

360° VIEW

The MetLife Quarterly Update

MetLife's retirement and savings solutions are designed to provide certainty in an uncertain world. In this regular quarterly update we'll firstly look back at the value of MetLife guarantees in the light of recent market changes. Then we'll have a look at the view ahead by taking the pulse of UK financial advisers through a quarterly survey.

The look back

2016 was a year of uncertainty and the unexpected. The first three quarters saw a continued fall in UK long term interest rates, a situation exacerbated by the EU referendum. Rates had already fallen by nearly 30% since the start of 2016 and fell by another 27% on the day after the result.

These historic lows had an impact on many retirement solutions; we saw falls in annuity rates and guarantee providers were prompted to review their products. MetLife reacted by reducing income rates and capital terms available for new business.

Existing customers saw the value of their guarantee increase and many saw a number of lock-ins driven by the volatility and positive performance of equities and corporate bonds.

In the months following the EU referendum, initial fears over equity investments caused a flight to the 'safety' of fixed interest. This combined with weakening markets in China and an increase in quantitative easing, reduced yields further. There were also new doubts about the government's approach to Brexit, the UK economy, inflation and consequently the UK's credit worthiness.

By October equity markets had stabilised, and yields finally started to recover. However despite this by the end of 2016 the

15 year interest rate remained 35% down over the year and uncertainty in the market is still high.

Throughout the uncertainty and unexpected events of 2016 MetLife has been committed to delivering certainty to our customers through our income and capital guarantees, something we think customers will value even more as they head into 2017.



Guarantee Terms Update

We are not making any changes to our guarantee terms at this time.

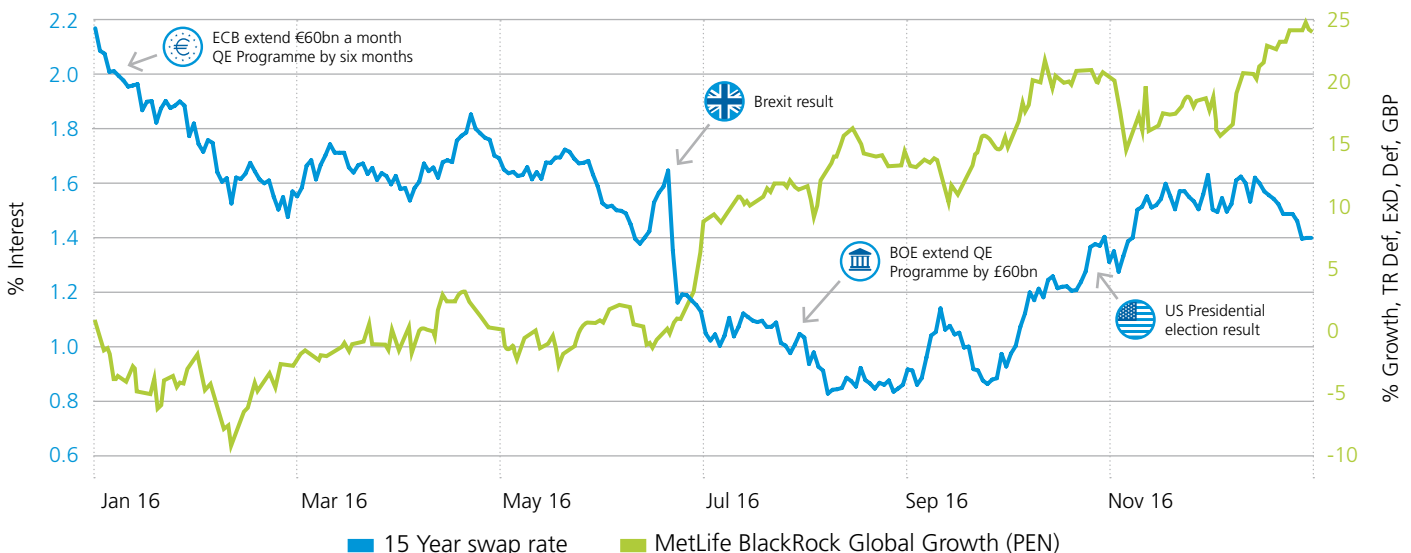


MetLife guarantees - performance highlights

Since the launch of our enhanced guarantee proposition in September 2015 our customers have benefited from:

- **328,000 lock-ins of fund performance**
- **This equates to an increase in the value of income or capital guarantees of over £44 million**

MetLife BlackRock Global Growth and 15 Year Swap Rate



Advisers battle through Brexit, Trump & budget uncertainty

Prime Minister Theresa May has pledged to “provide certainty where we can” as the UK marches towards leaving the European Union – but the message from advisers is that there is precious little certainty around.

This quarter we surveyed 206 financial advisers and asked them about the key issues facing them in Q1 2017.

The view ahead

The full impact of Brexit will start to meet reality very quickly with a Budget due on 8th March and the formal Brexit process starting by 31st March. Throw in the as yet unknown disruption from a Trump administration and we have a perfect storm of continued market turbulence.

The first few months of Q1 2017 threatens to be the calm before these seismic events shake the financial advice sector. More than half of advisers fear the triggering of Article 50, with 74% believing that the unpredictable impact of Brexit could hit customers in drawdown.

On top of this, 48% are worried the Budget will bring yet more legislative change to the shifting sands of the UK's pension framework. 60% believe that continual changes to long term savings rules is a major concern for their clients, in a landscape which is already difficult to navigate. Add in the belief that consumers are underestimating the financial support they will need during their retirement and advisers are presented with what you might call a “unique” challenge.

Clearly as the first quarter draws to a close advisers are facing significant change and uncertainty, at the sharp end of providing financial advice; 40% are expressing concern about the pressure the increasingly complex retirement income rules are having on their advice charging model.

But despite all of this, advisers, clearly a resilient and battle hardened bunch, are far from running for the hills. They are more than up for the challenges that lie ahead. More than two-thirds are optimistic for 2017 and a healthy 22% of advisers expect their business to expand significantly this year.

There are plenty of reasons to be cautious but with certainty in short supply, financial advisers are taking a resolute stand in the face of the political and regulatory headwinds of the first quarter of 2017.

60%

believe changes to long term savings rules are major concern to their clients.



22%

expect their business to expand significantly in 2017.

48%

worried the budget will bring more legislative change to the pensions framework.



40%

concerned retirement income rules are putting pressure on their adviser charging structure.

74%

believe Brexit could hit their client's income drawdown.



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