April 25, 2009

MetLife Inc.

NYSE Ticker: MET
Recommendation: **BUY**
Target Price: **$50**

Company Fundamentals			
Price-to-Book	0.99	5-Yr. Growth Rates	
Forward P/E	9.92	Premium Income	7.00%
ROE (2008)	11.50%	Earnings	7.00%
ROE (5-Yr. Average)	10.90%	Dividends	10.50%
Debt/Equity	0.90	Book Value	10.00%
Market Info			
Last Trade (4/30/09)	29.75	Shares Oustanding	818.08M
Market Cap	24.34B	% Held by Insiders	29.46%
52-Week Range	11.37 - 65.50	% Held by Institutions	61.70%

Source: Yahoo Finance, Thomson Reuters, & Value Line

Investment Summary:

- **Favorable Demographics - Baby Boomers**: The industry is well poised to take advantage of the influx of retiring baby boomers in the next 20 years – about 76.4 million new retirees. This bodes well for the long-term health of the industry, especially for large and well-capitalized insurance firms such as MetLife. On a product basis, the insurance industry already has key product designs in place to take advantage of this demographic shift.

- **Strong Brand Name**: The MetLife brand is one of the best known and well regarded in the industry, and it is one of the company's moats. We believe recent upheavals in the markets and the economy will spur a flight-to-quality among consumers of financial services, with the strongest brand names benefitting the most from the trend.

- **Solid Financials and Diversified Business Mix**: Despite recent upheavals in the market, which caused a massive hit to the company's investment portfolio, MetLife remains in a solid financial position. The firm's diversified businesses and global presence mitigate concentration risk, with strong growth expected especially for its international segments.

- **Valuation at Historic Lows**: MetLife is trading at less than 90% of book value after the substantial decline in the company's share price in 2008 (61% off its all-time high in 2007 and 58% off its 52 week high). We believe there is significant upside potential to the share price, as we expect valuation multiples, particularly Price-to-Book Value (P/BV), to normalize to historic levels.

- **Recommendation**: Given the above factors we conclude that MetLife is a long-term **buy**. Using Price-to-Book Value (P/BV) as the primary valuation metric, our target price is **$50**. We expect significant recovery in the company's book value over the next two-year period, mostly through fair value recovery in its investment portfolio.

Author: Enrico Fernando (201) 978-3996, Email: efernando5@yahoo.com

Industry Overview

U.S. Life and Health Insurance

Market Size

Insurance is the fifth largest industry in the U.S., and life insurance (which includes annuity sellers) is the largest sector within the industry. In 2008 life and health insurers generated $787 billion in premiums, with MetLife holding the largest market share at 10.85% of direct premiums written, followed by AIG and Prudential, each holding 6.88% and 5.09% market share respectively.

All Lines – Direct Premiums Written		
Company	**Premiums**	**Market Share**
METLIFE	85.41	10.85%
AIG	54.18	6.88%
PRUDENTIAL	40.07	5.09%
ING	35.14	4.47%
AEGON	32.18	4.09%
All Others	539.95	68.61%
Total	**786.94**	**100.00%**

Source: NAIC -- premiums in billions

The majority of premiums are in the life insurance and annuity space, representing $417 billion or 53% of written premiums. Annuities are by far the most important product line, comprising about 1/3rd or $264 billion of premiums in all lines. Traditional life insurance is no longer the primary business of insurers, although it is still a significant product line – in 2008 traditional life insurance was 20% of all premiums written. In the past decade, the industry's focus has shifted toward annuities and other deposit/investment type products, a trend driven by changing demographics due to an ageing population and longer lives, and the decrease in employer-sponsored defined benefit plans. Variable annuity sales declined significantly in 2008 but this was more than offset by an increase in fixed annuity sales (see Exhibit 3 in the appendix). Annuity sales are discussed further in a later section.

In the life insurance and annuities space, AIG is the biggest player, with about 12% of the market as of 2008, followed by MetLife (8%), ING (6%) and Lincoln (5%). It remains to be seen if AIG can retain its top position, as the company is likely to be broken up over the next few years.

Company	Life Insurance Premiums	Annuity Premiums	Total	Market Share
AIG	24.887,918,774	24,356,776,546	49,244,695,320	11.79%
METLIFE	12,126,958,696	20,992,638,927	33,119,597,623	7.93%
ING	2,878,253,148	22,089,270,180	24,967,523,328	5.98%
LINCOLN	5,021,276,893	14,963,290,675	19,984,567,568	4.78%
PRUDENTIAL	6,985,755,873	11,854,900,667	18,840,656,540	4.51%
AXA	3,308,029,831	14,108,945,600	17,416,975,431	4.17%
NEW YORK LIFE	6,395,427,497	9,816,853,873	16,212,281,370	3.88%
AEGON	4,387,289,539	11,114,061,625	15,501,351,164	3.71%
All Others	87,704,196,088	134,717,785,146	222,421,981,234	53.25%
Total	**153,695,106,339**	**264,014,523,239**	**417,709,629,578**	**100.00%**

Source: NAIC

Detailed market share and premium data is provided in Exhibits 1 to 4 in the appendix.

The Financial Crisis, Investment Portfolios, and Income

The financial crisis and economic malaise in 2008 made it a difficult year for the financial sector, and 2009 looks to be a challenging year as well. For insurers, the crisis has been felt especially in their investment portfolios, with most firms taking large hits to their investments in 2008. On a positive note, most of the losses were unrealized, mostly due to decreases in fair value from widening credit spreads in debt instruments and the bear market in equities.

Decline in Book Value per Share 2007 to 2008	
Aegon	-60.47%
Principal Financial	-64.08%
ManuLife	-14.67%
Prudential	-31.60%
Hartford Financial	-51.59%
Lincoln National	-29.70%
Ameriprise Financial	-15.65%
SunLife Financial	2.02%
MetLife	-38.01%
Average	**-33.75%**

Source: S&P Reports and Value Line

According to an Ernst & Young report, the U.S. life insurance sector experienced a 12% drop in surplus/equity in the first nine months of 2008, with a projection of a 25% decline for all of 2008. A quick look at some of the larger players in the industry shows significant declines in book value per share in 2008 compared to 2007. For the group shown to the left, book value per share declined on average almost 34%.

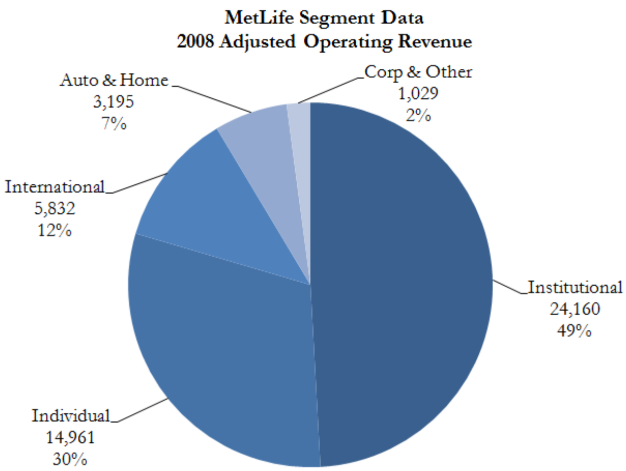
From a cost/liability perspective, the decline in equity markets will lead to an increase in liabilities and costs, particularly in variable annuities (VA). VA's have been a big seller for insurers in recent years and many were issued with a variety of guarantees, (e.g. minimum withdrawal and accumulation benefits). The markets have clearly underperformed some of these guarantees, placing many insurers on the hook for the guarantees and forcing an increase in reserves. Some insurers have wisely hedged these liabilities but others have not (ManuLife most notably did not hedge its VA guarantees). Furthermore, a sustained decline in equity markets will lead to more unlocking of assumptions for estimated gross profits on VA's, causing deferred acquisition costs (DAC) to amortize faster.

Investment income is expected to decline slightly due to the historically low yields on U.S. government debt and a decrease in invested assets. But the low-yield condition of government debt is not expected to hold in the intermediate term – unprecedented government spending is likely to dial up inflationary pressures, which will lead to a corresponding rise in U.S. government debt yields. However, while credit spreads on non-government debt will eventually narrow, non-government yields are likely to remain high if current economic conditions persist, which will mitigate the impact of lower government yields.

Overall, the insurance industry came out of 2008 relatively unscathed (with the notable exception of AIG) – especially when compared to other financial sectors such as commercial and investment banking. This can be attributed to the heavy regulation of the industry, which has very strict risk capital requirements (e.g. RBC). In a way, the relative health of insurers has vindicated the industry's strict regulatory framework – which discourages extensive leverage, forces insurers to pursue conservative investment practices, and balances the growth of their businesses against the risk of higher exposures. RBC ratios in the industry are healthy – with the largest life insurers averaging over 800% in RBC ratio in 2007 (minimum of 200% before regulatory action is required).

Business Overview
MetLife Inc.

MetLife is one of the largest insurance and financial services companies in the U.S. The company was formed through its demutualization into a publicly traded firm in April 2000. As discussed in the industry section above, in 2008 the company had a leading position in terms of total premiums written across all lines of business, and was the largest life insurer in 2007 based on total assets according to the American Council of Life Insurers (ACLI).



The company is organized into four core segments: Institutional, Individual, International, and Auto and Home. The company also has a Corporate & Other segment, which includes the MetLife bank operation. The company formerly had a reinsurance segment, Reinsurance Group of America (RGA) which it split off in 2008. In 2005, the company acquired Travelers Life & Annuity from Citigroup, Inc. and substantially all of Citigroup's international insurance businesses. The company also has a substantial securities lending program.

The chart above details the distribution of revenues across MetLife's different segments. We use adjusted operating revenue (AOR) here, which excludes net investment gains and losses from the calculation of total revenue. The company derives most of its revenue from its Institutional segment (49%), followed by Individual (30%), International (12%), and Auto and Home (7%). In 2008, the company generated $48.15 billion in AOR across its four core segments. Detailed data for its operations by segment is provided in Exhibit 5 in the appendix.

Institutional
MetLife's Institutional segment offers group insurance, retirement and savings products and services to corporations, institutions, and their employees. The company has a leading position in the U.S. group insurance market, built through its long-standing relationships with many of the largest corporate employers in the U.S.

Group insurance includes group life insurance, non-medical health insurance products and related administrative services, as well as other benefits and services. Group insurance revenues accounted for roughly 30% of the company's revenues in 2008 and 2007. Non-medical health insurance is composed of accidental death and dismemberment ("AD&D"), long-term care ("LTC"), short and long-term disability, individual disability income, dental insurance, and prepaid legal services.

The company's retirement and savings products and services include annuities, investment products, guaranteed interest products and other stable value products, and separate account contracts for the investment management of defined benefit and defined contribution plans. Revenues applicable to retirement and savings products accounted for roughly 16% of total revenues in 2008 and 2007.

Individual
MetLife's Individual segment offers a wide variety of protection and asset accumulation products aimed at the entire life cycle financial needs of its customers. Products offered include traditional, variable and universal life insurance, and variable and fixed annuities. The Individual segment also distributes insurance and long-term care (LTC) products offered by the Institutional segment, mutual funds and wealth advisory services, and other products offered by other segments. As indicated in a previous section, in the U.S. market MetLife is the second largest provider of individual life insurance and annuities.

International
MetLife's International segment provides life insurance, accident and health insurance, credit insurance, annuities, endowment, retirement, and savings products to both individuals and groups. The company's focus is on emerging markets in Latin America, Europe and the Asia Pacific regions.

In the Latin America region the company operates in Mexico, Chile, Argentina, Brazil and Uruguay. The Mexican and Chilean operations represented 82% of total revenues in the region for 2008. The Mexican operation is the largest life insurance company in both the individual and group businesses in Mexico. The Chilean operation is the largest annuity company in Chile, based on market share. In 2008, the company's presence in Argentina was substantially reduced due to the nationalization of the private pension system by the Argentine government. The company's Argentine pension business, which was the second largest in the market, ceased to exist as a result of the nationalization.

In Europe the company operates in the United Kingdom, Belgium, Poland, Ireland, and India which is included in European operations. The United Kingdom represented 54% of the total revenues in the region in 2008. In the Asia Pacific region the company operates in South Korea, Taiwan, Australia, Japan, Hong Kong and China. Activities in the region are focused on individual business. The operations in South Korea and Taiwan represented 70% of total revenues in the region for 2008.

Auto & Home
MetLife's Auto & Home segment offers personal property and casualty insurance directly to employees at their worksite, and to individuals through independent agents, property and casualty specialists, direct response marketing, and captive agency distribution. The segment's primary products are auto insurance, which represented 69% of the segment's total net earned premiums in 2008, and homeowners and other insurance, which accounted for 31% of the segment's net earned premiums in 2008.

Corporate & Other
MetLife's Corporate & Other segment engages primarily in investing excess capital not allocated to the other business segments. This segment also includes MetLife Bank, which acquired a residential mortgage originating and servicing business and a reverse mortgage company in 2008. The segment is also a vehicle for reporting interest expense for the majority of the company's outstanding debt and legal expenses. Elimination of all intersegment transactions also occurs within Corporate & Other.

Securities Lending

MetLife has a large securities lending program that lends blocks of securities to major brokerage firms and commercial banks. The company typically requires collateral at loan inception equal to 102% of the current estimated fair value of the loaned securities, and a maintenance level greater than or equal to 100% for the duration of the loan. As of year-end 2008, the company was liable for cash collateral of $23.3 billion, compared to $43.3 billion in year-end 2007. The decrease in collateral reflects the market disruptions in 2008, as the demand for securities loans decreased.

Ratings, Derivatives Exposure, and Financial Data

Ratings: MetLife has very strong insurer financial ratings from the major ratings firms. The majority of its debt/credit ratings range from adequate/good to strong.

MetLife - Insurer Financial Strength Ratings		
AM Best	A+	Superior
Fitch*	AA	Very Strong
Moody's*	Aa2	Excellent
S&P*	AA-	Very Strong

* *Outlook Negative*

In February 2009 AM Best downgraded MetLife's issuer credit rating to "a-" from "a" but affirmed the financial strength rating of A+ (Superior) with a stable ratings outlook. Reasons for the downgrade include the company's macroeconomic challenges and real estate exposure through its large commercial mortgage loan portfolio, real estate holdings, and mortgage-backed securities portfolio. Of concern also was the $28 billion in unrealized losses on its fixed income portfolio in 2008, and its effect on RBC. On a positive note, AM Best cited MetLife's strong liquidity and the company's ability to hold its general account securities to maturity. Also noted were the company's well established brand, diverse product mix, continued growth in business segments, very strong position/leadership in its core markets, and scale.

Derivatives Exposure: MetLife does not operate a financial guarantee or financial products business (such as the one that brought AIG down) that could expose it to large collateral calls. The company does engage in derivatives transactions but primarily for hedging purposes, and currently it is a net receiver of collateral. On its credit default swap positions, the company's maximum exposure was $1.9 billion as of year-end 2008, which assumes all referenced credit obligations would fall to zero value. Termination of these positions as of year-end 2008 would have resulted in only $37 million in charges. For positions with credit rating triggers, a two notch downgrade would impact the company's derivative collateral requirements by less than $200 million as of year-end 2008.

Financials: Income Statement and Balance Sheet data are presented in Exhibits 5 and 6 in the appendix.

MetLife - Case for Investment

Favorable Demographics

Baby Boomers and Product Lines

The wave of retiring baby boomers in the next decade is the single most important demographic opportunity for the life insurance industry. Retirees have very specific needs for which the industry has been preparing for quite some time. In addition to savings and accumulation products designed for the onset of retirement, the industry has products in place for post-retirement needs, such as retirement income, long-term care (i.e. nursing home), and income protection. Insurers such as MetLife, with strong brands, high financial strength ratings, and broad distribution, are best positioned to capitalize on this demographic shift.

Note: Some key information in this section was gleaned from conversations with baby-boomers and current retirees. A summary of an interview with Mr. Julian Knaster, an individual nearing retirement, is provided at the end of the appendix.

Baby Boomer Wealth and Assets

In the next two decades approximately 76.4 million baby boomers will reach retirement age (65 years old). The first wave of retirees, almost 13 million, is set to retire in the next five years. Furthermore, boomers are expected to be more affluent than the previous generation, bringing into retirement a larger amount of household wealth.

Age and Years of Birth	Population
43-47 born 1960-1964	22,717,162
48-52 born 1955-1959	21,715,174
53-57 born 1950-1954	18,985,517
58-61 born 1946-1949	12,985,050
Total	**76,402,903**

Source: MMI (Mature Market Institute)

An Urban Institute (UI) study published by AARP in May 2004 projects average household wealth for people at age 67 for two different cohorts of the boomer generation (first cohort born 1946-55, second cohort born 1956-65). Mean wealth per household, in 2003 dollars, is projected to be $859 thousand and $839 thousand for the first cohort and second cohort, respectively. The table showing the distribution of mean household wealth is reproduced in Exhibit 7 of the appendix.

Manipulating the data provided, we made a rough estimate of the size of boomer assets coming down the pipe in the near future – specifically assets coming from the first cohort of boomer retirees. Based on our analysis, we expect total retirement assets for the first cohort of boomers to be roughly $5 trillion dollars, or $15.3 trillion if we include all projected financial wealth. A summary of our calculations and assumptions is provided Exhibit 8 of the appendix.

The large dollar amounts explain why the baby boomer demographic is almost a "holy-grail" for financial services firms. The potential for insurance firms in terms of new assets is very promising. For example, if we consider that the vast majority of annuity buyers are retirees with an average age of 66, then the high-potential market for annuities is set to increase by 34% in the next 5 years, or to double by 2030. If we adjust 2008 annuity sales by 34%, we would expect an increase in annuity sales to about $350 billion in 5 years. However, this rough calculation likely underestimates the actual amount; because baby boomers are expected have 35% more wealth than the current crop of retirees.

Events of the past decade (2 recessions, disappearance of $8 trillion in stock market wealth) may cause some to be skeptical about the true amount of assets/wealth of incoming retirees. However, the key question is not whether the assets will be there in the amounts being projected, but rather *where* the existing assets will shift. Already, the U.S. retirement market is quite large -- according to the Investment Company Institute (ICI), as of 1st quarter 2008 the total U.S. retirement market (includes assets held in IRA's, 401K plans, and pensions) was about $17.1 trillion. Given the very specific needs of retirees, we expect a large amount of these assets to shift to products the insurance industry specializes in – making the life insurance industry and its biggest player MetLife the primary beneficiary of the coming retirement boom. The company has a broad range of products designed to meet these needs, and some of the key products are detailed below.

Annuities

We expect annuities to be a continuing area of growth for MetLife in the foreseeable future for three main reasons: first, the product line is well suited for both the accumulation and income needs of current and near-retirees; second, the influx of new baby boomer retirees will significantly expand the number of potential customers; and third, recent historic upheavals in equity markets will cause many customers to flock to more stable investment products such as annuities.

Most annuities have an initial accumulation period followed by an "annuitization" into an income stream for the policy holder's lifetime or for a set period. In the accumulation period, many annuities provide downside protection by guaranteeing the amount invested while still providing a respectable rate of return via a guaranteed interest rate or participation in equity market gains. The downside protection feature is of principal importance to retirees because they typically cannot afford the downside risk of equity market investment vehicles.

The income or annuitization portion is equally important because increasing longevity has raised retiree concerns regarding outliving their assets. Furthermore, the decline in the number of defined benefit pension plans has forced many future retirees to actively manage for their own retirement income needs. According to GAO report, the number of private sector defined benefit (DB) plans has declined to 31,000 in 2002 from 114,000 in 1985. Correspondingly, the number of defined contribution (DC) plans doubled in the same period, to 686,000 from 346,000. As baby-boomers retire, we expect a significant amount of assets in DC plans to shift into products designed to generate an income stream for life. This expected trend will be a boon for insurers, as the life insurance industry is the only industry allowed under current regulations to guarantee lifetime income.

- *Fixed Annuities (FA).* This type of annuity is a good fit for many retirees, who typically have very conservative asset allocation needs. It usually guarantees an interest rate for a period of time ranging from 1 to 7 years. This annuity is the most conservative; it is essentially a savings account that guarantees the principal amount plus interest without the daily fluctuation of equity market-based accounts. Interest rates are the main selling point – because most FA's have penalties for early withdrawal, insurers can offer rates that are competitive with or above those of savings accounts or bank CD's. Deposits into this product are invested in the insurance company's general account, and the insurer profits through the interest rate spread between the guaranteed rate and its general account investments.

  On an industry-wide basis, FA's will probably experience high sales growth in 2009 (similar to

2008's record breaking year for FA sales) – fueled by customers seeking less volatile investment vehicles for retirement assets in the midst of significant equity market declines. The industry had a 50% jump in annual FA sales in 2008 (see Exhibit 3 in the appendix). In the 4th quarter of 2008 MetLife was the top seller of FA's, selling $4.1 billion for a 12% market share of the industry's FA sales in the quarter. The company's 4th quarter 2008 FA sales represent an increase of 1479% from 4th quarter 2007.

- *Variable Annuities (VA).* This annuity is for customers who want the option to participate in equity market gains. VA's allows the policy holder to invest funds in "sub-accounts" (mutual fund type investments) offered within the annuity, as well as the "fixed account" which guarantees an interest rate similar to a fixed annuity. Sub-account values fluctuate daily based on the policy holder's chosen sub-account investments. Many VA's come with a variety of optional guarantees or riders, such as minimum accumulation, minimum withdrawal, and minimum income guarantees. Consequently, election of these riders places the insurer at risk for the guarantee, thus an election usually comes with a periodic fee charged to the policy.

  VA's have been big sellers and a profit center for insurers in recent years. Insurer profits on VA's are derived mostly from the fees – rider fees as well as mortality and expense (M&E) charges deducted daily from the policy. It's easy to see why insurers heavily market this product – investment risk is largely borne by the policy holder while the insurers get fee income from M&E charges. Since M&E charges are usually a percentage of the policies' daily value, the recent downturn in the equity market has caused a decline in fee income from VA's.

  Sales are likely to decline in the short term due to the recent downturn in the equity market, which has "turned-off" some customers from the product. Pricing on rider fees is likely to increase also as many insurers have gotten burned by the more generous guarantees. However, in the long-term we expect VA's to continue to be an important part of insurers' product portfolio, particularly for "near-retirement" customers (e.g. 50-65 years of age) who may still wish to participate in equity market gains while having some downside protection in the form of riders. Industry sales of VA's declined 15.4% in 2008 (see Exhibit 3 in the appendix). MetLife VA sales declined by 18.2% to $2 billion in 4th quarter 2008 compared to the prior year's 4th quarter.

- *Immediate Annuities (IA).* In the annuity space, immediate annuities will probably have the highest growth in coming years. This type of annuity provides for the immediate annuitization or conversion of a premium deposit into a guaranteed stream of payments, usually for the lifetime of the policy holder. Immediate annuity sales are still a very small part of total industry annuity sales, only about $8.6 billion or 3% of total annuity sales in 2008. However, sales growth will probably be in the double digits in the next few years – 2008 industry IA sales increased 30% from the prior year. Typical of life insurance products, pricing for the product will improve as the pool of lives covered allows insurers to spread risk more effectively. Consequently, improved pricing should spur growth in the near future. MetLife does have an immediate annuity product, but sales were a negligible $23 million in 2008. We expect sales in this product line to pick up, as recent print and TV advertising from the company is highlighting retirement income and their income annuity product.

Long-Term Care (LTC) Insurance

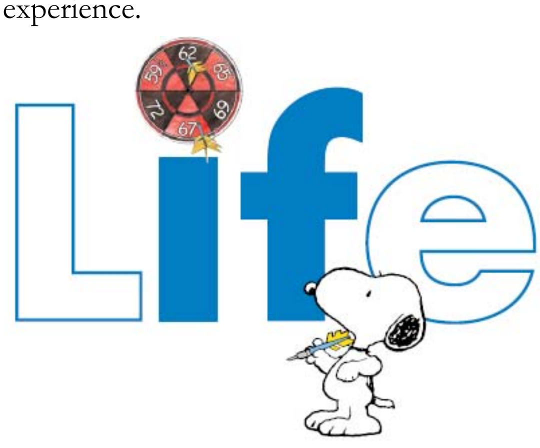
We expect significant growth in this product line in coming years, as it covers the other major concern of retirees: healthcare – principally the cost of permanent nursing home or assisted living care. In most cases Medicare does not cover these costs, and Medicaid covers only after the recipient has essentially spent down all other assets.

Growth in LTC insurance will be dependent on insurers' effective marketing of the product. According to a GAO report, only about 8% of the leading edge of baby boomer retirees have long-term care insurance, while recent projections show that 35% of people currently age 65 are in nursing homes. A recent survey by the Lincoln Financial Group's retirement institute indicates that baby boomers may be too optimistic regarding their own long-term care needs. Clearly there is a perception gap here that needs to be closed by insurers if this product is to take off. Closing the gap is primarily a marketing challenge, and the larger firms with bigger capital bases are more likely to be successful here. Customer experience may also play a part in the future growth of LTC insurance, as an increasing number of baby boomers have to deal with the nursing home costs of their own parents. In this sense, personal experience and the experience of their peers may help drive growth in the future.

MetLife offers LTC insurance on a corporate/group basis via its Institutional segment and also through an Individual product. The amount of LTC premiums in the Individual segment appears to be negligible as no detailed information regarding LTC is provided in the company's reports. For the Institutional segment, LTC is lumped in together with "Non-Medical Health & Other", which had total premiums of $5.66 billion in 2008. No other LTC-specific information was disclosed. However, the company is a major player in the market, at least in group insurance. It is the provider for the National Long-Term Care Coalition, which includes some of the country's largest employers. In addition, along with John Hancock Financial Services, it is a provider for the Federal Long-Term Care Insurance program – the largest employer-sponsored LTC insurance program in the country.

MetLife's Strong Brand Name

The MetLife brand is one of the best known and well regarded in the industry, and it represents one of the company's primary moats. From a marketing perspective, it has made great use of the Snoopy and "Peanuts" brands – especially in building an image as an accessible company while touting 140 years of experience.



Recent upheavals in equity markets, the economy, and AIG's demise will likely remain a part of the consumer's collective consciousness for a long time – similar to what the depression did for the generation that experienced it, and especially for near retirees who have seen their investment portfolios crater in the past year.

Currently, consumer distrust of financial services firms is quite high by most accounts (see Cohn & Wolfe Financial Confidence Survey), but we believe this will spur a flight-to-quality among consumers of financial services, with the strongest brand names benefitting the most from the trend. For MetLife, it has managed to stay out of the negative headlines and has maintained its high financial ratings through the turmoil, which is certainly a great advantage. Couple this with its leadership in its core markets, and the company has a distinct advantage going forward.

MetLife's Solid Financials
Cash, Losses, & Investments

Despite recent upheavals in the market, which caused a massive hit to the company's investment portfolio, MetLife remains in a strong financial position. In addition, the firm's diversified businesses and global presence mitigate concentration risk, with strong growth expected especially for its international segments.

Financials: MetLife is in a strong position financially, as reflected in its current insurer ratings. The company has very good liquidity, with $38 billion in cash and short-term investments, $30 billion if we exclude the $8 billion of derivative collateral. The firm has weathered the turbulence in financial markets well. In a recent press release, the company announced it has elected not to participate in the Department of the Treasury's Capital Purchase Program, citing its strong balance sheet, excess capital, and leadership in its core businesses. In October 2008, the company did issue $2.3 billion in common stock to strengthen its capital position, and as of the last annual report MetLife states it has no current plans to raise additional capital. On an RBC basis, the company asserted in its last earnings conference call that it plans to maintain RBC at a 365 to 400 ratio in the near term.

Gross Unrealized:	Gains	Losses	Net
Fixed Maturities	7,564	(28,821)	(21,257)
Equities	44	(978)	(934)
Total	**7,608**	**(29,799)**	**(22,191)**

Unrealized Losses and Impairments: One major concern for the company is the large amount of unrealized losses in its investment portfolio, particularly in the fixed maturity portion. In 2008 the company experienced gross unrealized losses of $29.8 billion due to declines in fair value in securities holdings – $29.8 billion and $978 billion in fixed maturities and equities respectively. On a net basis, unrealized losses were $22.2 billion, amounting to roughly 10.6% of the amortized cost of these securities. We expect most of these losses will be recoverable as credit spreads normalize and economic conditions improve, and we believe the company can avoid forced asset sales because of its high level of liquidity.

Writedowns	Fixed Maturity	Equity	Total
Credit-related	(1,138)	(90)	(1,228)
Other than credit-related	(158)	(340)	(498)
Total	**(1,296)**	**(430)**	**(1,726)**

Impairments in 2008 of $1.73 billion were less than 1% of amortized cost – $1.3 billion for fixed maturity and $430 million for equities. Impairments were driven primarily by financial services industry holdings, specifically holdings in AIG, Lehman Brothers and Washington Mutual, which accounted for about$606 million of total impairments. In the near-term we expect actual losses to move higher but continue to remain small relative to the size of the whole portfolio.

MetLife Structured Securities Portfolio 2008	
Residential mortgage-backed securities (RMBS)	
Collateralized mortgage obligations	26,025
Pass-through securities	10,003
Total RMBS	36,028
Other:	
Commercial mortgage-backed securities	12,644
Asset-backed securities	10,523
Total	**59,195**

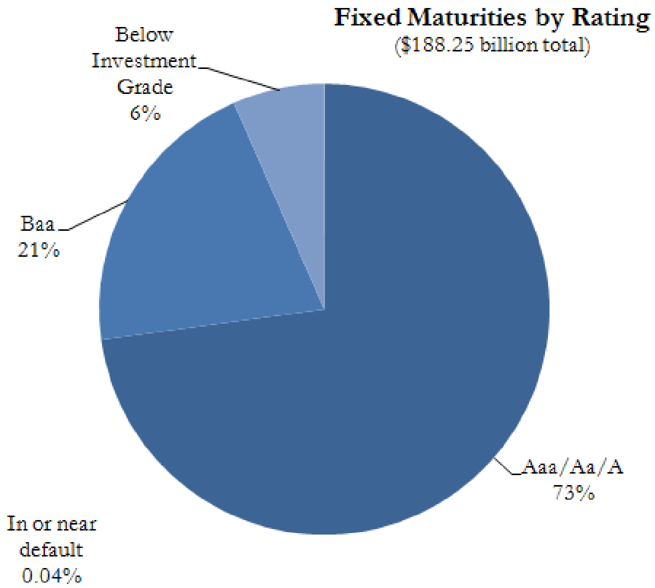
Mortgage-Related Portfolios: Another concern is the company's exposure to the residential and commercial mortgage-backed market. As the recession continues, impairments are likely to accelerate in 2009, particularly in the commercial mortgage portfolios, and this will have some negative effect on the company's earnings in 2009. About 26% of the company's fixed maturity portfolio is comprised of mortgage related investments, with $36 billion and $12.6 billion in residential mortgage-backed securities (RMBS) and commercial mortgage-backed securities (CMBS), respectively. The firm also has a sizable commercial mortgage loan portfolio of about $36 billion. Its exposure to sub-prime mortgages is negligible (.001% of its fixed income portfolio) with a substantial amount of the exposure already written down.

Despite these concerns we believe MetLife's mortgage-backed portfolios will weather the storm. Its CMBS portfolio, which is valued at $12.64 billion, already reflects a 21% haircut to amortized cost of $16.08 billion. If we assume that half of these unrealized CMBS losses will be realized this would yield a realized loss of about $1.6 billion on CMBS's. We believe this is not probable given that 93% of the CMBS portfolio is rated "AAA" and 84% was originated in years prior to 2006, which are considered to be of much better quality than later vintages.

MetLife's commercial mortgage loan portfolio is the most worrisome – industry expectations for commercial mortgage loan losses are very negative, with losses estimated as high as 15% on the total market according to a recent Deutsche Bank report. These estimates are derived mainly on the expectation that many commercial loans will be unable to refinance in today's tough credit conditions. For MetLife, we believe its losses will be much less than 15%. Its commercial loan portfolio appears to be doing well, with 99.98% of its outstanding commercial mortgage loans performing as of year-end 2008. In 2008 it sold $650 million of its higher risk loans and reported in its last conference call that only $2.3 billion of its loans are maturing in 2009. At least in the short-term, we believe the company will dodge most of the expected crisis in commercial mortgage loans.

We also expect MetLife's RMBS portfolio to perform relatively well, with 92% of the portfolio rated "Aaa/AAA" and 91% composed of agency and prime securities. Any trouble is likely to come from the 9% of Alt-A holdings, with most of the sector expected to be downgraded by the ratings agencies. Nevertheless, we expect actual losses in Alt-A not to be significant given the structure of the portfolio. In its last earnings call the company reiterated the following points regarding its Alt-A portfolio: 1) 79% of the portfolio is investment grade, 2) 88% is fixed-rate, 3) 83% is super-senior credit enhanced, providing twice the credit enhancement of standard AAA rated bonds, and 4) the company does not hold any ARM mortgages.

Corporate Debt Securities: We expect corporate debt defaults to be minimal based on historical default information. Using data from a Moody's report as a guide – historical default rates in the 1991 recession were about .07% for investment grade securities and 10.50% for speculative securities (default rates in the 1991 were actually much higher than the 1981-82 recession).



Overall, we believe the company's fixed maturity portfolio will perform relatively well in this period of recession. Fully 94% of the fixed maturity portfolio is rated investment grade. The chart on the left shows the composition of MetLife's fixed maturity portfolio.

Detailed information regarding the company's investment portfolio and unrealized losses and is provided in Exhibits 9 through 11 of the appendix.

Strength and Diversity of Core Businesses

MetLife's four core segments provides diversity to the company's revenue mix while still being strategically aligned around its core strength of providing personal insurance products. The company's split-off of its majority share in the RGA reinsurance unit in 2008 makes strategic sense as it allows the company to concentrate on its core segments. On a profitability basis, as measured by ROA and ROE, the company has outperformed its peers, especially in the difficult year of 2008.

Each segment has exhibited good growth in both revenue and/or income in the past five years. If we separate the unusual circumstances of the recession that began in 2008, as shown in the table below, we can see that in more "normal" times growth can be quite healthy. Even in 2008's challenging environment, total revenue growth held up quite well, growing 4.19% in 2008 with good growth in the Institutional and International segments.

	Adjusted Operating Revenue		Adjusted Operating Income	
Core Segments	**4-Yr CAGR 2003-07**	**2008 1-Yr Growth Rate**	**4-Yr CAGR 2003-07**	**2008 1-Yr Growth Rate**
Institutional	11.13%	9.34%	13.93%	-4.06%
Individual	5.87%	-3.77%	18.52%	-87.35%
International	21.24%	8.77%	37.56%	2.77%
Auto & Home	0.84%	-0.31%	29.32%	-17.35%
Total	**9.24%**	**4.19%**	**18.76%**	**-32.97%**

Though operating income did weaken significantly in 2008, all of MetLife's segments remain fundamentally good businesses. The company has strong leadership in both the Institutional and Individual segments, and its International segment looks to be another driver of growth in the future. The Auto & Home segment is the slowest growing segment in terms of revenue, which has been virtually flat in the past five years. However, even Auto & Home performed well relative to the industry, achieving 91.2% and 88.4% combined ratios in 2008 and 2007 respectively, compared to average Property & Casualty industry combined ratios of 104.7 in 2008 and 95.1 in 2007[1]. The large decline in 2008 operating income in the Individual segment was mainly due to higher DAC expenses, a result of actuarial adjustments from the large equity market decline in 2008. At some point equity markets will recover, and we expect Individual's expenses to improve likewise. Moreover, we expect demographic trends to benefit the Individual segment greatly in coming years, as the Individual segment markets many of the key products for the expected retirement boom (see previous section on demographics). The International segment appears to be the most promising segment in terms of growth, with very high growth in revenue and income in the past five years. Even with the challenging conditions of 2008, the segment managed to grow in both revenue and income. Charts detailing revenue and income growth are provided in Exhibits 12 and 13 in the appendix.

Largest Peers	**ROA**		**ROE**	
	2008	**5-Year Ave.**	**2008**	**5-Year Ave.**
Aegon	(0.40)%	0.60%	(8.20)%	6.72%
ManuLife	0.30%	1.70%	(3.30)%	10.86%
Prudential	(0.10)%	0.58%	(5.80)%	9.40%
Hartford	(0.80)%	0.54 %	(19.40)%	8.82%
SunLife	0.50%	1.02%	(4.70)%	7.74%
Peer Ave.	**(0.10)%**	**0.89%**	**(8.28)%**	**8.71%**
MetLife	**0.70%**	**0.72%**	**11.50%**	**10.90%**

Source: Thomson Reuters

Compared to its most relevant peers[2], MetLife has outperformed them on both Return on Assets (ROA) and Return on Equity (ROE). Although its 5-year ROA is slightly below its peers, it has the highest 5-year ROE. More importantly, in 2008 when its peers averaged negative ROA and ROE, the company managed to remain on the plus side. Its ability to maintain both ROA and ROE in last year's difficult environment highlights the strength of the company's core businesses.

Valuation at Historic Lows

MetLife's valuation is at a historic low, with share price having declined drastically in the past year along with most financial stocks, which indicates a significant opportunity to buy shares at excellent value. As of April 2009, share price is 61% off its all-time high in 2007 and 58% off its 52 week high. Using price-to-book value (P/BV) as our primary metric, there is significant upside potential to the shares if valuation multiples return to more "normal" levels – i.e. to P/BV levels prior to 2009. The table below details

[1] *Source: A.M. Best*

[2] *The largest firms with minimum $10 billion in annual revenue on average in the past two years*

MetLife's and its peer group's P/BV ratio[3] history, measured as of April each year. Detailed peer group P/BV data is provided in Exhibit 14 of the appendix.

Average P/BV	2000-08	Last 5 Years	Current
MetLife	1.22	1.18	0.78
Peer Group	1.54	1.38	0.83

Given our analysis of the company's strong fundamentals, we conclude that a return to normal levels of P/BV is highly probable once financial markets and the general economy recover.

At the current price level there is a significant margin of safety – the company is being valued below its book value of $30 per share. If we assume a return to historic P/BV ratio of 1.22, even if book value remains at the current level the shares should be worth approximately $36.60.

Projections

Revenue, Earnings, & Book Value

Revenue and Earnings Projection: Based on our analysis and the company's guidance, as well as consensus analyst estimates, we expect MetLife's 2009 results to show a 4.5% decline in adjusted operating revenue for its four core segments to about $47.9 billion, and a 28% decline in total GAAP earnings, or EPS of about $3. Our lower expectations are based primarily on the following items:

- Lower fee revenue from variable annuity and life policies due to the decline in policy values and expected slower sales growth in for variable annuities, with some offset from higher fixed annuity sales.
- A modest reduction in Institutional segment's revenue, much of which is payroll-linked, due to corporate customers' job cuts and economic difficulty.
- Increasing level of impairments in MetLife's commercial mortgage investments and a decline in investment income from other real estate investments.

Adjusted Operating Revenue	2008	2009E	2009 Assumed Growth Rate	2010E	2010 Assumed Growth Rate
Institutional	24,160	23,918	-1.00%	25,593	7.00%
Individual	14,961	14,662	-2.00%	16,128	10.00%
International	5,832	6,124	5.00%	7,165	17.00%
Auto & Home	3,195	3,195	0.00%	3,227	1.00%
Total	**50,156**	**47,899**		**52,112**	

We project a return to "normal" growth in revenue and earnings in 2010, assuming the economy comes out of recession next year. The majority of economists project the recession ending in 3rd quarter 2009 with a return to growth by the second half of 2010[4]. We expect 2010 growth in the Institutional segment

[3] *Price is measured as price on 4/1 of each year against book value per share on 12/31 of prior year -- except for MetLife's year 2000 price, which is measured as of 6/23/00 date.*

[4] *Wall Street Journal Forecasting Survey April 2009*

to somewhat moderate compared to prior year growth rates, as we believe the double-digit growth in this segment is not sustainable given its size and the company's already strong position in the market. We do expect the Individual segment's growth to increase, consistent with our conclusions regarding the demographics of MetLife's business. We expect the International segment to be its highest growth area as the company continues to pursue international expansion. Finally, we expect Auto & Home to continue to grow in the single digits only, a reflection of the highly competitive auto and home insurance market.

Book Value Projection: We project book value per share to recover to $42 sometime in 2010. The projection is based on our earnings estimate for 2009, and the expectation of substantial recovery in MetLife's investment portfolio, particularly in its fixed maturity portfolio, offset by increasing losses/allowances on its mortgage and consumer loans. We believe this projection is reasonable – it is roughly equal to 2005-2006 book value levels. A summary of assumptions for our book value projection is provided in the appendix in Exhibit 15.

Recommendation and Price Target

We are placing a **BUY** rating on MetLife, with an intermediate term (1-2 year) price target of $50. Our recommendation is based on the company's strong fundamentals and the low valuation of its shares, as discussed in previous sections. The $50 price target, a 71% premium to the closing price of $29.25 on April 24, 2009, is based on our 2010 estimate for book value per share and a return to historic P/BV ratio of about 1.20.

Risks to our Recommendation

- *Recession extending past 2010:* Our recommendation is based to a large extent on the expected recovery of the U.S. economy within the next year. If the recession is prolonged well past 2010, MetLife's business may deteriorate substantially through a decline in revenues, increased investment losses, and impairments to its loan portfolio.

- *Continued difficulty in financial markets:* If financial markets continue to experience difficulty into 2010, this will have a very negative effect on MetLife's investment portfolio and expenses. Continued decline in equity markets will accelerate DAC amortization, and increase the company's liabilities for guarantees on its variable products and other liabilities such as pension costs. In addition, widening credit spreads will curtail the company's ability to obtain additional capital, or will substantially increase the cost of obtaining such capital. Spread widening will also depress the fair value of its fixed maturity investment portfolio, which could lead to asset sales at depressed prices.

- *Competition for baby-boomer assets:* There is intense competition among financial services firms for the retirement assets of baby-boomers. Other companies may be more successful than MetLife in competing for these assets, and the company will not benefit significantly from the retirement boom. In this instance, growth in the company's business, particularly in its Individual segment, will be much less than expected.

Appendix - *Exhibits and Misc.*

Exhibit 1

Premium and Market Share Data – Life Insurance Premiums

Source: NAIC (National Association of Insurance Commissioners)

LIFE AND FRATERNAL INSURANCE INDUSTRY
2008 TOP 25 COMPANIES BY COUNTRYWIDE PREMIUM
By Line of Business
Life Insurance

RANK	BUS TYPE	GROUP/ COMPANY CODE	GROUP/COMPANY NAME	DIRECT PREMIUMS	MARKET SHARE %	CUMULATIVE MARKET SHARE %
1	L	12	AMERICAN INTL GRP	24,887,918,774	16.19	16.19
2	L	241	METROPOLITAN GRP	12,126,958,696	7.89	24.08
3	L	860	NORTHWESTERN MUT GRP	7,953,924,742	5.18	29.26
4	L	304	PRUDENTIAL OF AMER GRP	6,985,755,873	4.55	33.80
5	L	826	NEW YORK LIFE GRP	6,395,427,497	4.16	37.96
6	L	904	JOHN HANCOCK GRP	5,160,081,808	3.36	41.32
7	L	20	LINCOLN NATL GRP	5,021,276,893	3.27	44.59
8	L	468	AEGON US HOLDING GRP	4,387,289,539	2.85	47.44
9	L	435	MASS MUT LIFE INS GRP	3,629,763,973	2.36	49.81
10	L	91	HARTFORD FIRE & CAS GRP	3,423,656,725	2.23	52.03
11	L	176	STATE FARM GRP	3,333,655,969	2.17	54.20
12	L	968	AXA INS GRP	3,308,029,831	2.15	56.35
13	L	229	ING AMER INS HOLDING GRP	2,878,253,148	1.87	58.23
14	L	429	GUARDIAN LIFE GRP	2,686,060,293	1.75	59.97
15	L	549	SUN LIFE ASSUR CO OF CN GRP	2,494,051,294	1.62	61.60
16	L	709	PACIFIC LIFE GRP	2,419,858,268	1.57	63.17
17	L	8	ALLSTATE INS GRP	2,296,921,056	1.49	64.67
18	L	458	PROTECTIVE LIFE INS GRP	2,260,869,559	1.47	66.14
19	L	41	CITIGROUP GRP	1,970,531,922	1.28	67.42
20	L	4011	GENWORTH FIN GRP	1,870,321,944	1.22	68.64
21	L	140	NATIONWIDE CORP GRP	1,836,859,059	1.20	69.83
22	L	869	MINNESOTA MUT GRP	1,783,188,466	1.16	70.99
23	L	565	UNUMPROVIDENT CORP GRP	1,658,460,214	1.08	72.07
24	L	370	AMERICAN FAMILY CORP GRP	1,639,523,279	1.07	73.14
25	L	290	LIBERTY NATL GRP	1,602,557,048	1.04	74.18
			INDUSTRY TOTAL	153,695,106,339	100.00	100.00

Exhibit 2

Premium and Market Share Data – Annuity Premiums

Source: NAIC (National Association of Insurance Commissioners)

LIFE AND FRATERNAL INSURANCE INDUSTRY
2008 TOP 25 COMPANIES BY COUNTRYWIDE PREMIUM
By Line of Business
Annuity Considerations

RANK	BUS TYPE	GROUP/ COMPANY CODE	GROUP/COMPANY NAME	DIRECT PREMIUMS	MARKET SHARE %	CUMULATIVE MARKET SHARE %
1	L	12	AMERICAN INTL GRP	24,356,776,546	9.23	9.23
2	L	229	ING AMER INS HOLDING GRP	22,089,270,180	8.37	17.59
3	L	241	METROPOLITAN GRP	20,992,638,927	7.95	25.54
4	L	20	LINCOLN NATL GRP	14,963,290,675	5.67	31.21
5	L	968	AXA INS GRP	14,108,945,600	5.34	36.56
6	L	1216	TIAA FAMILY GRP	13,078,576,029	4.95	41.51
7	L	304	PRUDENTIAL OF AMER GRP	11,854,900,667	4.49	46.00
8	L	468	AEGON US HOLDING GRP	11,114,061,625	4.21	50.21
9	L	918	JACKSON NATL GRP	10,592,500,589	4.01	54.22
10	L	826	NEW YORK LIFE GRP	9,816,853,873	3.72	57.94
11	L	4	AMERIPRISE FIN GRP	9,117,315,688	3.45	61.39
12	L	709	PACIFIC LIFE GRP	8,411,549,860	3.19	64.58
13	L	761	ALLIANZ INS GRP	8,263,245,964	3.13	67.71
14	L	44	AVIVA GRP	7,534,643,377	2.85	70.56
15	L	4011	GENWORTH FIN GRP	4,595,812,210	1.74	72.30
16	L	332	PRINCIPAL FIN GRP	4,409,924,831	1.67	73.97
17	L	8	ALLSTATE INS GRP	3,866,520,008	1.46	75.44
18	L	435	MASS MUT LIFE INS GRP	3,839,021,004	1.45	76.89
19	L	431	MIDLAND NATL LIFE INS GRP	3,747,576,035	1.42	78.31
20	L	549	SUN LIFE ASSUR CO OF CN GRP	3,466,859,616	1.31	79.62
21	L	769	GREAT WEST GRP	3,230,788,674	1.22	80.85
22	L	836	WEST SOUTHERN GRP	2,959,897,347	1.12	81.97
23	L	458	PROTECTIVE LIFE INS GRP	2,612,833,284	0.99	82.96
24	L	981	FIDELITY INVESTMENT INS & ANN GRP	2,429,011,342	0.92	83.88
25	L	2658	AMERICAN EQUITY INVESTMENT GRP	2,288,896,465	0.87	84.75
			INDUSTRY TOTAL	264,014,523,239	100.00	100.00

Exhibit 3

Annuity Sales

Source: III (Insurance Information Institute)

Industry Annuity Sales						
	Variable Annuities		Fixed Annuities		Total	
Year	Sales	Growth	Fixed	Growth	Amount	Growth
2005	137.6	3.54%	78.9	-10.24%	216.5	-1.95%
2006	160.4	16.57%	78.3	-0.76%	238.7	10.25%
2007	184	14.71%	72.8	-7.02%	256.8	7.58%
2008	155.6	-15.43%	109.4	50.27%	265	3.19%

Exhibit 4

Premium and Market Share Data – All Lines

Source: NAIC (National Association of Insurance Commissioners)

LIFE AND FRATERNAL INSURANCE INDUSTRY
2008 TOP 25 COMPANIES BY COUNTRYWIDE PREMIUM
By Line of Business
Totals for Life Ins, Annuity Considerations, Deposit Type Contract Funds, Other Considerations, and Accident and Health

RANK	BUS TYPE	GROUP/ COMPANY CODE	GROUP/COMPANY NAME	DIRECT PREMIUMS	MARKET SHARE %	CUMULATIVE MARKET SHARE %
1	L	241	METROPOLITAN GRP	85,412,088,151	10.85	10.85
2	L	12	AMERICAN INTL GRP	54,180,274,203	6.88	17.74
3	L	304	PRUDENTIAL OF AMER GRP	40,073,876,394	5.09	22.83
4	L	229	ING AMER INS HOLDING GRP	35,142,085,489	4.47	27.30
5	L	468	AEGON US HOLDING GRP	32,184,994,461	4.09	31.39
6	L	904	JOHN HANCOCK GRP	31,506,631,544	4.00	35.39
7	L	707	UNITEDHEALTH GRP	31,432,339,997	3.99	39.38
8	L	826	NEW YORK LIFE GRP	27,941,620,703	3.55	42.94
9	L	332	PRINCIPAL FIN GRP	25,472,023,815	3.24	46.17
10	L	91	HARTFORD FIRE & CAS GRP	24,669,677,233	3.13	49.31
11	L	20	LINCOLN NATL GRP	21,071,574,017	2.68	51.98
12	L	968	AXA INS GRP	18,612,297,406	2.37	54.35
13	L	1	AETNA GRP	15,820,347,491	2.01	56.36
14	L	370	AMERICAN FAMILY CORP GRP	15,369,985,151	1.95	58.31
15	L	918	JACKSON NATL GRP	14,368,161,503	1.83	60.14
16	L	435	MASS MUT LIFE INS GRP	14,220,222,781	1.81	61.95
17	L	119	HUMANA GRP	13,803,662,177	1.75	63.70
18	L	1216	TIAA FAMILY GRP	13,798,508,923	1.75	65.45
19	L	709	PACIFIC LIFE GRP	12,882,759,966	1.64	67.09
20	L	8	ALLSTATE INS GRP	11,115,233,740	1.41	68.50
21	L	4011	GENWORTH FIN GRP	10,983,637,992	1.40	69.90
22	L	140	NATIONWIDE CORP GRP	10,833,330,409	1.38	71.28
23	L	4	AMERIPRISE FIN GRP	10,670,739,020	1.36	72.63
24	L	860	NORTHWESTERN MUT GRP	10,414,519,410	1.32	73.95
25	L	44	AVIVA GRP	9,490,647,446	1.21	75.16
			INDUSTRY TOTAL	786,941,641,347	100.00	100.00

Exhibit 5

2008 Income Statement - Operating Data by Segment, *Source: MetLife 10-K*

2008 Operating Data by Segment	Institutional	Individual	International	Auto & Home	Corp & Other	Total
Revenues						
Premiums	14,964	4,481	3,470	2,971	28	25,914
Universal life and investment-type product policy fees	886	3,400	1,095			5,381
Net investment income	7,535	6,509	1,249	186	817	16,296
Other revenues	775	571	18	38	184	1,586
Net investment gains (losses)	168	665	167	(135)	947	1,812
Total revenues	24,328	15,626	5,999	3,060	1,976	50,989
Adjusted Operating Revenue	**24,160**	**14,961**	**5,832**	**3,195**	**1,029**	**49,177**
Expenses						
Policyholder benefits and claims	16,525	5,779	3,166	1,919	48	27,437
Interest credited to policyholder account balances	2,581	2,028	171		7	4,787
Policyholder dividends		1,739	7	5		1,751
Other expenses	2,408	5,143	1,671	804	1,898	11,924
Total expenses	21,514	14,689	5,015	2,728	1,953	45,899
Adjusted Operating Income	**2,646**	**272**	**817**	**467**	**(924)**	**3,278**
Income from continuing operations before tax	2,814	937	984	332	23	5,090
Provision for income tax	955	307	404	57	(143)	1,580
Income from continuing operations	1,859	630	580	275	166	3,510
Income from discontinued operations, net of income tax	3	(11)			(293)	(301)
Net income	**1,862**	**619**	**580**	**275**	**(127)**	**3,209**
Preferred stock dividends					125	125
Net income (loss) available to common shareholders	1,862	619	580	275	(252)	3,084

Exhibit 6

2008 Balance Sheet, *Source: MetLife 10-K*

Assets	**2008**	**2007**
Fixed maturity securities available-for-sale, at fair value	188,251	232,336
Equity securities available-for-sale, at estimated fair value	3,197	5,911
Trading securities, at estimated fair value	946	779
Mortgage and consumer loans:		
Held-for-investment, at amortized cost	49,352	46,149
Held-for-sale, at estimated fair value	2,012	5
Mortgage and consumer loans, net	51,364	46,154
Policy loans	9,802	9,326
Real estate and real estate joint ventures held-for-investment	7,585	6,728
Real estate held-for-sale	1	39
Other limited partnership interests	6,039	6,155
Short-term investments	13,878	2,544
Other invested assets	17,248	8,076
Total investments	298,311	318,048
Cash and cash equivalents	24,207	9,961
Accrued investment income	3,061	3,545
Premiums and other receivables	16,973	13,373
Deferred policy acquisition costs and value of business acquired	20,144	17,810
Current income tax recoverable	—	334
Deferred income tax assets	4,927	—
Goodwill	5,008	4,814
Other assets	7,262	8,239
Assets of subsidiaries held-for-sale	946	22,883
Separate account assets	120,839	160,142
Total assets	**501,678**	**559,149**

Liabilities:	**2008**	**2007**
Future policy benefits	130,555	126,016
Policyholder account balances	149,805	130,342
Other policyholder funds	7,762	7,838
Policyholder dividends payable	1,023	991
Policyholder dividend obligation	—	789
Short-term debt	2,659	667
Long-term debt	9,667	9,100
Collateral financing arrangements	5,192	4,882
Junior subordinated debt securities	3,758	4,075
Current income tax payable	342	—
Deferred income tax liability	—	1,502
Payables for collateral under securities loaned and other transactions	31,059	44,136
Other liabilities	14,535	12,829
Liabilities of subsidiaries held-for-sale	748	20,661
Separate account liabilities	120,839	160,142
Total liabilities	477,944	523,970
Stockholders' Equity:		
Preferred stock, par value $0.01 per share;	1	1
Common stock, par value $0.01 per share;	8	8
Additional paid-in capital	15,811	17,098
Retained earnings	22,403	19,884
Treasury stock, at cost;	(236)	(2,890)
Accumulated other comprehensive income (loss)	(14,253)	1,078
Total stockholders' equity	**23,734**	**35,179**
Total liabilities and stockholders' equity	501,678	559,149
BV/Share	**29.91**	**48.24**

Exhibit 7

Mean Household Wealth at Age 67 (in thousands, '03 $'s)

Source: Urban Institute/AARP Study (How Will Boomers Fare at Retirement - May 2004)

Birth Cohort	**1926-35**	**1936-45**	**1946-55**	**1956-65**
Total Wealth	558	703	859	839
Non-Retirement Wealth				
Financial Wealth	132	175	235	195
Housing Wealth	96	141	167	141
Total Non-Retirement Wealth	228	316	402	336
Retirement Wealth				
Own Social Security Wealth	142	157	186	207
Spouse Social Security Wealth	64	74	88	94
Own DB Pension Wealth	55	45	40	41
Spouse DB Pension Wealth	35	25	22	21
Own Retirement Accounts	20	53	72	87
Spouse Retirement Accounts	14	33	47	53
Total Retirement Wealth	**330**	**387**	**455**	**503**

Exhibit 8

Projections for Retirement Assets at Age 67 (in thousands, '03 $'s)

Source: Urban Institute/AARP Study (How Will Boomers Fare at Retirement - May 2004)

Retirement Wealth at Age 67 (in thousands, '03 $'s) Excluding Spouse and Social Security Wealth	
Birth Cohort	1946-55
Own DB Pension Wealth	40
Own Retirement Accounts	72
Mean Retirement Wealth '03 $'s	112
Retiring Population (Approx)	31,971
Total Assets '03 $'s	3,580,703,504
Inflation Rate	2.71%
Inflation Adjustment to 2009	4,203,826,045
Adjusted for Market Decline	3,993,634,743
Inflation Adjustment to 2017	**4,946,182,945**

Retirement Wealth at Age 67 (in thousands, '03 $'s) Excluding Spouse and Social Security Wealth, Including Financial Wealth	
Birth Cohort	1946-55
Own DB Pension Wealth	40
Own Retirement Accounts	72
Financial Wealth	235
Mean Retirement Wealth '03 $'s	347
Retiring Population (Approx)	31,971
Total Assets '03 $'s	11,093,786,749
Inflation Rate	2.71%
Inflation Adjustment to 2009	13,024,353,908
Adjusted for Market Decline	12,373,136,212
Inflation Adjustment to 2017	**15,324,334,660**

Summary of Assumptions:

The UI data provides projections for total retirement wealth, which we use to estimate total retirement assets as measured in 2017 dollars (the mid-date for turning 67 for the first cohort of boomer retirees). To be conservative, we excluded social security, and included only assets projected for retirement accounts and pensions. We excluded spouse accounts to avoid double counting.

Adjustments were also made for inflation and the decline in the S&P 500 since 2003.

- Inflation rate of 2.71%, based on CPI in 1998 – 2008 period.
- Adjustment for market decline of -5%, based on 5.5% decline in S&P 500 from 2003 to present.

Exhibit 9

Composition of Investment Portfolio and Unrealized Losses/Gains

Source: MetLife 10-K

Fixed Maturities	Cost	Fair Value	% of Total	Net Unrealized Losses/Gains	Unrealized Losses/Gains as % of Cost
U.S. corporate securities	72,211	63,303	33.63%	(8908)	-12.34%
RMBS	39,995	36,028	19.14%	(3967)	-9.92%
Foreign corporate securities	34,798	29,679	15.77%	(5119)	-14.71%
U.S. Treasury/agency securities	17,229	21,310	11.32%	4081	23.69%
Commercial mortgage-backed securities	16,079	12,644	6.72%	(3435)	-21.36%
Asset-backed securities	14,246	10,523	5.59%	(3723)	-26.13%
Foreign government securities	9,474	10,153	5.39%	679	7.17%
State and political subdivision securities	5,419	4,557	2.42%	(862)	-15.91%
Other fixed maturity securities	57	54	0.03%	(3)	-5.26%
Total	**209,508**	**188,251**	**100.00%**	**(21257)**	**-10.15%**

Equity	Cost	Fair Value	% of Total	Net Unrealized Losses/Gains	Unrealized Losses/Gains as % of Cost
Common stock	1,778	1,685	52.71%	(93)	-5.23%
Non-redeemable preferred stock	2,353	1,512	47.29%	(841)	-35.74%
Total	**4,131**	**3,197**	**100.00%**	**(934)**	**-22.61%**

Exhibit 10

2008 Fixed Maturity Portfolio by Credit Rating

Source: MetLife 10-K

Rating Agency Designation	Cost	Fair Value	% of Total
Aaa/Aa/A	146,796	137,125	72.84%
Baa	45,253	38,761	20.59%
Ba	10,258	7,796	4.14%
B	5,915	3,779	2.01%
Caa and lower	1,192	715	0.38%
In or near default	94	75	0.04%
Total fixed maturity securities	**209,508**	**188,251**	**100.00%**

Exhibit 11

Composition of CMBS Portfolio by Rating

Source: MetLife 10-K

	% of Portfolio		
Rating	**2005 & Prior**	**2006 & After**	**Total**
AAA	78.25%	14.90%	93.15%
AA	3.33%	0.53%	3.86%
A	1.41%	0.33%	1.74%
Baa	0.28%	0.36%	0.64%
Below Investment Grade	0.61%	0.00%	0.61%
Total	**83.88%**	**16.12%**	**100.00%**
Total CMBS Fair Value	*12,644*		

Exhibit 12

Adjusted Operating Revenue by Segment, *Source: MetLife 10-K*

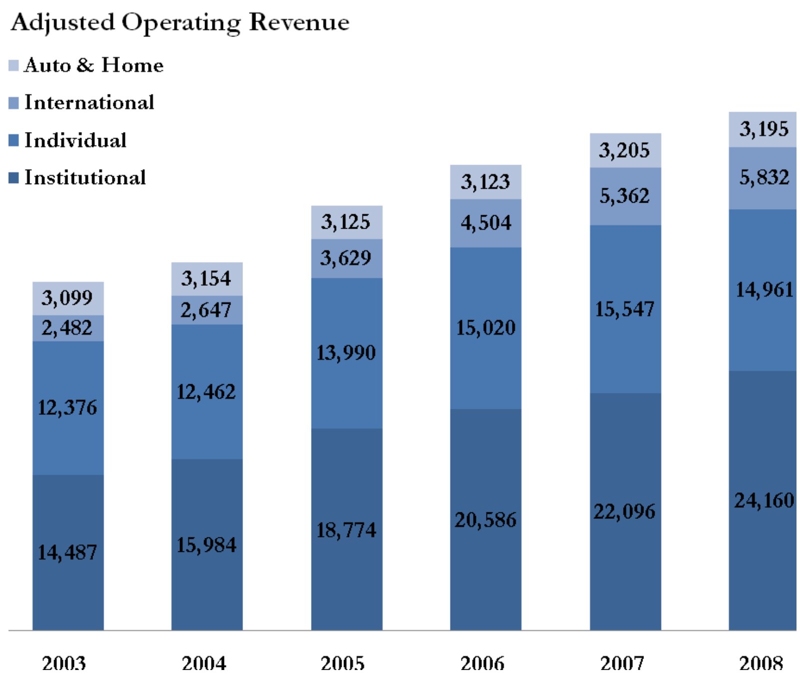


Exhibit 13

Adjusted Operating Income by Segment, *Source: MetLife 10-K*

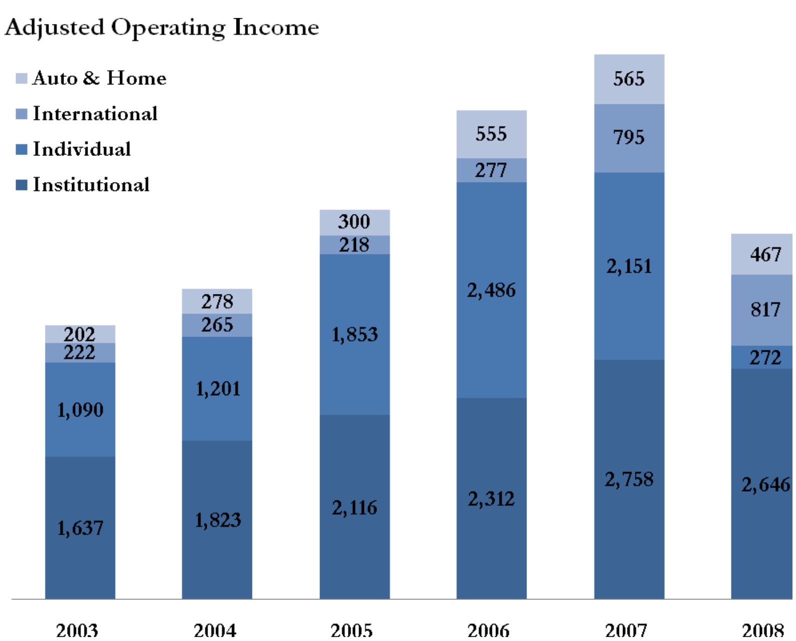


Exhibit 14

Peer Group Price to Book Value (P/BV) – Financials/Sub-Sector Life Insurers
(Minimum market cap of $2B) *Source: Yahoo Finance, S&P Reports, Value Line, and NAIC*

Company	Ticker	2000-08	Last 5 Years	Current
Aegon	AEG	1.18	0.95	0.82
Principal Financial	PFG	1.53	1.67	1.37
ManuLife	MFC	2.07	2.00	1.13
Prudential	PRU	1.31	1.45	0.77
Hartford Financial	HIG	1.39	1.17	0.26
Lincoln National	LNC	1.27	1.10	0.23
Ameriprise Financial	AMP	1.36	1.33	1.23
SunLife Financial	SLF	1.79	1.59	0.80
Torchmark/Liberty	TMK	1.96	1.12	0.88
Average		**1.54**	**1.38**	**0.83**

P/BV measured as price on 4/1 of each year against book value per share on 12/31 of prior year

Exhibit 15

Summary of significant assumptions for book value projection

Fixed Maturity Portfolio	Projected Loss	Weight
Investment Grade	0.75%	93.43%
Below Investment Grade	12.50%	6.57%
Weighted Average Loss	1.52%	

Our projection for book value focuses on MetLife's investment portfolio, including the consumer and loan portfolios. We focused on this portion of the balance sheet as unrealized losses on its investments accounted for 90% of the decline in book value in 2008 (as reported in comprehensive income). For the fixed maturity portfolio, the biggest portion of assets, we expect a weighted average loss of about 1.52% on based on the ratings grade of the total portfolio. This amount was applied to total amortized cost of $209 billion. On the remaining amount, we assumed a fair value recovery to 97.5% of cost.

Other significant assumptions:

- For equity investments, we assumed a 25% gain based on data from the last severe recession in 1981, wherein the S&P 500 rose 25% in one year from its March 1980 low.

- For the loan portfolio, we assumed a loan allowance of 2% on the total loan portfolio, which is well above the .59% loan allowance recorded in 2008.

- Based on our assumption of significant equity market recovery in 2009-10, we also assume that pension benefit adjustments into comprehensive income and liabilities will not be significant.

- The number of shares outstanding will not change significantly in the coming year.

Exhibit 16
Summary of Interview with Julian Knaster

As part of the research for this report, I spoke to some current retirees and baby-boomers. The most insightful of these conversations was an interview with Mr. Julian Knaster in March 2009. Insightful because unlike many sixty-something's I had spoken to, Mr. Knaster gave the impression of being a very prudent and financially intelligent individual – having a good handle on his finances, expenses, and assets. During the interview, I picked Mr. Knaster's brain regarding his prospects for retirement, his outlook on the future, and his primary concerns for retirement.

Mr. Knaster is 64 years old, married with one adult son, and a Vietnam veteran. He has had a long career in the financial services sector, having worked in accounting, risk management, trade support, system development, and financial reporting. He had also worked in carpentry and construction for a good part of his early career. For the past two years he has been working for the State of NJ, as a supervisor in a finance area supporting child support services.

When asked about his plans for retirement, Mr. Knaster indicated he plans to keep working for the next five years, maybe longer – in essence, as long as he can keep working and his health allows it. Recent events in the economy did *not* play a part in his decision, it was always his desire and plan to keep working well past the traditional retirement age. This was not unusual, as a number of the individuals I had spoken to did indicate a desire to be active in the work force, although in a limited capacity usually. Mr. Knaster stated he was comfortable about the level of his and his wife's retirement assets – citing that their expenses are low, they have little to no debt, and they could pay off their current mortgage if they wanted to (the Knasters moved to a smaller home in a gated community in Central NJ after selling a bigger previous home in Northern NJ). He was not at all concerned about outliving his assets, confident that the the build-up in financial assets throughout his and his wife's careers will be enough to support them through retirement.

Mr. Knaster's biggest concern is the cost of healthcare. This was the common thread among the individuals I spoke to -- health and medical costs were their primary concerns going into retirement. Consequently, one of the reasons Mr. Knaster wanted to keep working was in order to have continued medical coverage from an employer.

Last year, Mr. Knaster opened a long-term care insurance policy with Hartford Insurance. The purchase decision was sparked by an experience his family had with supporting an elderly parent who required nursing home care. The experience had required a draw-down of much the elderly parent's assets in order to pay for the high cost of the nursing home. The cost associated with this type of care opened Mr. Knaster's eyes to the need for this type of insurance, as he and his wife did not wish to burden their son with the high cost of long-term care, nor force a possible sale of their assets in the future. He indicated this type of insurance is not cheap, but nevertheless the insurance was purchased. Mr. Knaster's other concerns were an increase in expenses – such as taxes, home maintenance costs, and utilities.

Overall, Mr. Knaster appeared to have a clear financial/retirement plan. This made him sort of unique, as many individuals (of any age) seem to only have vague plans in mind on how to manage their assets and expenses for the future. Mr. Knaster's background in finance and accounting probably helped a great deal. In any case, I found Mr. Knaster to be a good model for independent and prudent retirement planning.