLife, Inc. holding companies in the numerator of the ratio and excluding the Separation-related costs from the denominator of the ratio, this ratio, as adjusted, would be 88%, 141% and 250% for the years ended December 31, 2018, 2017 and 2012, respectively.

(5) (i) In 2018, $0.3 billion of Separation-related items (comprised of certain Separation-related inflows primarily related to reinsurance benefit from Brighthouse) were included in free cash flow, which increased MetLife, Inc. holding companies' liquid assets, as well as MetLife, Inc.'s free cash flow ratio. Excluding these Separation-related items, adjusted free cash flow would be $3.1 billion for the year ended December 31, 2018. Consolidated adjusted earnings available to common shareholders for 2018 was negatively impacted by notable items, primarily related to expense initiative costs of $0.3 billion, net of income tax, partially offset by tax adjustments of $0.2 billion, net of income tax. Excluding the Separation-related items, which increased free cash flow, from the numerator of the ratio and excluding such notable items negatively impacting consolidated adjusted earnings available to common shareholders from the denominator of the ratio, the adjusted free cash flow ratio for 2018 would be 56%.

ii) In 2017, $2.1 billion of Separation-related items (comprised of certain Separation-related inflows primarily related to dividends from Brighthouse, net of outflows) were included in free cash flow, which increased MetLife, Inc. holding companies' liquid assets, as well as MetLife, Inc.'s free cash flow ratio. Excluding these Separation-related items, adjusted free cash flow would be $3.6 billion for the year ended December 31, 2017. Consolidated adjusted earnings available to common shareholders for 2017 was negatively impacted by notable items, primarily related to tax adjustments, of $0.6 billion, net of income tax. Excluding the Separation-related items, which increased free cash flow, from the numerator of the ratio and excluding such notable items negatively impacting consolidated adjusted earnings available to common shareholders from the denominator of the ratio, the adjusted free cash flow ratio for 2017 would be 75%.

(In millions, except per ratio data)

Reconciliation of Capitalization of DAC to Capitalization of DAC, as reported on an adjusted basis	2015	2018
Capitalization of DAC	$ (3,319)	$ (3,254)
Less: Divested businesses	120	(1)
Capitalization of DAC, as reported on an adjusted basis	$ (3,439)	$ (3,253)
Reconciliation of Other Expenses to Other Expenses, as reported on an adjusted basis		
Other expenses	$ 14,105	$ 12,927
Less: Noncontrolling interest	(13)	(10)
Less: Regulatory implementation costs	2	11
Less: Acquisitions, integration and other costs	28	24
Less: TSA fees	–	305
Less: Divested businesses	265	68
Other expenses, as reported on an adjusted basis	$ 13,823	$ 12,529
Other Detail and Ratios		
Other expenses	$ 14,105	$ 12,927
Capitalization of DAC	(3,319)	(3,254)
Other expenses, net of capitalization of DAC	$ 10,786	$ 9,673
Premiums, fees and other revenues	$43,900	$51,222
Expense ratio	24.6%	18.9%
Direct expenses	$ 6,444	$ 5,874
Less: Total notable items related to direct expenses	362	214
Direct expenses, excluding total notable items related to direct expenses	$ 6,082	$ 5,660
Other expenses, as reported on an adjusted basis	$ 13,823	$ 12,529
Capitalization of DAC, as reported on an adjusted basis	(3,439)	(3,253)
Other expenses, net of capitalization of DAC, as reported on an adjusted basis	$ 10,384	$ 9,276
Less: Total notable items related to other expenses, as reported on an adjusted basis	362	214
Other expenses, net of capitalization of DAC excluding total notable items related to other expenses, as reported on an adjusted basis	$ 10,022	$ 9,062
Adjusted premiums, fees and other revenues	$ 44,329	$ 50,778
Less: Pension risk transfer (PRT)	1,740	6,894
Adjusted premiums, fees and other revenues, excluding PRT	$ 42,589	$ 43,884
Direct expense ratio	14.5%	11.6%
Direct expense ratio, excluding total notable items related to direct expenses and PRT	14.3%	12.9%
Adjusted expense ratio	23.4%	18.3%
Adjusted expense ratio, excluding total notable items related to direct expenses and PRT	23.5%	20.6%

Reconciliation of Total Investments to Total Assets Under Managment (In billions)	December 31, 2018
Total Investments	**$ 436.2**
Plus: Cash and cash equivalents	15.8
Plus: Fair value adjustment - mortgage loans	1.0
Plus: Fair value adjustments - real estate and real estate joint ventures	5.7
Less: Policy loans	9.7
Less: Other invested assets	18.2
Less: Contractholder-directed equity securities and fair value option securities	12.6
General Account Assets Under Management	**$ 418.2**
Plus: Passive-indexed separate account assets under management	14.4
Plus: Third party assets under management	156.1
Total Assets Under Management	**$ 588.7**

MetLife