MetLife EU Holding Company Limited

Solvency II Solvency and Financial Condition Report

For the year ended 31 December 2019

Table of Contents

Executive summary

Background

MetLife EU Holding Company Limited (the Company) is an Irish incorporated entity domiciled in Ireland and its principal activity is to serve as a holding company for European domiciled subsidiaries of MetLife, Inc.

On 1 January 2016, a new European wide regulatory regime for insurance companies (Solvency II) came into force, requiring the Company for the first time to report on a consolidated Solvency II basis on behalf of itself and its subsidiaries (the Group). The Group operates its insurance business through its major subsidiaries MetLife Europe d.a.c. (MetLife Europe), MetLife Europe Insurance d.a.c. (MetLife Europe Insurance), MetLife Life Insurance S.A. (MetLife Greece) and MetLife Towarzystwo Ubezpieczen na Zycie i Reasekuracji S.A. (MetLife Poland). This report should be read in conjunction with the Solvency and Financial Condition Reports (SFCR) of these major subsidiaries all of which are attached as appendices to this report.

The purpose of this report is to satisfy the public disclosure requirements of the Group pursuant to the Commission Delegated Regulation (EU) 2015/35 (The Delegated Acts), the European Insurance and Occupational Pensions Authority (EIOPA) Final Report on Public Consultation No. 14/047, and the Delegated Acts supplement Directive 2009/138/EC as implemented in Ireland by the European Union (Insurance and Reinsurance) Regulations 2015.

The SFCR is an annual public document and is available on the Company's website.

Content

The following summarises the information included in the SFCR by section and notes any material changes during the year.

A - Business and performance

Significant business events

On January 31, 2020, the U.K. ceased to be a member of the EU and entered into a transition period expected to end on December 31, 2020. During the transition period, the relationship between the U.K. and the EU will remain primarily as it was prior to January 31, 2020. The U.K. and EU will use this period to negotiate the structure of the future relationship between the U.K. and EU after December 31, 2020.

The MetLife Europe U.K. business model utilises certain rights to operate cross-border insurance and investment operations, which may be modified or eliminated as a result of the U.K. exiting the EU. MetLife Europe expects to maintain its existing operating model, including as an inbound EEA-insurer under the U.K.'s Temporary Permissions Regime, which is due to last for at least three years and will permit MetLife Europe to carry on its insurance business in the U.K. during that period. Operating expenses could increase as a result of such changes.

On 27 March 2019, the Company repaid the first instalment of €5m to MetLife Europe d.a.c. on an interest bearing ten year loan of €50m.

In June 2018, MetLife Europe and Monument Re Limited (Monument) agreed, subject to regulatory and court approvals, for Monument to acquire a run-off portfolio of business from MetLife Europe, initially through reinsurance to Monument. The initial reinsurance excluded the guarantees on the variable annuity unit- linked business which remained reinsured by MetLife Europe with MetLife Bermuda. During 2019, following receipt of the relevant regulatory and court approvals, the portfolio, including the guarantees but excluding one unit-linked product which remains reinsured to Monument, was transferred to Laguna Life d.a.c., a life insurance entity in Ireland which is part of the Monument group of companies. MetLife Europe also recaptured the reinsurance from MetLife Bermuda at the same time. This transaction will be referred to as "the run-off portfolio sale" hereafter.

On 22 October 2019, the Company increased its investment in the Romania Pension Company by €8m via a cash capital contribution.

On 29 October 2019, the Company entered in to an agreement to sell its 27.5% interest in Hellenic Alico Life Insurance Company (Cyprus joint venture) for €6m. The sale was executed in December 2019.

During 2019, the Group completed the transfer of certain finance and actuarial activities from Ireland to existing MetLife Centres of Excellence in India and Poland.

In December 2019, the Company paid a dividend of €53m to its parent, MetLife Global Holding Company II GmbH (MGHC II). The directors were satisfied that there was sufficient solvency cover to support the payment of the dividend.

The impact of the COVID-19 virus is as a consequence of events that arose after the Group's reporting date of 31 December 2019, and therefore treated as a non-adjusting post balance sheet event. Since 31 December 2019, the COVID-19 virus has caused a pandemic, and governments and businesses have taken measures such as travel bans, quarantines, and social distancing to combat the spread of the virus. These have disrupted business activity, as well as causing economic slowdown and significant volatility in financial markets. The Group activated its business continuity plan with the majority of staff working from home, where possible. The Group cannot determine or estimate the extent to which these events have affected the Group's operations, business, financial results, or financial condition. In general, under Solvency II, EU insurance companies are required to hold sufficient eligible own funds on an ongoing basis to cover their Solvency Capital Requirement. The risk-based Solvency Capital Requirement enables insurance Groups to absorb significant losses and give confidence to policyholders and beneficiaries that payments will be made as they fall due. Based on the results of the 31 December 2019 Solvency II valuation and of the 2019 Own Risk Solvency Assessment, and notwithstanding the emergence of COVID-19 (as a non-adjusting post balance sheet event), there is no expectation of noncompliance with the Minimum Capital Requirement or SCR over the planning horizon. The directors have considered the potential impact of COVID-19 on the Group, and have concluded that the Solvency II returns will continue to be prepared on a going concern basis.

Strategy

The four cornerstones of the Group's strategy are to optimise value and risk, drive operational excellence, deliver the right solutions for the right customers and strengthen distribution advantage. To execute its strategy MetLife Inc., has identified "enablers" such as leveraging digital to help drive transformation and combat customer confusion and hidden costs by focusing on simplifying operations and products. The Group is evaluating processes with the view of simplifying or automating where possible to ensure it can continually adapt to the environment it operates in.

In January 2020, MetLife Inc. launched its refreshed Enterprise Strategy, referred to as the 'Next Horizon Strategy'. The new Strategy is encapsulated within a Strategy framework that connects Purpose, Bold Commitments, Strategic Choices and Key Enablers.

Business performance

US GAAP is the common accounting basis used for all the subsidiaries of the Group and therefore the financial performance values reported are reported under US GAAP. The Company does not prepare consolidated financial statements as it has availed of the exemption from the obligation to prepare group accounts under Section 300 of the Companies Act 2014 whereby the Company and its subsidiaries are included in the consolidated accounts for a larger group drawn up by its ultimate parent entity, MetLife, Inc.

The US GAAP profit decreased by €112m to €95m (2018: €207m). This is mainly due to the impact of lower GBP interest rates on the guarantees of the UK unit-linked business, the run-off portfolio sale, and increased restructuring costs. This was partially offset by business growth in MetLife Europe.

B - Systems of governance

Governance structure and roles

The key organs of the system of governance are the Board of Directors, Executive Management and the various committees (when established). There has been no material changes to the systems of governance over the reporting period.

The Board's key purpose is to ensure the Company's prosperity by directing the Company's affairs, acting in the best interest of the shareholder and recognising Company obligations to third parties. In particular, the Board provides effective, prudent and ethical oversight of the Company and its subsidiaries.

The Board is responsible for, among other things, where relevant, reviewing and/or setting and overseeing:

- Business strategy and management
- Structure and capital
- Financial reporting and controls
- Internal controls
- Contracts
- Board membership and other appointments
- Remuneration
- Delegation of authority
- Corporate governance
- Policies and compliance

The Corporate Governance Structure defines the key areas of authority and responsibility and establishes the appropriate lines of reporting. It enables an effective risk management and allows the Group entities to carry out their activities so as to achieve their objectives. Executive Management is responsible for the day-to-day running of the Group entities and is led by the Chief Executive Officer (CEO).

There is appropriate interaction with the Boards of Directors of all entities within the Group, proactively requesting information and challenging the decisions in the matters that may affect the Group. The Board of Directors is responsible for the effectiveness of the Group's risk management system.

Fit and proper requirements

The Company's Fitness and Probity Policy (the Policy) sets out the minimum standards, in compliance with the relevant standards and legislation, to ensure that a person who is a Responsible Person, has the necessary qualities and competence in order to allow them to perform the duties and carry out the responsibilities of their position within the Company and its subsidiaries. The qualities and competencies relate to the integrity demonstrated by a Responsible Person in personal behaviour and business conduct, soundness of judgement, a sufficient degree of knowledge and experience and appropriate professional qualifications.

Risk management and internal controls

The Risk Management Framework of the Group (the Framework) leverages the Risk Management Framework of each of the Group's subsidiaries and sets out the approaches to risk management and structure to be followed by all associates in the Group in their capacity as executives, management and staff.

The key objectives of the Framework are to:

- Promote a strong risk culture across the Group;
- Ensure consistent, systematic management of risks across all businesses, operations and risk types; and
- Enable decision makers to direct resources efficiently to attractive business opportunities that are within the Board's risk appetite.

A key element of risk management is the Own Risk and Solvency Assessment (ORSA). The Group ORSA process is based on the preparation of individual ORSAs for each insurance subsidiary, and captures all the material risks that each subsidiary faces or may face in the future in the execution of its business plans. The Group ORSA process is run in its entirety at least annually to deliver a report to the Board in the fourth quarter of each year. However, there will be certain events that may require the process to be run on an ad hoc basis. Ad hoc runs may be either the ORSA process in its entirety or only specific activities of the process. In these ad hoc runs the relevant subsidiary uses its experience from stress tests and scenario analyses to determine whether changes from internal decisions and / or external factors could impact the undertaking's risk profile significantly. The ORSA is integrated into the management processes and decision making process at the Group level.

The control framework of the Group leverages the control framework of each of the Group's subsidiaries in promoting the importance of having appropriate internal controls, and ensuring that all associates are aware of their role in the internal control system. The control framework sets out clear standards for the design, operation, validation and oversight of the system of internal control. It defines how effective internal control is achieved through joined responsibilities of the subsidiaries' general managers and the Heads of Functions.

C - Risk profile

The Group is exposed to underwriting, market, credit, liquidity and operational risk. Overall the risk profile remained relatively stable over the year with risk exposures moving in line with business mix and volumes and changes in reinsurance treaties. The closure of the UK Wealth Management unit linked business to new business in 2017 has not resulted in any significant change in the current risk profile of the Group. However, over time the run off of this business will result in a reduction in risk exposures, in particular market risk. All subsidiaries also continue to manage their inforce blocks of business to reduce the exposure to market and credit risk, in line with MetLife Inc. strategy.

The Group is exposed to underwriting risks in its businesses, including mortality risk, longevity risk, morbidity risk, policyholder-behaviour risk, and expense risk due to the nature of its subsidiaries. These risks are identified and assessed as part of the product development process, in which appropriate underwriting conditions are defined for all underwriting risks associated with the insurance policies over their whole life cycle on an entity level. Underwriting risks are primarily mitigated through diversification and single-exposure limits for different components such as mortality and invalidity. Risks in excess of such limits can be accepted but must be reinsured. Catastrophe reinsurance is used to limit the total loss that can be incurred as the result of single events, and to manage risk concentrations.

The Group is exposed to market risks, including interest rates due to timing differences of asset and liability cash flows and basis differences between valuation rates, different currencies, credit spreads, and, indirectly, equity markets through revenues that depend on the value of investments covering unit-linked policies and positions held to facilitate policyholder transactions. These risks coming from the separate subsidiaries are identified and assessed as part of the Asset Liability (ALM) process, in which all balance sheet values are mapped to their relevant market drivers.

Market risks are primarily mitigated through managing and monitoring risks on an entity level. Alignment of assets and liabilities, in particular in terms of timing of cash flows and currencies is taking place while exposure to changes in credit spreads are mitigated by investing in a diversified and high-quality investment portfolio. Equity exposures from the book of unit-linked policies are managed through product design and selection of suitable investment funds.

The Group is exposed to credit risks (i.e. the risk of a value decrease of assets or increase of liabilities due to the default of third parties, or the increase of the probability of such a default and/or the associated loss). Exposure to credit risk comes from the investment portfolio of each subsidiary. Credit risks are primarily mitigated through asset allocation, diversification and single-exposure limits. For counterparty exposures, the Company may require the placement of collateral.

The Group is exposed to liquidity risks where it is obliged to settle liabilities at short notice and assets cannot be liquidated at all or only with very significant haircuts. Given the long-term nature of its business, there are only very few areas in which liquidity risk can arise. These risks are identified and assessed as part of every subsidiary's ALM process. The exposures to market risks have been stable over the course of the reporting period. Liquidity risks are primarily mitigated through asset allocation, diversification and single-exposure limits, and by avoiding entering obligations to provide liquidity to counterparties.

The Group is exposed to operational risk consistent with other financial institutions, including the impact of changes in the regulatory and legal environments, the dependency on multiple internal and external operators (investment activities as an example), and complex modelling for financial reporting and solvency reporting. Operational risks are identified and assessed with regards to their frequency and potential impact as part of the risk management process, in which risks and controls are documented by risk owners and validated by the risk management function. Operational risk is derived both by the subsidiaries and Group operating processes.

D - Valuation for solvency purposes

Assets

Assets are valued at fair value for Solvency II. This represents the amounts for which the assets could be exchanged between knowledgeable willing parties in an arm's length transaction. As already noted in Section A, the Company has availed of an exemption under Section 300 of the Companies Act 2014 to produce consolidated financial statements and therefore the Company's IFRS financial statements are prepared on an unconsolidated basis. As a result this section describes the accounting policies applied for Group Solvency II reporting purposes.

Technical Provisions

The technical provisions correspond to the current amount the Group would have to pay if it were to transfer its insurance obligations immediately to another Undertaking. The value of technical provisions are equal to the sum of a best estimate liability and a risk margin. The best estimate corresponds to the probability weighted average of future cash-flows taking account of the time value of money. The cash-flow projections reflect the expected realistic future demographic, legal, medical, technological, social and economic developments over the lifetime of the insurance and reinsurance obligations. The risk margin is an adjustment that captures the cost of holding the non-hedgeable part of the Solvency Capital Requirement (SCR) over the lifetime of the policies in force.

The calculation of amounts recoverable from reinsurance contracts follow the same principles and methodology as presented above for the calculation of other parts of the technical provisions.

Gross technical provisions decreased by €0.10b from €10.73b in 2018 to €10.63b in 2019. The change in gross technical provisions is driven principally by "organic" changes in relation to new business, actual experience and market movements (e.g. interest rates, foreign, exchange rates), roll-forward of the technical provisions on the in-force business (release of cash flows and risk margin, unwind of discount rate).

E - Capital management

Capital Management Policy

Capital planning is carried out quarterly. Dividends are paid from subsidiaries to the Company in line with the capital plan as appropriate, taking into account any local legal or regulatory restrictions. Once paid into the Company the current practice is to release these dividends to the parent company.

There has been no material changes to capital management policy over the reporting period.

Own funds and Solvency Capital Requirement

The Solvency Capital Requirement (SCR) is calculated using the standard formula approach. This method is on a modular approach consisting of a core of life, non-life, market, health and counterparty default risks with associated sub-modules. These are aggregated using correlation matrices, both at the sub-module and the main module level. The capital charges use stresses for each of the individual risks as calibrated by EIOPA. EIOPA also provides the standard correlation matrices for the purpose of aggregation. The operational risk component and adjustments for the risk absorbing effect of future profit sharing and deferred taxes are then allowed for, to give the overall SCR.

The own funds, SCR, solvency ratio and Minimum Capital Requirement (MCR) are as follows:

	2019 €'m	2018 €'m	Movement €'m
Total Own Funds	**1,768**	**1,719**	**49**
Less Restrictions:			
Deferred Tax Assets	48	61	(13)
Total Eligible Own Funds for SCR	**1,720**	**1,658**	**62**
SCR	**931**	**859**	**72**
Solvency Ratio	**185%**	**193%**	**(8)%**
Total Eligible Own Funds for MCR	**1,700**	**1,639**	**61**
MCR	**417**	**382**	**35**

Own funds increased by €62m from €1,658m in 2018 to €1,720m in 2019. The primary driver of this movement is investment performance on Variable Annuity unit linked funds due to positive equity returns resulting in higher fee income, which was partially offset by lower interest rates and dividend payment (€53m).

The SCR increased by €72m from €859m in 2018 to €931m in 2019 due to falls in interest rates amplifying stress impacts, and Life Underwriting Risk especially in Lapse and Mortality risks, as well as an increase in the local capital requirements of the Romania Pension Company.

As a result, the solvency ratio decreased by 8% from 193% in 2018 to 185% in 2019.
The Group has had own funds in excess of both the SCR and MCR requirements over the reporting period.

Appendix

This includes all public Quantitative Reporting Templates (QRTs).

Approval

The SFCR has been approved by the Board of Directors on 13th May 2020.

A Business and performance

A.1 Business

A.1.1 Overview

As noted in the Executive summary, MetLife EU Holding Company Limited (the Company) is an Irish incorporated entity domiciled in Ireland and its principal activity is to serve as a holding company for European domiciled subsidiaries of MetLife, Inc. The Group is regulated by:

Central Bank of Ireland (CBI),
New Wapping Street,
North Wall Quay,
Dublin 1

The Group operates its insurance business through its major subsidiaries MetLife Europe, MetLife Europe Insurance, MetLife Greece and MetLife Poland, details of which are outlined in the next Section 1.2 Group structure. MetLife Europe and MetLife Europe Insurance's regulatory supervisor is the CBI. MetLife Greece's regulatory supervisor is the Bank of Greece (BOG) and MetLife Poland's regulatory supervisor is the Komisja Nadzoru Finansowego (KNF).

The Group's external auditor is Deloitte, whose address is:

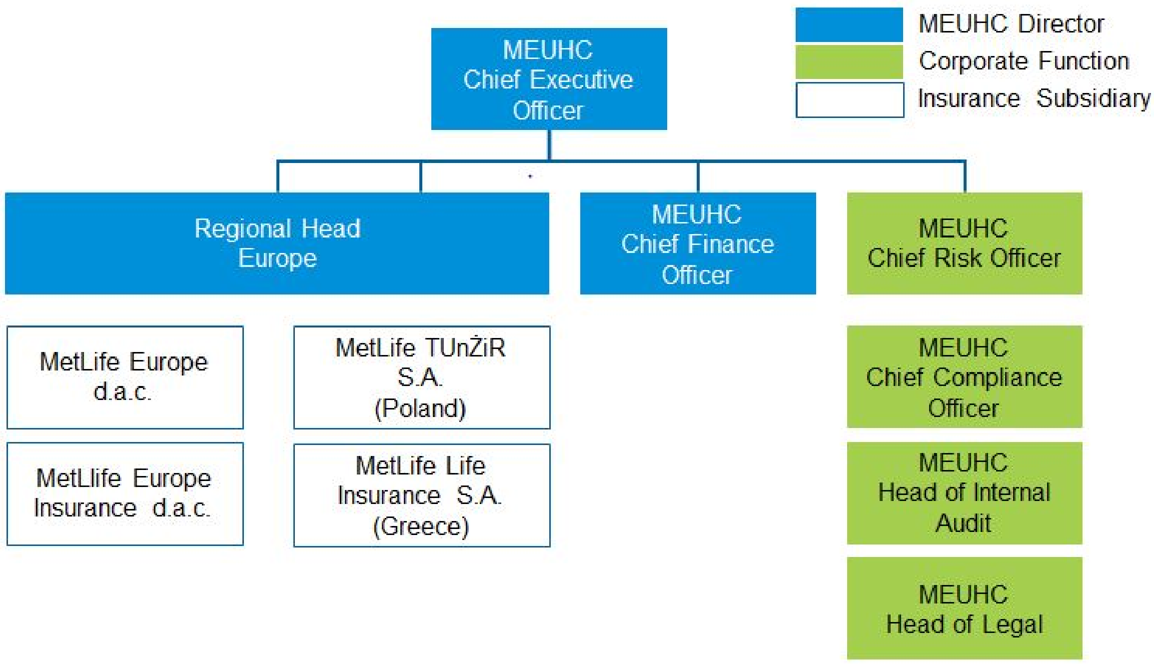
Deloitte Ireland LLP,
Chartered Accountants and Statutory Audit Firm,
Deloitte and Touche House,
Earlsfort Terrace,
Dublin 2

The underwriting performance for the Group's significant lines of business in its material insurance subsidiaries are noted in section A2.

A.1.2 Group structure

The Company is wholly owned by its immediate parent company MetLife Global Holding Company II GmbH ("MGHC II"), a company incorporated in Switzerland and its ultimate parent company is MetLife, Inc., a company domiciled in the United States of America.

The major insurance subsidiaries of the Group are depicted in the simplified structure as follows:



MetLife Europe

MetLife Europe is an Irish incorporated entity domiciled in Ireland and is authorised by the CBI to transact life assurance business in life classes I, III, IV and VI and non-life classes 1 and 2 under the European Union (Insurance and Reinsurance) Regulations 2015. MetLife Europe has branches in the United Kingdom, Italy, Spain, Portugal, France, Czech Republic, Slovakia, Romania, Hungary, Cyprus and Bulgaria. It operates via Freedom of Service (FOS) in Poland, Greece, Germany, Austria, and the Netherlands and reinsures business from Russia and Indonesia. MetLife Europe ceased operating via FOS in Norway following the sale of this business to Laguna Life d.a.c. on 1 April 2019. It also has a wholly owned subsidiary in the UK, MetLife Pension Trustees Limited.

MetLife Greece

MetLife Greece is a Greek incorporated entity domiciled in Greece and is authorised by the BOG to underwrite life assurance business in life classes I, III, VII and non-life classes 1 and 2 under national legislation. MetLife Greece owns 90% of the outstanding issued share capital of MetLife Mutual Fund Management Company S.A., a company that is also incorporated in Greece.

MetLife Poland

MetLife Poland is a Polish incorporated entity domiciled in Poland and is authorised by the KNF to underwrite life assurance business in life classes I, II and III under national legislation. It also operates via Freedom of Services (FOS) in Latvia and Lithuania. MetLife Poland wholly owns three subsidiaries MetLife Services Sp. z.o.o. (Poland), MetLife Towarzystwo Funduszy Inwestycyjnych S.A. (Poland) and MetLife Powszechne Towarzystwo Emerytalne S.A. (Poland).

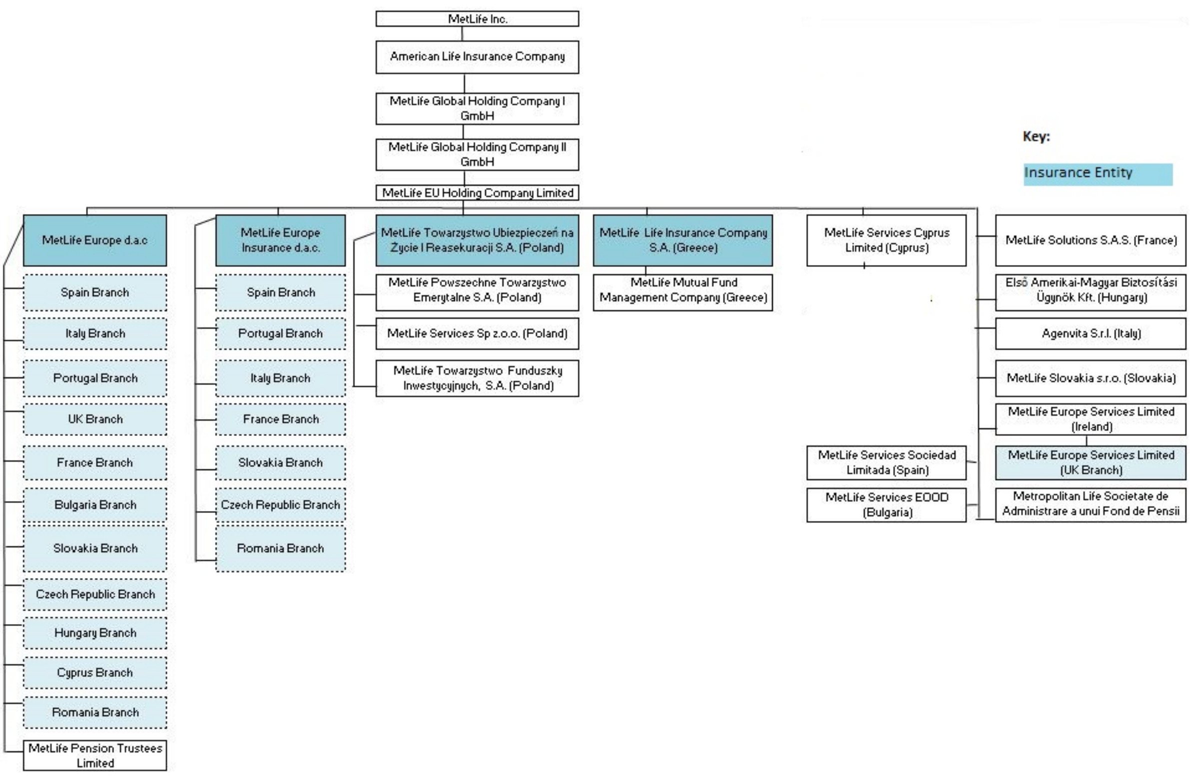
MetLife Europe Insurance

MetLife Europe Insurance is an Irish incorporated entity domiciled in Ireland and is authorised by the CBI to transact non-life insurance businesses in non-life classes 1, 2, 8, 9, 16 and 18 under the European Union (Insurance and Reinsurance) Regulations 2015. It has branches across Europe in Spain, Portugal, Italy, France, Slovakia, Czech Republic and Romania. It operates via Freedom of Service (FOS) in Germany, Austria, Greece, Poland and the UK. It also reinsures business from Russia.

Non insurance entities and joint ventures

The Group also consists of a number of non insurance subsidiaries which include pension funds, and service entities. As noted in the Executive Summary, the Company's interest in Hellenic Alico Life Insurance Company Limited (Cyprus joint venture) was sold during 2019. Further details on these entities can be seen in the detailed structure as follows:

Detailed structure



Group consolidation

For Solvency II reporting purposes the Group is consolidated under Method 1 accounting consolidation-based method, using risk-free rates with no volatility adjuster or transitional measures. Full consolidation is applied to all wholly-owned subsidiaries of the Company. Full diversification of risk is allowed for MetLife Europe, MetLife Europe Insurance, MetLife Poland and MetLife Greece, but not the smaller entities as this is not deemed material.

The Company does not prepare consolidated financial statements as it has availed of the exemption from the obligation to prepare group accounts under Section 300 of the Companies Act 2014 whereby the Company and its subsidiaries are included in the consolidated accounts for a larger group drawn up by its ultimate parent entity, MetLife, Inc. The accounts of MetLife, Inc. are prepared in accordance with US GAAP and have been prepared in a manner equivalent to consolidated accounts in accordance with the provisions of the Seventh Directive (83/349 EEC).

As such the material differences between the Group results reported for Solvency II and the Company's financial statements are due to consolidation adjustments and the inclusion of the subsidiaries assets and liabilities.

A.1.3 Significant business and external events

On 31 January, 2020, the U.K. ceased to be a member of the EU and entered into a transition period expected to end on 31 December, 2020. During the transition period, the relationship between the U.K. and the EU will remain primarily as it was prior to 31 January, 2020. The U.K. and EU will use this period to negotiate the structure of the future relationship between the U.K. and EU after 31 December, 2020.

The Group's U.K. business model utilizes certain rights to operate cross-border insurance and investment operations, which may be modified or eliminated as a result of the U.K. exiting the EU. The Group expects to maintain its existing operating model, including as an inbound EEA-insurer under the U.K.'s Temporary Permissions Regime, which is due to last for at least three years and will permit the Group to carry on its insurance business in the U.K. during that period. Operating expenses could increase as a result of such changes.

On 27 March 2019, the Company repaid the first instalment of €5m to MetLife Europe d.a.c. on an interest bearing ten year loan of €50m.

In June 2018, MetLife Europe and Monument Re Limited (Monument) agreed, subject to regulatory and court approvals, for Monument to acquire a run-off portfolio of business from MetLife Europe, initially through reinsurance to Monument. The initial reinsurance excluded the guarantees on the variable annuity unit- linked business which remained reinsured by MetLife Europe with MetLife Bermuda. During 2019, following receipt of the relevant regulatory and court approvals, the portfolio, including the guarantees but excluding one unit-linked product which remains reinsured to Monument, was transferred to Laguna Life d.a.c., a life insurance entity in Ireland which is part of the Monument group of companies. MetLife Europe also recaptured the reinsurance from MetLife Bermuda at the same time. This transaction will be referred to as "the run-off portfolio sale" hereafter.

On 22 October 2019, the Company increased its investment in the Romania Pension Company by €8m via a cash capital contribution.

On 29 October 2019, the Company entered in to an agreement to sell its 27.5% interest in Hellenic Alico Life Insurance Company (Cyprus joint venture) for €6m. The sale was executed in December 2019.

During 2019, the Group completed the transfer of certain finance and actuarial activities from Ireland to existing MetLife Centres of Excellence in India and Poland.

In December 2019, the Company paid a dividend of €53m to its parent, MetLife Global Holding Company II GmbH (MGHC II). The directors were satisfied that there was sufficient solvency cover to support the payment of the dividend. Refer to section A.5.1 for details of intra-group dividends received by the Company.

The impact of the COVID-19 virus is as a consequence of events that arose after the Group's reporting date of 31 December 2019, and therefore treated as a non-adjusting post balance sheet event. Since 31 December 2019, the COVID-19 virus has caused a pandemic, and governments and businesses have taken measures such as travel bans, quarantines, and social distancing to combat the spread of the virus. These have disrupted business activity, as well as causing economic slowdown and significant volatility in financial markets. The Group activated its business continuity plan with the majority of staff working from home, where possible. The Group cannot determine or estimate the extent to which these events have affected the Group's operations, business, financial results, or financial condition. In general under Solvency II, EU insurance companies are required to hold sufficient eligible own funds on an on-going basis to cover their Solvency Capital Requirement. The risk-based Solvency Capital Requirement enables insurance Groups to absorb significant losses and give confidence to policyholders and beneficiaries that payments will be made as they fall due.

Based on the results of the 31 December 2019 Solvency II valuation and of the 2019 Own Risk Solvency Assessment, and notwithstanding the emergence of COVID-19 (as a non-adjusting post balance sheet event), there is no expectation of non-compliance with the Minimum Capital Requirement or SCR over the planning horizon. The directors have considered the potential impact of COVID-19 on the Group, and have concluded that the Solvency II returns will continue to be prepared on a going concern basis.

A.1.4 Total performance

US GAAP is the common accounting basis used for all the subsidiaries of the Group and therefore the the financial performance values throughout Section A of this document are reported under US GAAP.

As mentioned previously in section A1.2, the Company has an exemption from preparing consolidated financial statements. The following sets out quantitative information on the Group's total performance for the year with a comparative to 31 December 2018.

Adjusted earnings is defined as adjusted income less adjusted expenses, both net of income tax. It excludes the impact of market volatility, which could distort trends, and income and costs related to non-core products and divested businesses and certain entities required to be consolidated under US GAAP. Adjusted income also excludes net investment gains (losses) and net derivative gains (losses). Analysis is provided in the following sections:

Total performance	Section reference	2019	2018
USGAAP		**€'m**	**€'m**
Adjusted			
Underwriting result	A.2.1	247	264
Investment income	A.3.1	156	166
Other income	A.4	67	81
Expenses	A.4	(261)	(242)
Tax	A.4	(49)	(51)
Total adjusted earnings		**160**	**218**
Non-adjusted			
Investment income	A.3.1	808	(289)
Interest credited to policyholder account balances	A.4	(756)	280
Net Investment gain	A.4	(48)	8
Guaranteed fees net of reinsurance	A.4	—	(1)
Foreign exchange (loss)	A.4	(7)	0
Expenses	A.4	(48)	(21)
Tax	A.4	(14)	12
Total non-adjusted earnings		**(65)**	**(11)**
Profit for the financial year		**95**	**207**

A.2 Underwriting performance

A.2.1 Underwriting performance against prior year by line of business

The following is quantitative information on the Group's underwriting performance at an aggregate level and by Solvency II line of business:

USGAAP 2019	Health Insurance €'m	Insurance with profit participation €'m	Index linked and unit linked €'m	Other life insurance €'m	Non-life insurance €'m	Total €'m
Net earned premium	368	102	—	526	90	1,085
Fee income	1	13	152	2	—	168
Total premium and fee income	**369**	**115**	**152**	**528**	**90**	**1,254**
Benefits and claims incurred	(156)	(219)	—	(247)	(36)	(656)
Change in technical provisions	—	54	(12)	16	(2)	55
Total policyholder benefits	**(156)**	**(165)**	**(12)**	**(231)**	**(37)**	**(601)**
Commission	(109)	(4)	(46)	(136)	(24)	(319)
Other variable expenses	(38)	(19)	(1)	(81)	(4)	(143)
Total variable expenses	**(147)**	**(23)**	**(47)**	**(216)**	**(28)**	**(461)**
Deferred acquisition costs	15	20	(3)	21	2	56
Underwriting result	**81**	**(53)**	**90**	**102**	**26**	**247**

A.2.1 Underwriting performance against prior year by line of business (continued)

USGAAP 2018	Health Insurance €'m	Insurance with profit participation €'m	Index linked and unit linked €'m	Other life insurance €'m	Non-life insurance €'m	Total €'m
Net earned premium	360	117	—	496	78	1,051
Fee income	1	22	136	1	—	160
Total premium and fee income	**361**	**139**	**136**	**497**	**78**	**1,211**
Benefits and claims incurred	(158)	(255)	(1)	(229)	(28)	(671)
Change in technical provisions	—	75	(12)	19	(1)	81
Total policyholder benefits	**(158)**	**(180)**	**(13)**	**(210)**	**(29)**	**(590)**
Commission	(91)	(5)	(39)	(124)	(21)	(280)
Other variable expenses	(31)	(12)	(1)	(62)	(3)	(109)
Total variable expenses	**(122)**	**(17)**	**(40)**	**(186)**	**(24)**	**(389)**
Deferred acquisition costs	7	12	2	8	3	32
Underwriting result	**88**	**(46)**	**85**	**109**	**28**	**264**

The 2019 underwriting profit of €247m decreased by (€18m) from €264m in the prior year. This is primarily driven by unfavourable underwriting in Poland and Greece, partially offset by business growth in MetLife Europe. The run-off portfolio sale in MetLife Europe (see Note A.1.3) adversely impacts the underwriting result. Overall there is a net €4m adverse equity impact in 2019 due to the run-off portfolio sale with unfavourable impacts in the underwriting result and expenses partially offset in other comprehensive and investment income.

For the insurance with profit participation line of business, the underwriting result is negatively impacted by the cost of meeting the significant levels of investment guarantees historically associated with this business. This impacts the results by increasing the change in technical provisions net of releases on claims. Such cost is offset by investment income not counted in the underwriting result. This line of business is largely in run-off so the relative contribution to the underwriting result will ultimately fall over time.

For more detail by solo entity see section A2.2.

A.2.2 Underwriting performance against prior year by solo entity

The Group operates its insurance business through its major insurance subsidiaries. The underwriting performance of these entities is set out in the table below:

	MetLife Europe		MetLife Poland		MetLife Greece		MetLife Europe Insurance	
USGAAP	**2019 €'m**	**2018 €'m**	**2019 €'m**	**2018 €'m**	**2019 €'m**	**2018 €'m**	**2019 €'m**	**2018 €'m**
Premium and fee income	985	921	132	157	118	115	18	17
Benefits and claims incurred	(420)	(413)	(82)	(89)	(99)	(86)	(1)	—
Variable expenses	(383)	(318)	(40)	(39)	(29)	(26)	(9)	(8)
Deferred acquisition costs	58	53	(9)	(23)	5	3	2	—
Underwriting result	**240**	**243**	**1**	**6**	**(5)**	**6**	**10**	**9**

The underwriting results are primarily driven by:

- MetLife Europe impact of the run-off portfolio sale. This is partially offset by higher premiums with business growth across most branches, particularly in the UK through the group and individual protection business as well as in Italy. Fees have also increased, mainly in Czech, UK and Romania.
- MetLife Poland reduction in premiums due to the decline in ordinary life and unit linked lines of business.
- MetLife Greece had higher benefit ratios across most lines of business.

A.3 Investment performance

A.3.1 Investment return

USGAAP	2019 €'m	2018 €'m
Adjusted investment income		
Non unit-linked fixed interest securities		
Net interest income	157	169
Investment management expenses	(6)	(8)
Other		
Mortgage loan income	5	5
Total adjusted investment income	**156**	**166**
Non-adjusted investment income		
Unit-linked assets		
Dividend income	129	39
Net interest income	5	7
Realised gains	295	261
Unrealised gain/(losses)	372	(595)
Investment management expenses	(2)	(3)
Non unit-linked fixed interest securities		
Realised (losses)	8	(1)
Other		
Net gain from derivatives	2	3
Total non-adjusted investment income	**809**	**(289)**
Total investment return	**966**	**(123)**

Total investment return increased by €1,088m from (€123m) in 2018 to €965m in 2019. This is mainly driven by improved returns on equity markets, notably UK, which increased the level of unrealised gains. This is offset in ‘interest credited policyholder account balance' (see section A.4).

A.3.2 Gains recognised in equity

USGAAP	2019 €'m	2018 €'m
Investment gains recognised directly in equity	460	424

The gains reflect the accumulation of the movements from amortised cost to fair value on available for sale financial assets. They are disclosed in equity in US GAAP.

The investment gains have increased by €36m from €424m in 2018 to €460m in 2019. This is mainly due to decreased market yields which have increased the investment revaluation reserve despite a decrease in asset holdings.

A.3.3 Investments in securitisations

The Group has no investments in securitisations.

A.4 Performance of other activities

The other income and expenses of the Group for the year are set out below:

	2019	2018
USGAAP	**€'m**	**€'m**
Performance of other activities		
Adjusted		
Other income	67	81
Expenses	(261)	(242)
Tax	(49)	(51)
Total adjusted	**(243)**	**(212)**
Non-adjusted		
Foreign exchange (loss)	(7)	—
Guaranteed fees net of reinsurance	—	(1)
Interest credited to policyholder account balances	(756)	280
Net Investment (loss) / gain	(49)	8
Expenses	(48)	(21)
Tax	(14)	12
Total non-adjusted	**(874)**	**278**
Net Results from other activities	**(1,117)**	**66**

Net results from other activities have decreased by (€1,183m) from €66m to €(1,117)m mainly driven by:

- Interest credited to policyholder account balances decrease of €1,036m mainly due to MetLife Europe. This is driven by the increase in unit-linked investment income (see section A.3.1). As noted below this includes a ceded portion relating to he run-off portfolio sale which offsets with the interest on funds withheld.

- Adjusted expenses have increased by €19m. This is mainly due to expenses in relation to the run-off portfolio sale noted in section A.2.1. In MetLife Europe there was also higher costs in UK and the creation of a litigation reserve in Spain.

- Non-adjusted expenses have increased by €27m. This is primarily due to the interest on funds withheld relating to ceded unit-linked investment income on the run-off portfolio sale. This is offset within ‘interest credited to policyholder account balances’. In addition, restructuring costs increased in 2019.

- Net Investment losses were unfavourable by €57m driven by adverse capital market movements on the guarantees of the MetLife Europe UK unit-linked business.

A.5 Any other information

A.5.1 Material transactions during the year

All intra-group operations and transactions are at arm's length as it would be if the operations and transactions were with a third party. Materiality for significant transactions is at least 5% of the lowest solo SCR directly or indirectly involved in the transaction.

Material intra-group costs during the year

Internal cost sharing between the Group entities is primarily managed through MetLife Europe Services Limited (MESL) and the MetLife Services European Economic Interest Group (MetLife EEIG). MetLife EEIG is the administrative entity responsible for recharging the costs. The costs recharged relate to Solvency II, actuarial support, information technology and investment management services. The MetLife EEIG is only applicable to EU resident operations.

The table below provides a list of significant intra-group transactions (IGT) entered into by the Group entities during 2019. The transactions are aggregated at an entity level.

Intra-group transactions during 2019

To:	From:	€'m
MetLife Europe d.a.c.	MetLife Services European Economic Interest Group	64
MetLife Europe d.a.c.	MetLife Europe Services Limited (Ireland)	39
MetLife Towarzystwo Ubezpieczeń na Życie i Reasekuracji Spółka Akcyjna	MetLife Services European Economic Interest Group	4
MetLife Europe Insurance d.a.c.	MetLife Services European Economic Interest Group	3

Material capital transactions during the year

The table below provides a list of significant intra-group capital transactions entered into by Group entities during 2019. It details the significant dividend payments made between group entities during the year and other significant transactions.

Dividends paid within the Group

To:	From:	€'m
MetLife EU Holding Company Limited	MetLife Towarzystwo Ubezpieczeń na Życie i Reasekuracji Spółka Akcyjna	59
MetLife EU Holding Company Limited	MetLife Europe Insurance d.a.c.	13
MetLife Towarzystwo Ubezpieczeń na Życie i Reasekuracji Spółka Akcyjna	MetLife Powszechne Towarzystwo Emerytalne S.A.	13

Payables within the Group - related to interest bearing loan

To:	From:	€'m
MetLife Europe d.a.c.	MetLife EU Holding Company Limited	45

A.5.2 Leases

The Group adopted IFRS 16 from 1 January 2019. The new standard capitalises leases for lessees under a single model, eliminating the distinction between operating and finance leases.

For Solvency II, this has resulted in the recognition of a new "right-of-use" asset and a corresponding liability representing the obligation to make lease payments on the Balance Sheet of €37m.

Expenses of €12m were incurred in the year in relation to the above leases.

A.5.3 Events after reporting

The impact of the COVID-19 virus is as a consequence of events that arose after the Group's reporting date of 31 December 2019, and therefore treated as a non-adjusting post balance sheet event. Since 31 December 2019, the COVID-19 virus has caused a pandemic, and governments and businesses have taken measures such as travel bans, quarantines, and social distancing to combat the spread of the virus. These have disrupted business activity, as well as causing economic slowdown and significant volatility in financial markets. The Group activated its business continuity plan with the majority of staff working from home, where possible. The Group cannot determine or estimate the extent to which these events have affected the Group's operations, business, financial results, or financial condition. In general under Solvency II, EU insurance companies are required to hold sufficient eligible own funds on an on-going basis to cover their Solvency Capital Requirement. The risk-based Solvency Capital Requirement enables insurance Groups to absorb significant losses and give confidence to policyholders and beneficiaries that payments will be made as they fall due. Based on the results of the 31 December 2019 Solvency II valuation and of the 2019 Own Risk Solvency Assessment, and notwithstanding the emergence of COVID-19 (as a non-adjusting post balance sheet event), there is no expectation of non-compliance with the Minimum Capital Requirement or SCR over the planning horizon. The directors have considered the potential impact of COVID-19 on the Group, and have concluded that the Solvency II returns will continue to be prepared on a going concern basis.

B System of governance

B.1 General information on the system of governance

B.1.1 Governance structure

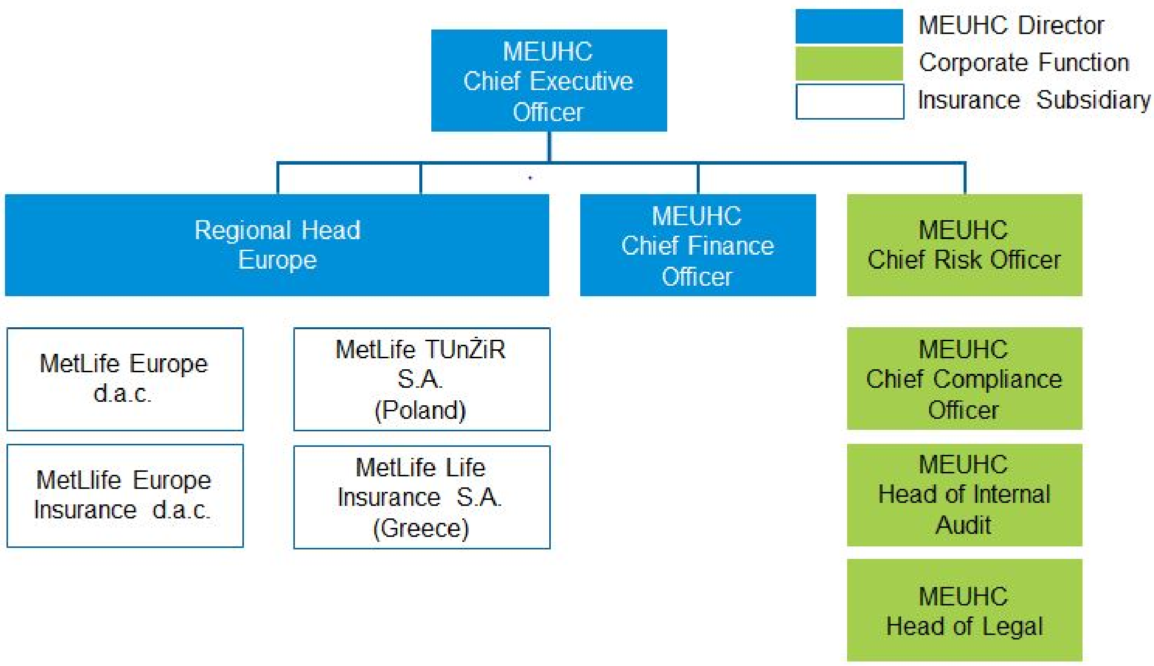
A consistent governance structure is in place across the Group supporting clear decision making, roles and responsibilities. The Company Directors' Handbook (the Handbook) describes the structure and role of the Company's Board and Executive. The Handbook ensures that there is a common understanding of the following:

- Key organs (i.e. the Board, Executive Management and committees) and their roles;
- The membership of the Board, its role, the frequency of meetings and the process for making changes to Board membership;
- Where applicable, the membership of each Board committee, each committee's role, the frequency of meetings and how changes to membership are effected;
- Who is empowered to act on behalf of the Company and in what capacity and to what extent; and
- How certain key individuals are appointed and resign or are removed.

The governance structure defines the key areas of authority and responsibility and establishes the appropriate lines of reporting. It enables effective risk management and allows the Group entities to carry out their activities so as to achieve their objectives.

Executive Management is responsible for the day-to-day running of the Group entities and is led by the Chief Executive Officer (CEO). The following chart indicates the positions of key function holders within the Board and Executive team and how they are led by and report to the CEO.

Figure: Executive management organisational structure as at 31 December 2019.



B.1.2 Role of the Board

The Board's key purpose is to ensure the Company's prosperity by directing the Company's affairs, acting in the best interest of the shareholder and recognising Company obligations to third parties. In particular, the Board provides effective, prudent and ethical oversight of the Company and its subsidiaries.

The Board is responsible for, among other things, reviewing and/or setting and overseeing:

- Business strategy and management
- Structure and capital
- Financial reporting and controls
- Internal controls
- Contracts
- Board membership and other appointments
- Remuneration
- Delegation of authority
- Corporate governance
- Policies and compliance

There is appropriate interaction with the Boards of Directors of all entities within the Group, proactively requesting information and challenging the decisions in matters that may affect the Group. The Board of Directors is responsible for the effectiveness of the risk management system of the Group.

Delegation to management

The Board may delegate certain matters by board resolution, by terms of reference to committees of the Board or by power of attorney to specific individuals to act on behalf of the Board in respect of certain matters. Where the Board delegates authority it monitors the exercise of this delegated authority.

Meetings of the Board, Board working sessions and Board training sessions

The Board endeavours to meet at least four times a year, with members attending in person where possible. All Board meetings are arranged through the company secretary and the Chairman. Minuting of all Board meetings follows an established Board/Committee minute review process.

B.1.3 Role of Directors

The role of the director includes the following:

- Participate actively in constructively challenging and developing strategies proposed by the executive team;
- Participate actively in the Board's decision making process; and
- Exercise appropriate oversight over execution of agreed goals and objectives and monitor reporting of performance.

B.1.4 Matters reserved for the Board

Strategy and management

- Responsibility for the overall management of the Company.
- Approval of the Company's strategy and commercial objectives.
- Approval of the Company's business plans and any deviations to those plans.
- Oversight of the Company's operations ensuring:
  - Competent and prudent management;
  - Sound planning;
  - An adequate system of internal control;
  - Adequate accounting and other records; and
  - Compliance with statutory and regulatory obligations.
- Review of the performance of the Company in the light of the Company's strategy, commercial objectives and business plans and ensuring that any necessary corrective action is taken.
- Extension of the Company's activities into new businesses or geographic areas.
- Any decision to cease to operate all or any material part of the Company's businesses.
- Any decision regarding funding of subsidiaries.

Structure and capital

- Changes to the Company's corporate structure.
- Changes to the Company's management and control structure.
- Changes relating to the Company's capital structure, including share issuances and reduction in capital.

Financial reporting and controls

- Approval of the annual report and accounts.
- Approval of the dividend policy.
- Declaration of any interim dividend and recommendation of any final dividend.
- Approval of any significant changes in accounting policies or practices.
- Approval of regulatory returns.
- Approval of any external auditor fees.

Internal controls

- Ensuring maintenance of a sound system of internal control and risk management including:
  - Approving an appropriate statement for inclusion in the annual report; and
  - Approval of any internal audit plan.
- Reviewing the effectiveness of the Company's risk and control processes.
- Approval of the Risk Management Framework.

Non-insurance contracts

- Material capital expenditures by nature or amount (materiality to be determined by the Head of Legal). Note: Material includes, but is not limited to, total consideration in excess of €7,500,000.
- Material contracts by nature or amount entered into by the Company (materiality to be determined by the Head of Legal). Note: Material includes, but is not limited to, total consideration in excess of €7,500,000.

Board membership and other appointments

- Changes to the structure, size and composition of the Board.
- Ensuring adequate succession planning for the Board and senior management.
- Appointments to, and removals from, the Board (including non-executive directors).
- Selection and removal of the Chairman of the Board and the Chief Executive Officer.
- Membership and chairmanship of Board committees (when established).
- Continuation in office of any director at any time, including the suspension or termination of service of an executive director as an employee of the Company, subject to the law and their service contract.
- Appointment or removal of the Company Secretary.
- Appointment, reappointment or removal of any external auditor.

Remuneration

- Determining the Compensation Policy for independent non-executive directors, if any.

Delegation of authority

- The division of responsibilities between the Chairman, the Chief Executive Officer and other executive directors, which should be in writing.
- Approval of terms of reference of Board committees (when established).
- Receiving reports from Board committees on their activities (when established).
- Approval of the Company's authorised signatories.
- Authorising individuals to grant powers of attorney.

Corporate governance

- Determining the independence of directors.
- Considering the balance of interests between shareholders, employees and customers.

Compliance

- Approval of policies where they differ from policies of the MetLife, Inc. Group.

Other

- The making of political donations.
- Prosecution, defence or settlement of litigation material by nature or in excess of €7,500,000 per matter (materiality to be determined by the Head of Legal).
- Approval of schedule of matters reserved for the Board.

B.1.5 Role of Chief Executive Officer (CEO)

The Board shall appoint a Chief Executive Officer who is the most senior executive officer and has ultimate executive responsibility for the Company's operations, compliance and performance. The Chief Executive Officer is the main link between the executive management team and the Board and is a director of the Company.

B.1.6 Board committee structure

At present there are no committees of the Board.

B.1.7 Main roles and responsibilities of key functions

Chief Risk Officer (CRO)

The CRO is a member of executive management and reports to the CEO. The CRO's primary responsibility is to the Board. The CRO shall report to the Board periodically and shall have direct access to the Chairman.

The CRO is the senior executive officer with responsibility for the risk management function and for maintaining and monitoring the effectiveness of the Group's risk management system. The CROs of the operating subsidiaries report to the Company's CRO, and chair such subsidiaries' risk committees.

Head of Compliance

The Head of Compliance is a member of executive management and reports to the CEO, with primary responsibility for ensuring that all entities in the Group remain compliant with applicable laws, requirements and regulations and with the Group's compliance policies, procedures and programmes. The Heads of Compliance of the operating subsidiaries report to the Company's Head of Compliance.

Head of Internal Audit

The Head of Internal Audit reports to the Chairman of the Board. Responsibilities include: providing input and challenge to management regarding the effectiveness of risk management and internal control processes across all entities in the Group; evaluating the design and operating effectiveness of the policies and processes; developing, presenting and executing appropriate risk-based audit plans in accordance with MetLife, Inc. global audit methodology; presenting audit plans for review and approval by the respective board or Audit Committee of the Group entities and assisting the Audit Committees' in meeting their fiduciary responsibilities.

Finance and actuarial functions

The finance and actuarial functions of the Group entities report to the Chief Finance Officer (CFO), who is a director of the Company. These functions deliver financial planning and analysis, reporting, and actuarial services to the Company and its subsidiaries. Their responsibilities include general management input and statutory duties set out in legislation (subject also to regulation and professional guidance).

In particular, shared reporting and actuarial services supporting the CFO determine the bases, methods and assumptions used at group level for the valuation of assets and liabilities for solvency purposes.

B.1.8 Material changes

Over the reporting period, there has been no material changes in the system of governance.

B.1.9 Remuneration

The Group adopts the remuneration policy and practices determined by MetLife, Inc. The Company Board and the Companys' subsidiary Boards are responsible for ensuring that in adopting the policy that it is in line with the risk strategies of the Group and that it is consistent with and promotes sound and effective risk management. The subsidiary Boards provide oversight of the remuneration policy and practices and ensures that these do not promote excessive risk taking.

Remuneration policy

MetLife, Inc.'s compensation programme is designed to:

- provide competitive total compensation opportunities that will attract, retain and motivate high-performing employees;
- align compensation plans with its short-term and long-term business strategies;
- align the financial interests of the executives with those of its shareholders through stock-based incentives and stock ownership requirements; and
- reinforce the pay for performance culture by making a meaningful portion of total compensation variable, and differentiating awards based on company and individual performance.

MetLife, Inc. uses a competitive total compensation structure that consists of base salary, annual incentive awards and stock-based long-term incentive award opportunities.

Variable remuneration for eligible MetLife associates is determined by a combination of grade/seniority, individual performance and MetLife Inc.'s performance. These measures are in place to promote prudent and effective risk management and not to promote excessive risk taking.

The Company and its subsidiaries do not provide supplementary pension schemes (i.e. superior conditions for some individuals) or early retirement schemes for members of the Board or other key function holders.

B.1.10 Material transactions with related parties

Material transactions with shareholder

The Company paid a dividend of €53m to its parent, MetLife Global Holding Company II GmbH (MGHC II) during the year.

Other intra group balances and transactions are set out in Section A.5.1.

Material transactions with persons who exercise a significant influence

There were no material transactions with any persons who exercise a significant influence on the Group over the reporting period.

Material transactions with members of the Board

There were no material transactions with members of the Board over the reporting period.

B.1.11 Adequacy of system of governance

The Board regularly reviews the adequacy of the system of governance, both as a whole and in selected areas, to confirm it remains adequate for the Group’s needs, and to prioritise areas of improvement. There were no major changes required to the system of governance during 2019 as a result of these reviews.

B.2 Fit and proper requirements

B.2.1 Fit and proper policy

The Fitness and Probity Policy (the Policy) sets out the minimum standards, in compliance with the relevant standards and legislation, to ensure that a person who is a Responsible Person, has the necessary qualities and competence in order to allow them to perform the duties and carry out the responsibilities of their position within the Company and its subsidiaries. The qualities and competencies relate to the integrity demonstrated by a Responsible Person in personal behaviour and business conduct, soundness of judgement, a sufficient degree of knowledge and experience and appropriate professional qualifications.

Compliance with the Policy is mandatory for the Company. Specifically, the Policy sets out and describes the approach for assessing and monitoring individuals' fitness and probity.

Assessment of fit and proper

The Company does not permit a person to perform a Controlled Function (CF) as defined by the CBI unless it is satisfied on reasonable grounds that the person complies with the required standards and has obtained confirmation from the person that he or she agrees to abide by the standards.

The required standards provide that a Responsible Person must be:

- Competent and capable;
- Honest, ethical and act with integrity; and
- Financially sound.

The Company has in place appropriate procedures to maintain a register of all Responsible Persons (the Register) and a record of all due diligence undertaken in respect of such Responsible Persons.

Notification is made to the relevant supervisors (to the extent required) following any change to the Register arising either from the appointment, resignation, retirement, removal or material change in the responsibilities of a Responsible Person's role. The notification is carried out by Compliance following the review of the fit and proper assessment and completion of an individual questionnaire, if required based upon the event in question.

Fitness criteria

In determining a Responsible Person's competence and capability for performing their role, assessments may include, but will not be limited to:

- Whether the person satisfies the relevant training and competence requirements, which may be satisfied by evidence of qualifications (e.g. diplomas, degrees and professional memberships) and capability appropriate to the corresponding position description; and
- Whether the person has demonstrated by experience that they are able, or can reasonably be expected to be able, to perform the intended function. Employment and reference checks may be used to establish such ability.

Probity criteria

In determining a Responsible Person's honesty, integrity and reputation for performing his/her role, the following factors may be considered, among others:

- Has the person been convicted of any criminal offence, whether or not presently of record; particularly relevant being any offence involving dishonesty, fraud, financial crime or other offences under legislation relating to companies, building societies, industrial and provident societies, credit unions, friendly societies, banking and or other financial services, insolvency,

consumer credit companies, insurance, and consumer protection, money laundering, market manipulation or insider dealing;
- Has the person had any adverse finding against him/her or settlement in civil proceedings, particularly in connection with investment or other financial business, misconduct, fraud or the formation or management of a body corporate;
- Has the person had personal involvement in any investigation or disciplinary proceeding resulting in sanction or adverse finding with any requirements or standards of any supervisory bodies/ regulatory authorities, clearing houses and exchanges, professional bodies, or government bodies or agencies;
- Has the person been involved as a Responsible Person with a company, partnership or other organisation that has been refused registration, authorisation, membership or a licence to carry out a trade, business or profession, or has had that registration, authorisation, membership or licence revoked, withdrawn or terminated, or been expelled by the CBI or government body or agency or alternate regulator;
- Has the person been refused the right to carry on a trade, business or profession requiring a licence, registration or other authority as a result of the removal of the relevant licence or registration;
- Has the person served as a director, partner, or chief executive of a business that has gone into insolvency, liquidation or administration while personally connected with that organisation or within one year after that connection;
- Has the person been investigated, disciplined, censured, suspended or criticised by a supervisory body/regulatory authority, professional body, government body or agency, a court or tribunal, whether publicly or privately, with which such Responsible Person has been involved; and
- Has the person been dismissed or resigned, upon request, from employment or from a position of trust, fiduciary appointment or similar capacity while holding a position as a Responsible Person.

The aforementioned criteria will be considered in relation to a person's ability to perform the relevant CF. In addition, checks to ensure compliance with laws and regulations must include appropriate legal review.

Frequency of assessment

A person proposed to perform a CF will be assessed prior to appointment and before any contract is signed.

All Responsible Persons will be reassessed on an annual basis as set out in the Company's procedure documents and in accordance with the relevant legislation. Notwithstanding the above, if a Responsible Person becomes aware of a material change in his/her circumstances that could affect his/her fit and proper assessment, he/she must notify the Head of Human Resources without delay.

B.3 Risk management system including the own risk and solvency assessment

B.3.1 Risk management structure

The Risk Management Framework of the Group (the Framework) leverages the Risk Management Framework of each of the Group's subsidiaries and sets out the approaches to risk management and structure to be followed by all associates in the Group in their capacity as executives, management and staff.

The key objectives of the Framework are to:

- Promote a strong risk culture across the Group;
- Ensure consistent, systematic management of risks across all businesses, operations and risk types; and
- Enable decision makers to direct resources efficiently to attractive business opportunities that are within the Board's risk appetite.

Scope and application

All business activity and decisions are made in the context of, and in compliance with, the Framework. Every associate is sufficiently familiar with the Framework as it is relevant to their role, and exercises sound judgement to act within the Framework in their daily work. It is the responsibility of management to ensure that they have the capability, resources and knowledge to operate within this Framework and exercise their duties under it.

Risk governance

In its mandate to support MetLife, Inc. Group's strategy in Europe, the Group subsidiaries are active in diverse segments, markets and products; decisions are made and implemented across borders; and business environments are the result of operating in multiple countries across the European Economic Area (EEA). The Framework is designed to facilitate, on an on-going basis, the systematic management of risks consistent with this specific situation, by integrating risk management into business practices and decision mechanisms at the appropriate levels of each legal entity.

The Board owns risk appetite and strategy, and defines it in consideration of existing and potential opportunities to develop and grow the business, and each Group entity's capacity to absorb losses. As part of MetLife, Inc. Group, risk appetite takes strategic direction from MetLife's 'Enterprise Risk Appetite', as defined by the MetLife, Inc. Board.

While ultimately the Board owns risk appetite and therefore controls the overall risk profile, this profile is the result of the actions taken by the entire organisation as mandated by the Board. The entities' "three lines of defence" have independent reporting lines into the Board, and provide the Board with the assurance of strong governance and controls for every decision that impacts the risks that the Company faces.

Each operating subsidiary, under the lead of the CRO, designs and operates appropriate risk management structures, including risk reporting, risk appetite, risk and control registers, and regular review by Executive Management.

Risk management function

The Risk Function operates an enterprise-wide, comprehensive system to identify, aggregate, measure and report risks across the Group, and assesses how the full range of risks and their interaction impact the Group's aggregate solvency, liquidity, earnings, business and reputation.

The Risk Function leverages MetLife's Global Risk Management Function for challenge and support, and escalates risks and issues as required.

Structure of the Risk Function

Each insurance subsidiary within the Group has its own CRO, reporting to the Company's CRO, responsible for monitoring and reporting on all material risks.

B.3.2 Risk management strategies by category of risk

Allocation of risk ownership

In the following section, ownership of a risk shall be read to include also ownership of any crystallisations of that risk as losses, issues or near misses.

While the Board ultimately owns the aggregate risk profile, executive managers are mandated to own certain risks.
Operational risks and business risks are primarily managed within the Group subsidiaries. In contrast, credit risk, market risk / Asset Liability Matching (ALM) risk and liquidity risks are managed centrally at an aggregate level, with support from the entities in the identification and monitoring of particular product or transaction-linked exposures.

Credit risk

Credit risk relates to unanticipated loss due to:

- Another party's failure to perform its financial obligations to the Company, including failure to perform them in a timely manner (default risk);
- Increasing doubts over another party's ability to meet its financial obligations (migration risk); or
- Increases in the discounts markets apply to the value of obligations with default risk (spread risk).

Credit risk of cash deposits, general-account investments, and derivative counterparties is managed by the Treasury and Investment Functions, and overseen by Group management.

Market risk

Market risk relates to the potential loss or change in value arising from the impact of external market and economic factors on assets and liabilities.

Market risk includes the direct impact of market prices on securities held, as well as other potential effects of financial market movements on the Group's business, such as losses on illiquid liabilities that take market prices as valuation inputs, or increased benefit costs on insurance products.

For management purposes, market risk is broken down into the following categories:

- Interest rate risk: Risk of loss caused by adverse movements in interest rates, credit spreads, or the level of observed and market implied interest rate volatility;
- Equity risk: Risk of loss caused by adverse movements in public, private, and real estate equity prices and equity index levels, or the level of observed and market implied equity market volatility; and
- Foreign exchange risk: Risk of loss caused by adverse movements in currency exchange rates or the level of observed and market implied volatility in currency markets.

The Group seeks to incur only minimal market risk exposure as arises from its insurance business.

Liquidity risk

Liquidity risk relates to the risk of incurring punitive costs to make available sufficient cash to meet its financial obligations as they fall due.

Liquidity risk is managed by each Group entity's Treasury Function and overseen at the centralised level.

The Group seeks to incur only minimal liquidity risk exposure across all entities as arises from their insurance business, and maintain sufficient liquidity at all times to meet liabilities as they become due, in the short, medium and longer term, even in stress scenarios. Liquidity exposures can arise from the following:

- Actual experience differs from expected in the prediction of cash flows;
- Policyholder optionality;
- Catastrophic events;
- Non-marketability of assets; or
- Funding of cash collateral for derivative positions.

The Group carries out regular liquidity stress testing, allowing for key liquidity risk exposures including the impact of policyholder surrenders and the requirement to post additional collateral on derivatives in stressed conditions, and quantitative limits are identified as part of each subsidiary's Risk Strategy and Appetite.

Insurance risk

The Group is exposed to insurance risk through its insurance subsidiaries. Insurance risk relates to unanticipated fluctuations in the timing, frequency and severity of insured events relative to expectations, arising, for instance, from mortality, morbidity, longevity, or policyholders' exercise of options.

The insurance subsidiaries develop insurance products, and underwrite risks in line with approved standards. Each insurance class needs to be approved by the relevant insurance subsidiary's Board prior to any business being underwritten. The Board can delegate to management the authority to approve products that do not have the potential to materially change the risk profile.

The insurance portfolio held by the Group is a well-diversified portfolio of life insurance risk for appropriate reward, and limits the exposure to single risks and catastrophic events. The diversification is achieved through the operation in multiple countries across the EEA and reinsurance.

Operational and business risk

Operational risk arises from unexpected loss due to inadequate or failed internal processes, people and systems, or from external events (including legal risk). Specifically, conduct risk relates to losses, typically from supervisory intervention caused by misconduct in the insurance market, such as mis-selling or product design that is unsuitable for the intended client.

Business risk is the possibility a company will have lower than anticipated profits, influenced by numerous factors, including sales volume, lapses, sales and maintenance costs, competition and achievable margins.

Operational and business risk is intricately tied to the overall management of a business and is therefore the responsibility of each legal entity. Operational risk also arises in the Group, such as finance, actuarial, etc. Each function is responsible for the management of operational risk in their respective area.

B.3.3 Own Risk and Solvency Assessment (ORSA)

ORSA process

The ORSA process is a continuous cycle of assessment and is significantly dependent on the key interactions between business planning, capital management and stress testing, in order to obtain the results which provide senior management and the Board with comfort that adequate solvency levels are maintained. In line with the Group's strategy and business plans, the ORSA confirms that the risks and capital tied up in the legacy interest-rate sensitive blocks of business are controlled, and that the new business produces a well diversified book of protection business, in which stable persistency and scale efficiencies are key elements in managing the volatility of solvency capital. Stress and scenario testing therefore includes shocks to the macro-economic environment and lapse events.

The Group ORSA process is based on the preparation of individual ORSAs for each insurance subsidiary, and captures all the material risks that each subsidiary faces or may face in the future in the execution of its business plans. The Group ORSA process is run in its entirety at least annually to deliver a report to the Board in the fourth quarter of each year for review and approval. However, there will be certain events that may require the process to be run on an ad hoc basis. Ad hoc runs may be either the ORSA process in its entirety or only specific activities of the process. In these ad hoc runs the relevant subsidiary uses its experience from stress tests and scenario analyses to determine whether changes from internal decisions and / or external factors could impact the undertaking’s risk profile significantly. The ORSA is integrated into the management processes and decision making process in the Group level. In the last reporting period no interim ORSA took place.

The process for performing and ongoing monitoring of the ORSA includes the following:

- Collaboration between the Company's Risk Function, MetLife Inc's Corporate Risk Management and subsidiary CROs, to develop proposed macro-economic assumptions and stresses for projections, which are to be reviewed and approved by the appropriate subsidiaries' risk committee;
- Identification of the specific risk profiles taking into account the approved risk tolerance limits and business strategy and external environment;
- Assessment of the appropriateness of the standard formula;
- Forward-looking stress and scenario analysis over the business plan to provide an adequate basis for the assessment of the overall solvency needs;
- Contingency plans to address material risks that could have a significant impact on the solvency position or viability of each subsidiary if they were to happen but which it is not appropriate to hold a capital buffer for; and
- Quarterly reports to the Company's board on the development of subsidiaries' solvency, analysis of underlying drivers and outlook.

The above process is undertaken by each insurance subsidiary and aggregated at the Group level to ensure that the capital management activities and the risk management system are interlinked and that all key decision making processes are aligned with the ORSA process.

B.4 Internal control system

B.4.1 Internal Controls

The control framework of the Group leverages the control framework of each of the Group's subsidiaries in promoting the importance of having appropriate internal controls, and ensuring that all associates are aware of their role in the internal control system. The control framework sets out clear standards for the design, operation, validation and oversight of the system of internal control. It defines how effective internal control is achieved through joined responsibilities of the subsidiaries' general managers and the Heads of Functions.

The control framework defines control activities as the policies and procedures that mitigate both the Group's and separate legal entities' risks to the intended level. Control activities can be preventative, corrective, detective or directive, and include a range of activities as diverse as authorisations, segregation of duties and required approvals, verifications, reconciliations, reviews of operating performance, documentation, and safeguarding of assets.

All key controls are registered with the associated risks in each subsidiary's Risk and Control Self-Assessment ('RCSA'), and managed as part of that process to validate their effectiveness and address identified weaknesses. Ongoing monitoring occurs in the ordinary course of operations of each legal entity. Due to changing conditions, management regularly determine whether the internal control system continues to be relevant in its ability to address the Group's risks.

B.4.2 Key procedures

The Group's control environment comprises an extensive catalogue of controls that are defined for each function, and include the following:

Control Name	Description
Approval and Authorisation	Confirmation or sanction of employee decisions, events or transactions based on a review by the appropriate supervisor
Business Resumption	Controls that ensure that business operations can resume in the event of disaster or IT outage, including Business Continuity (BCP) and Disaster Recovery (DR) Planning and Testing, system back-up and data retention
Code of Accounts Structure	Design of the general ledger or subledger account codes to assist in minimising errors and allow for effective data capture and reporting
Documentation	Substantiation of decisions, exceptions, transactions, and other events, including confirmations, notices and/or disclosures that are required to be sent to clients
Hiring/Selection	Due diligence and escalation process in connection with information received as a result of a background check conducted on candidates
Input Form Design, Edits, and Validations	Controls that ensure the completeness, accuracy, and/or integrity of data input into information systems, including business rules built into the design of system interfaces to reduce the probability of data input errors, input data validation against known or expected values, or verifying the integrity and origin of data
Physical Safeguarding Mechanisms	Controls that protect the Group's assets through direct measures such as locks, bars, use of safes to secure valuables
Policies and Procedures	Define control standards for particular areas, and reference aids or resources to assist employees in performing their duties

Control Name	Description
Process Monitoring	These controls include reviewing transaction error reports, reviewing compliance with applicable laws/regulations, conducting quality assurance reviews, financial statement reviews, etc.
Reconciliations/ Comparisons	Ensure that two or more data sets/elements match, for example reconciling bank accounts, comparisons of subledger totals to control accounts, comparisons of data transfer record counts, etc;
Segregation of Duties	Reduce the risk of accidental errors, incomplete or inadequate performance of controls, and fraud
Strategic Monitoring and Governance	Management of Lines of Business, including short and long-term planning, organisational design/staffing, key performance indicator reviews, risk management, data governance, knowledge management, etc;
System Access Approval and Monitoring	Authorisation, identification and authentication of appropriate access to IT resources
System Change Control	Ensure changes to IT systems meet the needs, perform as expected, and do not create security vulnerabilities
System Data Encryption	Ensure sensitive data is encrypted in at-risk IT assets such as laptops, smart phones/blackberry's and back-up tapes
System Monitoring and Response	Ensure the technology environment is monitored, and that appropriate actions are taken based on the results
System Security Configurations	Security configurations at the software, infrastructure, hardware, or network layers that ensure the confidentiality of data
Third-Party Monitoring	Ensure that third parties are operating in accordance with agreements and contracts and deviations are acted upon by management
Training/Communication	Ensure that employees, at all levels, receive training to provide them with the competences required to perform their duties
Validity/Existence Tests	Controls that validate the existence of assets. Examples include physical inventory counts to determine that quantities and descriptions of goods and/or supplies on hand are accurate, fixed asset inventories to validate the existence of items represented in the accounts, and other similar processes

Independent control oversight

The control functions oversee control activities performed by the ‘First Line of Defence’ which together ensure that the control environment is effective to ensure the Board’s required level of control.

B.4.3 Description of compliance function

The Compliance function is an important part of an effective internal control system and the three lines of defence model. In this regard, the Group is committed to having in place an effective compliance risk management (‘CRM’) programme wherever it does business and is guided by its core values, appropriate rules, structures, processes, training, documentation and controls to help prevent, detect and remediate compliance breaches and deficiencies. The aim of this programme is to help management be reasonably assured that effective processes are in place to ensure adherence to applicable laws and regulations. It also ensures that any compliance issues uncovered by the programme are appropriately addressed and that ownership of the compliance risks and mitigating actions are assigned to business process owners.

The CRM programme consists of the following key elements:

- Compliance Risk Identification and Prioritisation;
- Compliance Risk and Control Assessments;
- Monitoring and Testing Programme; and
- Policies and Procedures.

Each legal entity's Board has overall responsibility for setting and overseeing that entity's compliance arrangements. Management has responsibility for maintaining compliance with all applicable laws and regulations and the commitment and support of management is an essential component of a successful compliance programme. The core role of the Compliance Function is to provide assurance to the management, and ultimately to the regulator, that all entities are operating within the letter and the spirit of the legal and regulatory framework. The subsidiaries' Compliance Function reports to the group Compliance Office.

The Compliance function performs the following actions:

- In line with the CRM Programme, identification and assessment of compliance risk, including but not limited to, the completion of compliance monitoring and testing to ensure independent oversight and review of policies and procedures;
- Regulatory Development (in line with the Regulatory Development Policy):
  - Advising senior management, in conjunction with the Legal Function, on compliance with applicable laws and regulations;
  - Assessing the possible impact of changes in the regulatory environment on the operations of the subsidiary;
- Supporting a robust training programme to ensure all staff are fully up to date with and understand all aspects of compliance rules and regulations;
- Reviewing compliance procedures and controls on a regular basis; and
- In addition, the Head of Compliance is also responsible for providing compliance oversight of the activities in all branches of the subsidiary.

B.5 Internal audit function

B.5.1 Internal audit

Internal Audit is an independent assessment function within MetLife, Inc. providing services to MetLife, Inc. management and to the Board. It functions by examining and evaluating the adequacy and effectiveness of enterprise-wide controls with a risk-based focus.

Its purpose is to provide on-going objective and independent evaluations of the effectiveness of the system of internal controls. It may also perform consulting advisory services and special reviews as directed by the Audit Committee and executive management.

Roles and responsibilities of internal audit

The Internal Audit mandate is broad, encompassing all of the Group's business activities. Internal Audit is responsible for identifying all auditable areas within each legal entity in the Group. The Group's businesses are both diverse and dynamic, and require ongoing monitoring to ensure that new and evolving auditable areas are appropriately included.

The scope of Internal Audit includes providing reasonable assurance of the following:

- Internal Controls operate as intended, and provide reasonable assurance that transactions are executed in accordance with management authorisation, are properly recorded, and assets are effectively safeguarded.
- The financial reporting process used to prepare the Group's statutory and GAAP financial statements is operating effectively.
- Certain Sarbanes-Oxley controls testing is conducted in coordination with other departments.

- The management reporting system provides reliable and timely information.
- Departments are in compliance with Group policies and procedures.
- The Group's risk management processes are effective.
- New key systems and procedures are in place prior to implementation, or when there is a major change in an existing key system.
- The risk exposures relating to the Group's governance, operations, and information systems are mitigated regarding the achievement of the Group's strategic objectives.

Internal Audit is also involved in:

- Performing consulting and advisory services related to governance, risk management, and controls as appropriate for the organization, so long as performing such services does not impede the basic tasks and responsibilities or independence of Internal Audit.
- Assisting the Audit Committees of each legal entity in the Group in exercising its fiduciary responsibilities and apprising the Board of any significant developments warranting its consideration or action.
- Evaluating and investigating allegations and possibilities of fraud, and other inappropriate transactions, in coordination with other departments.
- Maintaining liaisons with appropriate external professional organizations and keeping informed on new developments in the field of auditing.

Internal audit process

The internal audit process is defined by the MetLife, Inc. Chief Auditor. Within the framework of these objectives, internal audit shall at least annually formally document their risk assessment methodology, prepare an audit plan, and prepare an expense budget for the relevant areas of the MetLife, Inc. Group. Such plans shall include:

- A risk assessment of all key business processes;
- A schedule of audits based upon the results of the risk assessment;
- A proposed budget which documents the level of resources and expenses that need to be committed to provide consistent and adequate audit coverage for the audit plan; and
- Flexibility to respond to special requests of senior management on a timely basis.

Internal audit shall maintain an effective working relationship with the external auditors.

Reporting structure

All entities' Heads of Internal Audit report to the Group Head of Internal Audit. Results and conclusions of Internal Audit work will be reviewed with management directly responsible for the activity being evaluated, and such other management as deemed appropriate. The purpose of reviewing results will be to reach agreement as to the facts presented by internal audit and to make management aware of internal audit issues before the report is released.

B.5.2 Independence

To maintain independence and objectivity, internal audit will not prepare any accounting and related records or engage in any relevant activity requiring audit review, including the development or installation of new systems, policies or procedures. The review of new systems or procedures prior to implementation shall not be considered an impairment of independence and objectivity.

B.6 Actuarial function

B.6.1 Actuarial

The actuarial function at the Group level provides guidance and monitoring tools across all legal entities. It is also responsible for overseeing policy in respect of product profitability and risk.

The actuarial function for each of the major subsidiaries is detailed in Section B.6 of each of their reports.

B.7 Outsourcing

B.7.1 Outsourcing policy

The Group entities may outsource activities internally and externally, particularly in the areas of policy administration, IT and treasury services, in order to benefit from expertise and efficiencies not practically available in individual operations. Each outsourcing arrangement has a functional owner in the senior management team who is responsible for the management and first line oversight of the arrangement. For external outsourcing, the procurement function co-ordinates activities across functions.

All outsourcing is subject to the requirements of the outsourcing policy, which ensures that all outsourcing arrangements are subject to appropriate due diligence, approval, written agreements and on-going monitoring, and that the risks associated with entering outsourcing arrangements are effectively managed.

B.8 Any other information

All information has been disclosed in the preceding sections.

C Risk profile

C.1 Underwriting risk

C.1.1 Material exposures

The Group is exposed to underwriting risks in its businesses, including mortality risk, longevity risk, morbidity risk, policyholder-behaviour risk, and expense risk due to the nature of its subsidiaries. These risks are identified and assessed as part of the product development process, in which appropriate underwriting conditions are defined for all underwriting risks associated with the insurance policies over their whole life cycle on an entity level. Exposures to underwriting risks increased over the reporting period in line with business volumes and reduction in interest rates (which increases the present value of future claims). Going forward, exposure to underwriting risks is expected to increase further with continued focus on sales of protection business.

C.1.2 Material risk concentrations

Through its operations, the Group seeks to underwrite a highly diversified and balanced portfolio of underwriting risks. In certain business lines, material geographical risk concentrations can arise.

C.1.3 Material risk mitigation practices

Underwriting risks are primarily mitigated through diversification and single-exposure limits for different components such as mortality and invalidity. Risks in excess of such limits can be accepted but must be reinsured. Catastrophe reinsurance is used to limit the total loss that can be incurred as the result of single events, and to manage risk concentrations.

The economic effect of its reinsurance programme is regularly reviewed and potential actions that may improve its efficiency are considered. Such actions include recapturing low-retention treaties, and additional covers of, for instance, pandemic risk.

C.1.4 Material risk sensitivities

As required by the calculations to determine the SCR using the Solvency II Standard Formula (SF), the Group determines the impact of increases in expected loss rates, and pandemic events through the subsidiaries input. The SF calculations also take into account the impact of increased lapses and expenses on the expected profit in future premiums.

Life underwriting risk	Net solvency capital requirement
	€'m
Life mortality risk	163
Life longevity risk	58
Life disability - morbidity risk	52
Life lapse risk	355
Risk of increase in lapse rates	250
Risk of decrease in lapse rates	309
Mass lapse risk	355
Life expense risk	195
Life catastrophe risk	69
Diversification within module	(310)
Total life underwriting risk	**582**

MetLife

C.2 Market risk

C.2.1 Material exposures

The Group is exposed to market risks, including interest rates due to timing differences of asset and liability cash flows and basis differences between valuation rates, different currencies, credit spreads, and, indirectly, equity markets through revenues that depend on the value of investments covering unit-linked policies and positions held to facilitate policyholder transactions. These risks coming from the separate subsidiaries are identified and assessed as part of the ALM process, in which all balance sheet values are mapped to their relevant market drivers. The exposures to market risks have remained relatively stable during the period.

C.2.2 Material risk concentrations

Market risks are concentrated to the interest rates and investment markets of the Group's major functional currencies, including Euro, Pound Sterling, Polish Zloty, and the Czech Koruna.

C.2.3 Material risk mitigation practices

Market risks are primarily mitigated through managing and monitoring risks on an entity level. Alignment of assets and liabilities, in particular in terms of timing of cash flows and currencies is taking place while exposure to changes in credit spreads are mitigated by investing in a diversified and high-quality investment portfolio. Equity exposures from the book of unit-linked policies are managed through product design and selection of suitable investment funds.

C.2.4 Material risk sensitivities

As required by the calculations to determine the SCR using the SF, the Group determines the impact of changes in interest rates, currency values against the Euro, equity levels, and credit spreads.

	Net solvency capital requirement
	€'m
Interest Rate Risk	56
Equity Risk	159
Property Risk	19
Spread Risk	183
Currency Risk	153
Diversification within module	(135)
Total capital requirement for market risk	**435**

C.3 Credit risk

C.3.1 Material exposures

The Group is exposed to credit risks (i.e. the risk of a value decrease of assets or increase of liabilities due to the default of third parties, or the increase of the probability of such a default and/or the associated loss). Exposure to credit risk comes from the investment portfolio of each subsidiary.

These risks are identified and assessed as part of the ALM and reinsurance process, in which the creditworthiness of the obligor is monitored. The exposures to credit risks have been relatively stable over the course of the reporting period.

C.3.2 Material risk concentrations

In line with investment guidelines and the reinsurance risk policy, the Group maintains a highly diversified portfolio and limits the exposure to individual obliger's.

MetLife Europe has a material reinsurance counterparty exposure to MetLife Reinsurance Company of Bermuda, primarily in relation to the reinsurance of the guarantees on the VA business. This counterparty risk is mitigated by a robust collateral arrangement with the reinsurer, which is monitored on an ongoing basis.

C.3.3 Material risk mitigation practices

Credit risks are primarily mitigated through asset allocation, diversification and single-exposure limits. For counterparty exposures, the Company may require the placement of collateral.

C.3.4 Material risk sensitivities

As required by the calculations to determine the SCR using the SF, the Group determines the impact of changes in credit spreads and a potential extreme loss of counterparty exposures. The latter exposures relate almost entirely to significant financial banks and reinsurers, and contribute only marginally to the overall risk profile.

C.4 Liquidity risk

C.4.1 Material exposures

The Group's investments are typically highly liquid. In its assessment of liquidity, the Group can also take into account the cash inflows and outflows arising from expected profits included in future premiums (EPIFP) on it's insurance business, but in practice such support is not required. The total amount of the EPIFP as calculated in accordance with Article 260(2-4) of the Delegated Acts was €849m as at 31 December 2019.

Description of the methods and main assumptions used to calculate the expected profit included in future premiums

According to Article 260(2-4) of the Delegated Acts the EPIFP should be calculated as the base best estimate liability (BEL) less the BEL based on paid up assumptions. This calculation should be done at a Homogeneous Risk Group (HRG) level and a floor of zero per HRG should apply.
As the Group's models do not allow for the paid-up assumption, this is approximated by assuming a 100% lapse. This is an acceptable simplification and one of the proposed approaches by EIOPA in their report on EPIFP issued on 20 June 2011. Applying a paid up scenario would involve disproportionate development of the models for a feature that is not realistic for many policies.

The Group has received advice from an external consultant on what is common in the industry and they have confirmed it is consistent with those of other insurers for business where a paid up scenario is not feasible.

Based on this the EPIFP for a HRG is set to: BEL assuming 100% lapse assumption less Base BEL.
Negative EPIFPs can be offset against positive EPIFPs only within a HRG. If the net EPIFP is negative for a HRG then it is set to zero, as it is not possible to offset HRGs against each other.
For some unit-linked products it is assumed that the contract boundary rules do not permit the projection of future premiums and for these cases the EPIFP is set to zero. However, if future premiums are projected then the EPIFP is calculated using the above formula.

The Group is exposed to liquidity risks where it is obliged to settle liabilities at short notice and assets cannot be liquidated at all or only with very significant haircuts. Given the long-term nature of its business, there are only very few areas in which liquidity risk can arise.

These risks are identified and assessed as part of every subsidiary's ALM process. The exposures to liquidity risks have been stable over the course of the reporting period.

Investments are typically highly liquid. In its assessment of liquidity, the operating cash flows derived by the everyday business are included.

C.4.2 Material risk concentrations

In line with Investment Guidelines, a highly diversified portfolio is maintained at the Group Level. Concentrations can arise on a local level but overall concentrations are not considered material.

C.4.3 Material risk mitigation practices

Liquidity risks are primarily mitigated through asset allocation, diversification and single-exposure limits, and by avoiding entering obligations to provide liquidity to counterparties.

C.4.4 Material risk sensitivities

The Group performs regular stress tests of its liquidity position in adverse events, including significant and abrupt changes in financial markets and policyholder behaviour. These stress tests consider the timing of obligations and the ability to liquidate assets over different time horizons, as well as the impact of such liquidations on realised values.

C.5 Operational risk

C.5.1 Material exposures

The Group is exposed to operational risk consistent with other financial institutions, including the impact of changes in the regulatory and legal environments, the dependency on multiple internal and external operators, for investment activities as an example, and complex modelling for financial reporting and solvency reporting. Operational risks are identified and assessed with regards to their frequency and potential impact as part of the risk management process, in which risks and controls are documented by risk owners and validated by the Risk Management Function. Operational risk is derived both by the subsidiaries and Group operating processes.

The Group prefers to concentrate activities in focused and tightly-controlled operations and ensures that operations have independent review, alternative back-up sites, and business continuity plans.

Operational risks are primarily mitigated through functional controls, which are integral elements of the Group's Risk Framework, independently validated by Risk, Compliance (where applicable) and Internal Audit functions.

In order to assess material risk sensitivities, each operational risk is rated regarding frequency and potential impact on an inherent basis (i.e. before effective control) and on a residual basis (i.e. taking into account effective controls) to create a current risk heat map. Control remediation action plans are put in place as and when required.

C.6 Other material risks

Since 31 December 2019, the COVID-19 virus has caused a pandemic, and governments and businesses have taken measures such as travel bans, quarantines, and social distancing to combat the spread of the virus. These have disrupted business activity, as well as causing economic slowdown and significant volatility in financial markets. The Group activated its business continuity plan with the majority of staff working from home, where possible. The Group cannot determine or estimate the extent to which these events have affected the Group's operations, business, financial results, or financial condition. In general under Solvency II, EU insurance companies are required to hold sufficient eligible own funds on an on-going basis to cover their Solvency Capital Requirement. The risk-based Solvency Capital Requirement enables insurance undertakings to absorb significant losses and give confidence to policyholders and beneficiaries that payments will be made as they fall due. Based on the results of the 31 December 2019 Solvency II valuation and of the 2019 Own Risk Solvency Assessment, and notwithstanding the emergence of COVID-19 (as a non-adjusting post balance sheet event), there is no expectation of non-compliance with the Minimum Capital Requirement or SCR over the planning horizon.

In addition to the risks covered above, the Group may in the future also be exposed to emerging risks. The Group currently considers disruptive technology (including transformative technology for insurance distribution (InsurTech) and cybersecurity issues) as a key emerging risk. Evolving regulatory changes on data protection and business conduct, that can transform the insurance industry, are also closely monitored. The Group's operating model is dependent on the stability of the EU single market. The Brexit situation (including the emerging risk of potential for changes in the solvency regime or other divergence in legislation in the future) and political risks in general, are monitored on an on-going basis.

In particular, Brexit may have implications for the Group's business in the UK and its legal structure. At this time, since the UK left the EU on 31 January 2020, the UK branch of MetLife Europe is continuing to operate on a freedom of establishment basis and will continue to do so until the end of the transition period (during which the UK and the EU will negotiate the structure of their future relationship), which is expected to be 31 December 2020. At the end of the transition period the UK branch of MetLife Europe will operate under the Temporary Permission Regime (TPR) for three years during which the business will work with the UK and Irish regulators to determine the most appropriate legal and operating structure going forward.

C.7 Any other information

The material elements of the Group's risk profile are all covered above. The Group reviews its risk exposures regularly and considers potential actions to align exposure to risk appetite.

D Valuation for Solvency purposes

D.1 Assets

The disclosures below describe the accounting policies/valuation techniques under Solvency II for the assets and liabilities of the Group.

Basis of valuation

The valuation of assets for Solvency II has been determined in line with the Solvency II Directive and related guidance. Unless expressly stated in the notes below, the Group has valued its assets at fair value. In order to establish the fair value of assets, the following guiding principle has been applied:

- Assets are valued at the amounts for which they could be exchanged between knowledgeable willing parties in an arm's length transaction.

The determination of fair value of financial assets, which comprise substantially all of the assets of the Group, is set out below.

Fair value of financial assets with active market

When available, the fair value of financial assets is based on quoted prices in active markets that are readily and regularly obtainable. These are the most liquid of the Group's financial assets, and valuation of these assets does not involve management's judgement.

Fair value of financial assets with no active market

When developing fair values, where quoted prices are not available, the Group uses one of three broad valuation techniques or a combination thereof: (i) the market approach, (ii) the income approach, and (iii) the cost approach. The significant inputs to these valuation techniques are inputs that are observable in the market or can be derived principally from, or corroborated by, observable market data. When observable inputs are not available, inputs that are not observable in the market or cannot be derived principally from, or corroborated by, observable market data, are used. These unobservable inputs are based in large part on management's judgement or estimation, and cannot be supported by reference to the market activity. Even though these inputs are unobservable, management believes they are consistent with what other market participants would use when pricing such financial assets, and are considered appropriate given the circumstances. Actual results may differ materially from these estimates.

Such estimates are reviewed on an ongoing basis, and any difference recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. For deposits within one year of the balance sheet date, the Group believes that the fair value is represented by the amounts realisable, on account of their short term nature.

Group valuation of assets

The following table shows the assets of the Group as reported in its Quantitative Reporting Templates (QRTs) under Solvency II. As outlined in section A, the Company has availed of an exemption under section 300 of the Companies Act 2014 to produce consolidated financial statements and as a result the Company's IFRS financial statements are prepared on an unconsolidated basis.

As a result this section describes the accounting policies applied for Group Solvency II reporting purposes.

Assets of the Group as at December 31, 2019

Assets	**Solvency II value 2019 €'m**
Goodwill	—
Deferred acquisition costs	—
Intangible assets	—
Deferred tax assets	68
Property, plant and equipment held for own use	103
Investments (other than assets held for index-linked and unit-linked funds)	5,074
Property (other than for own use)	1
Participations	—
Government Bonds	2,804
Corporate Bonds	1,976
Structured Notes	—
Collective Investments Undertakings	108
Derivatives	127
Deposits other than cash equivalents	59
Assets held for index-linked and unit-linked funds	6,735
Loans and mortgages to individuals	2
Other loans and mortgages	162
Loans on policies	40
Reinsurance recoverables	270
Insurance and intermediaries receivables	131
Reinsurance receivables	55
Receivables (trade, not insurance)	115
Cash and cash equivalents	661
Total Assets	**13,417**

D.1.1 Intangible assets

Under Solvency II, intangible assets are not recognised unless the Group is able to sell the asset for a price derived from an active market. Thus the Group does not recognise intangible assets under Solvency II.

D.1.2 Deferred tax assets

Under Solvency II, deferred tax assets are recognised on the estimated future tax effects of temporary differences, unused tax losses carried forward and unused tax credits carried forward. Deferred tax is only recognised where it is probable that it will be realised, i.e. that future taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on the tax laws enacted or substantively enacted at the reporting date, on an undiscounted basis. When determining whether deferred tax assets can be realised, the Group considers projected future taxable profits in excess of those profits arising from the reversal of existing taxable temporary differences.

Deferred tax assets are not set off against deferred tax liabilities, unless such assets and liabilities have arisen in the same tax jurisdiction in line with local legislation and practice.

Separate deferred tax assets and liabilities are not recognised for the Group. The amount included in the balance sheet are an amalgamation of the deferred tax assets and liabilities of the subsidiaries.

The following table shows the composition of the deferred tax balances:

Solvency II	**DTL €m**	**DTA €m**	**Tier III available asset balance €m**
MetLife Europe	137.5	5.3	5.3
MetLife Europe Insurance	.3	.6	.6
MetLife Greece	—	58.2	10.6
MetLife Poland	32.7	—	—
Non Insurance Entities	4.6	3.8	3.8
Group	**175.1**	**68.1**	**20.4**

D.1.3 Property, plant and equipment held for own use

Under Solvency II, property, plant and equipment held for own use is stated at fair value. Certain equipment items may be held at depreciated value if not materially different to the fair value.

Leasehold assets are presented on the balance sheet under Property, plant and equipment held for own use. A lease is defined as a contract, or part of a contract, that conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Under Solvency, II right-of-use assets are recognised at fair value at the lease commencement date.

D.1.4 Investments (other than assets held for index-linked and unit-linked contracts)

Under Solvency II, investments are stated at fair value, as set out below. Financial assets and liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All financial instruments reported are measured based on an exit price.

The valuation techniques and source of pricing inputs used by the Group for significant categories of investments are produced below:

D.1.4.1 Property (other than for own use)

Under Solvency II, property (other than own use) is stated at fair value. The valuation is based on market appraisals provided by a property appraiser within required timeframes.

D.1.4.2 Holdings in related undertakings, including participations

The Company has a number of wholly owned subsidiaries as depicted in section A.1.2 Group Structure. Full consolidation has been applied to all wholly owned subsidiaries of the parent company.

Under Solvency II, joint ventures are valued using the adjusted equity method. The adjusted equity method requires valuing such investments based on the Company's share of the excess of assets over liabilities of the related undertaking, using the Solvency II (fair value) valuation principles. As noted in section A.1.3, the Company sold its shareholding in Hellenic Alico Life Insurance Company Limited, a joint venture, during the year.

D.1.4.3 Equities

Equities listed on a recognised exchange are valued using the quoted prices for identical instruments.

Unlisted equities are valued using observable inputs where available, including quoted prices for listed equities in active markets for similar instruments, quoted prices for listed equities in markets that are not considered active, and to a lesser extent, matrix pricing, discounted cash flow methodologies or independent non-binding broker quotations. Such instruments are principally valued using the market approach.

D.1.4.4 Bonds

Government bonds listed on a recognised exchange are valued using the quoted prices for identical instruments.

Government bonds which are not listed, are principally valued using the market approach. Valuations are based primarily on matrix pricing or other similar techniques using standard market observable inputs, including benchmark yields, issuer ratings, broker-dealer quotes, issuer spreads and reported trades of similar instruments, including those within the same sub-sector or with a similar maturity or credit rating.

Government bonds for which observable inputs are not available, are principally valued using the market approach. Valuations are based primarily on independent non-binding broker quotations and inputs, including quoted prices for identical or similar instruments that are less liquid and based on lower levels of trading activity. Certain valuations are based on matrix pricing that utilise inputs that are unobservable or cannot be derived principally from, or corroborated by, observable market data, including credit spreads.

Corporate bonds listed on a recognised exchange are valued using quoted prices or quoted prices for similar assets.

Corporate bonds which are not listed, are principally valued using the market and income approaches. Valuations are based primarily on quoted prices for similar listed instruments in active markets, quoted market prices for similar listed instruments in markets that are not considered active, or using matrix pricing or other similar techniques that use standard market observable inputs such as benchmark yields, spreads off benchmark yields, new issuances, issuer rating, duration, and trades of identical or comparable instruments. Privately-placed instruments are valued using matrix pricing methodologies using standard market observable inputs, and inputs derived from, or corroborated by, market observable data including market yield curve, duration, call provisions, observable prices and spreads for similar publicly traded or privately traded issues that incorporate the credit quality and industry sector of the issuer, and in certain cases, delta spread adjustments to reflect specific credit-related issues.

Corporate bonds for which observable inputs are not available, are principally valued using the market approach. Valuations are based primarily on matrix pricing or other similar techniques that utilise unobservable inputs or inputs that cannot be derived principally from, or corroborated by, observable market data, including illiquidity premium, delta spread adjustments to reflect specific credit-related issues, credit spreads, and inputs including quoted prices for similar instruments that are less liquid and based on lower levels of trading activity. Certain valuations are based on independent non-binding broker quotations.

D.1.4.5 Collective investments undertakings

Collective investments undertakings listed on a recognised exchange are valued using the quoted prices provided by the investment managers, that are based on their respective net asset values.

Unlisted investment funds are principally valued based on prices from the investment managers, which are based on European Venture Capital Association Guidelines, including price/earnings ratio based valuation. The prices released by investment managers of the underlying funds are reviewed, and where appropriate, adjustments are made to reflect the impact of changes in market conditions between the date of the valuation and the end of the reporting period. The valuation of these investment funds is largely based on inputs that are not based on observable market data.

D.1.4.6 Derivatives

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value. Certain fair values are obtained from quoted market prices in active markets. When quoted prices are not available, other valuation techniques are applied. The valuation techniques incorporate all factors that market participants would consider and are based on observable market data, to the extent possible. All derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Fair value is derived and recorded at the instrument's exit value.

D.1.4.7 Deposits other than cash equivalents

Deposits other than cash equivalents comprise of demand deposits. These are carried at fair value on the Solvency II Balance Sheet, which are based on the amounts due on demand.

D.1.5 Assets held for index-linked and unit-linked contracts

Under Solvency II, assets held for index-linked and unit-linked contracts are stated at fair value.

Index-linked and unit-linked funds comprise of the various categories of investments and other assets described herein, principally investment funds. For disclosure of the valuation methodology used for these assets, please refer to the relevant notes in this section.

D.1.6 Loans and mortgages

Policy loans are valued at amortised cost under Solvency II. This is not considered materially different to fair value.

Under Solvency II, commercial mortgage loans are stated at fair value. Certain individual mortgage loans may be held at unpaid principal value adjusted for any deferred fees, if not materially different to the fair value.

D.1.7 Reinsurance recoverables

Under Solvency II, reinsurance recoverables are valued using the cash-flow projection model similar to that used to calculate the best estimate of liabilities.

The reinsurance recoverables are adjusted for expected defaults using internal assumptions. Further information on the best estimate of liabilities, its valuation methodology, basis and assumptions used can be found in section D2.

D.1.8 Insurance and intermediaries receivables

This relates to the amounts due from policyholders, insurance intermediaries and other insurers linked to inward reinsurance business. Under Solvency II, these are stated at fair value.

D.1.9 Reinsurance receivables

Reinsurance receivables relate to claims and commissions reported but not yet settled by reinsurers. Under Solvency II, these are stated at fair value.

D.1.10 Receivables (trade, not insurance)

Under Solvency II, these are stated at fair value.

D.1.11 Cash and cash equivalents

Cash and cash equivalents are carried at fair value on the Solvency II balance sheet, which is based on the amounts due on demand. Bank overdrafts are disclosed in debts owed to credit institutions.

D.1.12 Any other information on assets

All other information has been disclosed in the preceding sections.

D.1.13 Deferred acquisition Costs

Under Solvency II, deferred acquisition costs do not represent a recognisable asset. Cash outflows on acquisition are expensed when incurred.

D.2 Technical provisions

The technical provisions correspond to the current amount the Group would have to pay if they were to transfer their insurance obligations immediately to another Undertaking. The value of technical provisions are equal to the sum of a best estimate liability and a risk margin. The methodology employed in the calculation of the best estimate liability is covered in section D.2.3 and the risk margin is covered in section D.2.7.

The insurance obligations have been segmented into homogeneous risk groups when calculating the technical provisions. The approach to segmentation is covered in section D.2.1.

The best estimate liability is calculated gross, without deduction of the amounts recoverable from reinsurance contracts. Such recoverable amounts are calculated separately and are covered in section D.2.4.

D.2.1 Segmentation

Under Solvency II, undertakings analyse the business into the lines of business specified in the guidelines. The primary segmentation distinguishes between life and non-life insurance obligations. The distinction does not coincide with the legal definition, but rather with how the contract is pursued on a similar technical basis, i.e. life insurance will be considered a life insurance obligation and likewise non-life will be considered a non-life obligation.

Life business is segmented into 17 lines of business. The non-life insurance obligations are segmented into 12 lines of business. In respect of the Group, the following are the main lines of business:

- Other life insurance;
- Insurance with profit participation;
- Index-linked and unit-linked life insurance;
- SLT Health insurance;
- Non-SLT Health Insurance; and
- Other non-life insurance.

MetLife

D.2.2 Technical provisions split by line of business

Technical provisions split by gross and net of reinsurance

The table below presents the breakdown of gross and net technical provisions by line of business:

Line of Business	Gross of Reinsurance	Reinsurance Relief	Net of Reinsurance
	€m	€m	€m
Index-linked and unit-linked insurance	6,385	(36)	6,348
Other life insurance	4,043	(173)	3,871
Health insurance (direct business)	153	(32)	121
Total Life	**10,582**	**(241)**	**10,340**
Medical expense insurance	6	(3)	4
Income protection insurance	5	(1)	4
Workers' compensation insurance	—	—	—
Assistance	—	—	—
Miscellaneous financial loss	33	(25)	9
Total Non-Life	**45**	**(29)**	**16**
Total Technical Provisions	**10,626**	**(270)**	**10,357**

MetLife

Gross technical provisions split by best estimate liability and risk margin

The table below presents the breakdown of gross technical provisions by lines of business into Best Estimate Liability ("BEL") and Risk Margin (methodology is covered in sections D.2.3 and D.2.7 respectively)

	2019			2018		
Line of Business	**BEL**	**Risk Margin**	**Gross Technical Provision**	**BEL**	**Risk Margin**	**Gross Technical Provision**
	€'m	**€'m**	**€'m**	**€'m**	**€'m**	**€'m**
Index-linked and unit-linked insurance	6,306	79	6,385	6,360	76	6,435
Other life insurance	3,795	248	4,043	3,915	221	4,136
Health insurance (direct business)	122	32	153	98	28	126
Gross Total Life	**10,223**	**359**	**10,582**	**10,373**	**326**	**10,697**
Medical expense insurance	4	3	6	3	3	6
Income protection insurance	(23)	29	5	(21)	18	(3)
Workers' compensation insurance	—	—	—	—	—	—
Assistance	—	—	—	—	—	—
Miscellaneous financial loss	29	4	33	23	4	27
Gross Total Non-Life	**10**	**35**	**45**	**5**	**25**	**30**
Total Gross Technical Provisions	**10,232**	**394**	**10,626**	**10,378**	**350**	**10,727**

Gross technical provisions decreased by €0.10b from €10.73b in 2018 to €10.63b in 2019.The change in gross technical provisions is driven principally by “organic” changes in relation to new business, actual experience and market movements (e.g. interest rates, foreign, exchange rates), roll-forward of the technical provisions on the in-force business (release of cash flows and risk margin, unwind of discount rate).

MetLife

D.2.3 Best estimate

D.2.3.1 Methodology for the calculation of the best estimate

For all lines of business, the best estimate corresponds to the probability weighted average of future cash-flows taking account of the time value of money.

D.2.3.2 Cash-flow projections

The cash-flow projections reflect the expected realistic future demographic, legal, medical, technological, social and economic developments over the lifetime of the insurance and reinsurance obligations. Inflation is appropriately allowed for in the calculation of the best-estimate using the appropriate type of inflation. In addition, for cash-flows relating to health insurance business, full account of claims inflation and premium adjustment clauses is taken within the calculation of the best estimate.

D.2.3.3 Recognition and derecognition of insurance and reinsurance contracts for solvency purposes

The Group observes the process of recognition and derecognition of its insurance obligations in line with the technical specifications, which states:

The calculation of the best estimate only includes future cash-flows associated with recognised obligations within the boundary of the contract. No future business is taken into account for the calculation of technical provisions.

An insurance obligation is initially recognised by insurance undertakings at whichever is the earlier of the date the Group becomes a party to the contract that gives rise to the obligation or the date the insurance cover begins.

A contract is derecognised as an existing contract only when the obligation specified in the contract is extinguished, discharged or cancelled or expires.

D.2.3.5 Time horizon

For all of the calculations of best estimate, a projection period of 50 years has been assumed. This reflects all material cash-flows in the portfolio. For the variable annuity portfolio, the liability projection software projects to the term plus 1 year for each individual model point.

D.2.3.6 Gross cash-flows

The cash-flow projection used in the calculation of the best estimate takes account of all the cash in- and out-flows required to settle the insurance obligations over the time horizon.

D.2.3.7 Gross cash in-flows

The best estimate includes items such as future premiums, charges and other policyholder payments. Premiums which are due for payment by the valuation date are shown as a premium receivable on the balance sheet.

D.2.3.8 Gross cash out-flows

The cash out-flows are calculated and include future benefits payable to the policyholders or beneficiaries, expenses that will be incurred in servicing insurance obligations, commissions, unit-linked benefits and tax payments.

D.2.3.9 Life insurance obligations

Cash-flow projections used in the calculation are made separately for each policy, except where policies share significantly similar characteristics, where grouping of model point files is used. Examples of where grouping is used are products in MetLife Poland that require asset liability interaction in projection (insurance with profit participation) and the following branches of MetLife Europe:

- Italy
- Romania
- Czech Republic
- France
- Spain
- Slovakia
- Cyprus

It should be noted that there are no significant differences in the nature and complexity of the risks underlying the policies that belong to the same grouping. The grouping of policies does not misrepresent the risk underlying the policies and does not misstate the expenses.

No explicit surrender value floor has been assumed for the market consistent value of liabilities for a contract.

D.2.3.10 Non-life insurance obligations

The non-life insurance business is small in relation to the life business of the Group.

D.2.3.11 Valuation of future discretionary benefits

The calculation of the best estimate takes into account future discretionary benefits which are expected to be made. The value of future discretionary benefits is calculated separately.

The material future discretionary benefits which are expected to be made by the Group are in relation to the excess interest benefit payments on European participating business. This benefit is attached to a number of different blocks of endowment, pure endowment and whole of life business.

The excess interest benefit is a benefit uplift which is generally calculated as the excess of the declared yield over the guaranteed rate. The declared yield is based on the investment return of specific pools of assets.

D.2.4 Reinsurance recoverables

The calculation of amounts recoverable from reinsurance contracts follow the same principles and methodology as presented above for the calculation of other parts of the technical provisions.

Where the timing of recoveries and that for direct payments markedly diverge this has been taken into account in the projection of cash-flows. Where the timing is sufficiently similar to that for direct payments the timing of direct payments has been used.

The amounts recoverable have been calculated consistently with the boundaries of the insurance contracts to which they relate.

The expenses incurred in relation to the management and administration of reinsurance contracts are allowed for in the calculation of the best estimate.

The amounts recoverable from reinsurance contracts are adjusted to take account of expected losses due to default of the counterparty. The adjustment is calculated separately and is based on an assessment of the probability of default of the counterparty and the average loss-given-default.

D.2.5 Discounting

Discounting is performed using the Solvency II risk-free rate methodology as published by EIOPA.

D.2.6 Calculation of technical provisions as a whole

The calculation of technical provisions as a whole is not applicable to the Group.

D.2.7 Risk margin (RM)

The risk margin is calculated as part of technical provisions, in order to ensure that the value of the technical provisions is equivalent to the amount that insurance and reinsurance undertakings would be expected to require in order to take over and meet the insurance and reinsurance obligations, i.e. the risk margin is the future cost of capital (CoC) required by a third party takeover entity in order to cover the cost of holding the SCR for the future run off of the insurance liabilities.

For the purposes of calculating the RM, the SCR refers to non-hedgeable risks only (the implicit assumption being that a third party purchasing company will hedge or mitigate all avoidable risks).

The risk margin is calculated by line of business and is then added to the BEL in order to obtain the technical provisions by line of business. The risk margin is calculated by:

- Projecting the non-hedgeable SCR components at each future time period using risk drivers;
- Aggregating the projected non-hedgeable SCR components using the prescribed correlation matrices;
- Taking a charge of 6% per annum on the run-off of the SCR;
- Discounting those amounts at the risk-free rates.

As allowed in Article 58 of the Delegated act the Group uses a simplified method for calculation of the risk margin. The method uses approximations of the amounts denoted by the terms SCR(t) referred to in Article 37(1).

D.2.8 Approximation of technical provisions

Technical provisions - un-modelled business

Due to modelling limitations on certain lines of business, the calculation of components of the BEL is not currently possible (for example, due to missing plancodes). Anything which is not modelled is included via unmodelled adjustments (UA). The basis for the UA will vary from item to item.

Technical provisions - paid-up option

The Group does not currently model the option to make policies paid up. There is no modelling of the "paid-up" decrement on the grounds of proportionality.

D.2.9 Level of uncertainty associated with technical provisions

Levels of uncertainty associated with technical provisions

In the calculation of technical provisions, it is necessary to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on periodic basis.

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, are discussed below.

Key sources of estimation uncertainty

1. Unit-linked contracts

Unit-linked account values:
Liabilities for insurance and investment contracts include unit reserves at market value and unallocated premiums. The unit reserves are equal to the sum across unit funds of the numbers of policyholder units multiplied by the unit price (at bid price). Unallocated premiums are premiums that have been issued but not yet allocated to units. The value of the unit reserves are known and contain no uncertainty.

Best estimate liability:
The best estimate liability represents the unit reserves plus the present value of future benefits, in excess of the unit reserves, to be paid to the policyholders or on behalf of the policyholders and related expenses less the present value of future charges deducted from the unit-linked account. The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date that could impact the valuation of the best estimate liability, are discussed below.

2. Non unit-linked contracts

Best estimate liability:
The liabilities represent the present value of future benefits to be paid to the policyholders or on behalf of the policyholders and related expenses less the present value of future premiums. The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date that could impact the valuation of the best estimate liability, are discussed below.

Key assumptions used in calculating the best estimate liability include:

- Expected future economic conditions (including risk-free interest rates, inflation rates and reinvestment rates);
- Direct per policy maintenance expenses and associated inflation;
- Mortality rates based on selected published actuarial mortality tables; and
- Lapse rates based on expected surrender experience.

Such assumptions are captured in more detail in section D.2.3.

Expert judgement

Expert judgement is necessary in the calculation of the best estimate liability in a number of different ways:

- Selection of data to use, correcting errors and deciding on the treatment of outliers or extreme events;
- Selection of realistic assumptions and the period of data on which such assumptions are based;
- Selection of the valuation technique considering appropriate alternative methodologies;
- Incorporating appropriately in the calculations the environment under which the Group operates its business; and
- Adjusting the data to reflect current or future conditions and adjusting external data to reflect the portfolio.

D.2.10 Matching adjustment

This is not applicable to the Group.

D.2.11 Volatility adjustment

This is not applicable to the Group.

D.2.12 Transitional risk-free interest rate-term structure

This is not applicable to the Group.

D.2.13 Transitional deduction

This is not applicable to the Group.

D.2.14 Information on actuarial methodologies and assumptions

Principal assumptions used in the determination of technical provisions

Solvency II requires assumptions to be based on best estimate. The assumptions are revised on a regular basis to adjust for recent experience and changes to market factors. The principal assumptions used in the determination of technical provisions are as follows: lapses, expenses, mortality, morbidity.

General assumption notes

1. Demographic assumptions

Mortality and morbidity assumptions are generally based on published tables updated to allow for the results of the experience studies. The published tables are generally country specific, and may be product specific. In some cases the table will be provided by a reinsurer.

Lapse/surrender/persistency assumptions tend to be Group specific but may be influenced by market data.

Whilst results on long term risk or annuity business may be relatively sensitive to demographic experience (mortality / morbidity), results tend to be more sensitive to policyholder behaviour due to the much higher absolute level and volatility of rates (e.g. lapse rates typically in the range 2% to 15%).

2. Expense assumptions

Expense assumptions are based on the results of the expense studies. They are entirely specific to each subsidiary of the Group, not only in the manner that they reflect the actual expense base of the subsidiary, but also in the way that the subsidiary allocates expenses between acquisition and maintenance and by line of business.

3. Economic assumptions

Solvency II prescribes future capital market economic assumptions to be “risk neutral”, with risk free interest rates published by EIOPA, economic assumptions are effectively limited to expense inflation.

There are also asset volatility assumptions used in the Economic Scenario Generators (ESGs). These too are constrained to the risk neutral framework, subject to certain discretionary calibration choices beyond the scope of the present document.

Further details on the principal assumptions are below as follows:

D.2.14.1 Mortality

Mortality rates are set at a country and product level. Base mortality rates are taken from country specific standard industry tables, which vary by age and sex. Depending on the product, experience multipliers and selection factors may also be applied to bring the assumptions in line with our own experience. Where standard tables are not available in a certain country, alternatives have been used which best match the experience (e.g. Greece tables used as the base for Cyprus assumptions).

For certain products, separate mortality rates are used for accidental death and death caused by disease and sickness.

D.2.14.2 Morbidity

Morbidity incidence rates are set at a country, product and coverage level. The following split of coverages is used in the models:

- Child Protection Agreement
- Waiver of Premium
- Permanent Disability
- Temporary Disability
- Critical Illness
- Hospitalisation
- Accidental Death

Base morbidity rates are taken from country specific standard industry tables which vary by age and sex. Depending on the product, experience multipliers and selection factors may also be applied to bring the assumptions in line with our own experience.

Where coverage specific standard tables are not available one of two approaches has been used to set the assumptions. The first approach is to look for similar standard tables in other countries. The second approach is to develop bespoke tables based on specific experience.

For products with undefined benefit amounts (e.g. hospital cash), average claim amounts are used in the projection.

D.2.14.3 Persistency

Lapses

Lapse rates are set for each country within the Group and are defined at a product, premium type (regular or single), distribution channel and policy year level. Lapses for investment rider, child protection agreement and waiver of premium products depend on underlying products.

D.2.14.4 Expenses

D.2.14.4a. Expense assumption

Expenses are split into initial and renewal expenses. Expenses can be modelled as fixed, as a percentage of premium, as a percentage of sum assured or as a percentage of mathematical reserve. Expenses can vary by country, currency, product, premium type and distribution channel.

D.2.14.4b. Expense inflation assumption

Maintenance and overhead expenses are adjusted based on inflation assumptions.

D.2.14.4c. Commission assumption

Commissions are defined for each country within the Group and are split into initial and renewal commissions. Standard commission is calculated as % of premium. Depending on product, bonus commission and override commission may be included. Commission rates depend on product, premium payable year, policy year and distribution channel. All standard commission rates are calculated as a percentage of premium.

Commission is not generally an assumption subject to discretionary judgement, rather it is a well-defined parameter of the relevant product.

D.2.14.5 Premium Indexation

For certain products, indexation is applied as a percentage increase in premiums over each projection year.

D.2.14.6 Benefit escalation

For certain products, escalation is applied as a percentage increase in benefits over each projection year.

D.2.14.7 Interest rate

D.2.14.7a. Interest rate assumption

The yield curves are generated in line with the prescribed methodology. The risk free interest rate is primarily derived from the rates at which two parties are prepared to swap fixed and floating interest rate obligations. In the absence of financial swap markets, or where information of such transactions is not sufficiently reliable, the risk free interest rate is based on the government bond rates of the country.

The risk free interest rates are:

- Calculated for different time periods, reflecting that the liabilities of insurance and reinsurance undertakings stretch years and decades into the future;
- Calculated in respect of the most important currencies for the EU insurance market;
- Adjusted to reflect that a portion of the interest rate in a swap transaction (or a government bond) will reflect the risk of default of the counterparty and hence without adjustment would not be risk free; and
- Based on data available from financial markets. For those periods in the more distant future for which data are not available, the rate is extrapolated from the point at which data is available to a macroeconomic long term equilibrium rate.

D.2.14.7b. Credited rate/Excess interest benefit (EIB)

Certain products contain an EIB feature where policyholder benefits may receive an uplift each year depending on the performance of a portfolio of assets allocated to that business.

The future projected yield on these assets is calculated using risk neutral market consistent rates.

D.2.14.7c. Reversionary and terminal bonuses

This is not applicable to the Group.

D.2.14.8 Fund growth - Unit-linked

The assumed growth rate of unit-linked funds is consistent with the relevant risk-free interest term structure.

D.2.14.9 Discount rate/Illiquidity premium

Discounting is performed using the Solvency II risk-free rate methodology as published by EIOPA. Illiquidity premium is no longer relevant under Solvency II.

D.3 Other liabilities

Liabilities of the Group as at December 31, 2019

Liabilities	**Solvency II value 2019 €'m**
Gross Technical Provisions	10,626
Contingent liabilities	2
Provisions other than technical provisions	21
Pension benefit obligations	2
Deposits from reinsurers	101
Deferred tax liabilities	175
Derivatives	60
Debts owed to credit institutions	8
Financial liabilities other than debts owed to credit institutions	37
Insurance and intermediaries payable	238
Reinsurance payables	79
Payables (trade, not insurance)	300
Any other liabilities not elsewhere shown	—
Total Liabilities	**11,649**
Excess of assets over liabilities	**1,768**

D.3.1 Provisions other than technical provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Under Solvency II, the amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation.

MetLife

D.3.2 Pension benefit obligations

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds or government bonds that are denominated in the currency in which the benefits will be paid and, which have terms to maturity approximating the terms of the related liability, or estimates of rates which take into account the risk and maturity of the related liabilities where a deep market in such bonds does not exist.

D.3.3 Deposits from reinsurers

Deposits from reinsurers refers to cash collateral provided by a reinsurer to cover insurance liabilities and funds withheld arrangements with reinsurers.

Under Solvency II, deposits from reinsurers are stated at fair value on the Solvency II balance sheet.

D.3.4 Deferred tax liabilities

Under Solvency II, deferred tax liability is recognised for the estimated future tax effects of temporary differences. For further details, please refer to section D.1.2.

D.3.5 Derivatives

Under Solvency II, derivative liabilities are measured at fair value. The valuation methodology for derivatives is set out in D.1.4.6 Derivatives.

D.3.6 Other financial liabilities

Other financial liabilities comprise of insurance and intermediaries payables, reinsurance payables, and payables (trade, not insurance).

Under Solvency II, these are stated at fair value.

D.3.7 Leasing

The Group adopted IFRS 16 from 1 January 2019. The new standard capitalises leases for lessees under a single model, eliminating the distinction between operating and finance leases.

This has resulted in the recognition of a new "right-of-use" asset recognised in Property Plant and Equipment, as noted in section D.1.3. The corresponding liability representing the obligation to make lease payments is shown in Financial liabilities other than debts owed to credit institutions.

Under Solvency II, a lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date and then subsequently amortised using the effective interest method.

D.3.8 Employee benefits

The Company does not employ any staff directly.

D.3.9 Risk management

Information on risks relating to underwriting and reserving, asset-liability management, investment risk management and liquidity risk management is set out in section C.

D.3.10 Level of uncertainty associated with other liabilities

Due to the short term nature of the other liabilities obligations, the timing of outflows of economic benefits is known with reasonable certainty.

D.4 Alternative methods for valuation

Information in relation to assets that are not valued using quoted prices is set out in Section D1.4.4.

Additionally, MetLife Greece, at a subsidiary level only, uses the volatility and the transitional interest rate adjustment reducing its SCR by €43m. Further details of which are included in the MetLife Greece SFCR Section D2.11, D2.12, D2.13 and E1.6.

D.5 Any other information

All information has been disclosed in the preceding sections.

E Capital management

E.1 Own funds

E.1.1 Capital management policy

Capital management framework

Capital planning is carried out quarterly. Dividends are paid from subsidiaries to the Company in line with the capital plan as appropriate, taking into account any local legal or regulatory restrictions. Once paid into the Company dividends are released to the parent company in accordance with the capital plan. There has been no material changes to capital management policy over the reporting period.

Roles and responsibilities

- The Board has ultimate responsibility for ensuring adequacy of capital for the Group.
- The CEO is responsible for guiding strategy and overall corporate risk appetite and ensuring that the right people are overseeing each function involved in capital management.
- The CFO is responsible for overseeing capital reporting and financial functions, capital allocation, and to cascade the CEO’s strategy, including risk appetite, to all relevant financial divisions.
- The CRO ensures the composition and level of the Group's capitalisation supports the Group's Risk Strategy and Appetite. The CRO is responsible for the systems and structures in place to manage and monitor risks.
- The Finance Function has management responsibility for understanding capital consequences of investment strategies and decisions and coordination with relevant Treasury and Finance personnel to ensure that the capital considerations of investment decisions are properly vetted.
- Both the Risk Management Function and Finance Function ensure that adequate reporting is in place and capital requirement policies are followed correctly.

There is appropriate interaction with the Boards of Directors of all entities within the Group, proactively requesting information and challenging the decisions in the matters that may affect the Group. The Board of Directors is responsible for the effectiveness of the risk management system of the Group.

Risk appetite

The Group has developed key risk appetite statements for each subsidiary which apply on an on-going basis. The Risk Management Function reviews the Group's actual risk exposure against the overall stated risk appetite on a regular basis, at least quarterly.

The Risk Appetite and Strategy identifies the agreed target solvency level and range for the Group. The appropriateness of the risk appetite is evaluated as part of the Risk Management Function’s on-going review and is subject to change over time.

Where deviations from the defined risk appetite measures occur, the Risk Management Function provides the Board with its opinion of the intensity of the deviation, along with a report on actions taken to address the deviation. Following this, the Board determines the materiality of deviations from the defined Risk Appetite measures, and whether such deviations are to be communicated to the regulator in accordance with CBI requirements.

The CRO presents regularly to the Board, including strategic decisions and policies on risk management at a Group level; the definition of entities’ risk appetite and risk tolerance limits (as set out within the risk policies); the forward-looking assessment of solvency; and the identification, measurement, management, monitoring and reporting of risks at the group level.

The CRO ensures that the risk management framework and policies are implemented consistently across the Group. The Group have in place appropriate and effective tools, procedures and lines of responsibility and accountability, enabling it to oversee and steer the functioning of the risk management and internal control.

Capital planning and dividend policy

The finance function develops and maintains the medium term capital plan considering the business and risk strategies.

The capital planning process takes into account the following:

- The most recent business plan;
- Material new business;
- Any known management actions that are expected to materially affect the capital position;
- The planned dividend payments and any scheduled capital increases; and
- The outcome of the most recent Solvency II calculations and ORSA results.

Proposed dividends are considered by the Board on a case by case basis taking into account the expected capital position over a 12 month time horizon and the risks to that capital position.

Capital and liquidity management

The finance function has the responsibility of managing the excess of assets over liabilities, per established guidelines. Investment of such capital is subject to the portfolio objective of meeting operating cash flow needs and generating a modest return enhancement above risk-free levels by taking moderate duration exposure and limited credit risk. Investments will generally be selected to minimise currency exposure relative to the relevant base currency, although the finance function may also consider capital investments in US dollar to manage currency risk.

Investment guidelines are in place that govern the investment options for all assets owned by the Group.

E.1.2 Material differences between equity in the financial statements and Group excess of assets over liabilities under Solvency II

The Group is consolidated under Method 1 accounting consolidation- based method, using risk-free rates.

The Company does not prepare consolidated financial statements as it has availed of the exemption from the obligation to prepare and deliver group accounts under section 300 of the Companies Act 2014 as outlined in section A.1.2. As such the material differences between the Group results reported for Solvency II and the Companys' financial statements are due to consolidation adjustments and the inclusion of the subsidiaries assets and liabilities.

The table summarises the differences at December 31, 2019:

	Section	€m	€m
Excess of assets over liabilities under Solvency II			1,768
Equity per the IFRS financial statements			2,746
			(978)
Material differences between Solvency II and IFRS (unconsolidated):			
Technical provisions under SII (net)	D.2	(10,357)	
Assets held for index-linked and unit-linked contracts under SII	D.1.5	6,735	
Invested assets (other than assets held for index-linked and unit-linked contracts) under SII	D.1.4	5,075	
Participations (consolidation adjustment)	D.1.4	(2,772)	
Write off of deferred acquisition costs	D.1.13	—	
Write off of goodwill and intangible assets	D.1.1	—	
Deferred tax under SII	D.3.3	(107)	
Other adjustments		345	
Economic value adjustment to properties under SII	D.1.3	103	**(978)**

The excess of assets over liabilities is primarily due to the assets and liabilities of the subsidiaries not included in the IFRS unconsolidated Financial Statements.

E.1.3 Composition and quality of own funds

The items reported are split into three categories depending on different factors such as quality, liquidity and timeline to availability when liabilities arise. Tier 1 own funds include ordinary share capital, non-cumulative preference shares and relevant subordinated liabilities. Tier 2 own funds include cumulative preference shares and subordinated liabilities with a shorter duration. Tier 3 own funds include own funds which do not satisfy the Tier 1 or Tier 2 requirements.

All of the Group's own funds are categorised as Tier 1 for Solvency II purposes with the exception of deferred tax assets which are categorised as Tier 3. These deferred tax assets are restricted by €47.6m (2018: €61m). MetLife Greece €58.3m deferred tax asset is restricted at a subsidiary level for eligibility of own funds to cover the Solvency Capital Requirement (SCR). The Group has restricted the deferred tax asset to the same extent €47.6m.

The eligible own funds to cover the SCR and minimum consolidated Group SCR amount increased in 2019 to €1,720m (2018 : €1,658m) and €1,700m (2018 : €1,639m), respectively. There are no items to report in the ancillary own funds.

E.1.4 Capital instruments in issue

Instrument	Ordinary share capital
Tier	Tier One
Permanence	Yes
Subordination	Last upon winding up
Redemption incentives	None
Amount in Issue	265,153,527
Mandatory service costs	None
Absence of encumbrance	Yes

E.1.5 Movement in own funds

	2019 €'m	2018 €'m	Movement €'m
Basic Own Funds			
Tier One	1,700	1,639	61
Tier Two	—	—	—
Tier Three	20	19	1
Total Basic Own Funds	**1,720**	**1,658**	**62**

Own funds increased by €62m from €1,658m in 2018 to €1,720m in 2019. The primary driver of this movement is investment performance on Variable Annuity unit linked funds due to positive equity returns resulting in higher fee income, which was partially offset by lower interest rates and dividend payment (€53m).

The Group has no ancillary own funds.

E.1.6 Eligible amount of own funds to cover SCR and MCR

	2019 €'m	2018 €'m	Movement €'m
Total Own Funds	**1,768**	**1,719**	**49**
Less Restrictions:			
Deferred Tax Assets	48	61	(13)
Total Eligible Own Funds for SCR	**1,720**	**1,658**	**62**
SCR	**931**	**859**	**72**
Solvency Ratio	**185%**	**193%**	**(8)%**
Total Eligible Own Funds for MCR	**1,700**	**1,639**	**61**
MCR	**417**	**382**	**35**

The Group has no significant restrictions on eligible own funds.

The Company manages capital in line with its Capital Management policy, and aims to maintain subsidiaries' solvency at levels that remain sufficient through adverse cycles. While any excess is considered fungible, the capacity to transfer capital may be limited through statute by the level of earnings available for distribution. In particular, significant surplus capital is not immediately transferable from Poland.

The following factors are taken into consideration in assessing the fungibility of capital:

a) whether the own-fund item is subject to legal or regulatory requirements that restrict the ability of that item to absorb all types of losses wherever they arise in the group;
b) whether there are legal or regulatory requirements that restrict the transferability of assets to another insurance or reinsurance undertaking; and,
c) whether making those own funds available for covering the group Solvency Capital Requirement would not be possible within a maximum of 9 months.

Loss absorbency

The Group's Tier One own funds are immediately available to absorb losses.

E.1.7 Reconciliation reserve - key elements

Reserve item	**Amount €'m**
Excess of assets over liabilities	1,768
Own shares (included as assets on the balance sheet)	
Foreseeable dividends, distributions and charges	
Other basic own funds items	333
Adjustments for restricted own funds items of MAPs and RFFs	—
Reconciliation reserve before deduction of participations	**1,435**

E.1.8 Transitional arrangements

This is not applicable to the Group.

E.1.9 Ancillary own funds

The Group does not have ancillary own funds.

E.1.10 Restrictions and deductions from own funds

The Group's Deferred Tax Assets (DTA) are restricted for the purposes of calculating the eligibility of own funds to cover the Solvency Capital Requirement (SCR).

Deferred tax assets (DTA)

The total DTA for the Group is €68m with €47.6m not available to meet the SCR for Group reporting. The Group is satisfied that the current evidence is sufficient to allow it to recognise a deferred tax asset of €20.4m, the majority of which relates to net operating losses (NOL) in MetLife Greece. The deferred tax assets have been restricted (as they are Tier III assets).

Please see the grid below for further details:

	Deferred Tax Assets (DTA)		
Group Entity	**Total**	**Tier III non-available**	**Tier III Asset Balance**
MetLife Europe	5.3	—	5.3
MetLife Europe Insurance	.6	—	.6
MetLife Greece	58.2	47.6	10.6
MetLife Poland	—	—	—
Non Insurance Entities	3.8	—	3.8
Group Total	**68.1**	**47.6**	**20.4**

The total non-available own funds reported for the Group is €47.6m represented by the Greece DTA.

Minority interest (MI)

There is no MI restriction in 2019. As noted last year, the Company purchased the 7% minority shareholding from American Life Insurance Company (ALICO) to become the sole owner of MetLife Europe Insurance in 2018.

E.1.11 Own funds - ring fenced funds (RFF)

The Group does not have RFFs.

MetLife

E.2 Solvency Capital Requirement and Minimum Capital Requirement

E.2.1 Group's approach to Solvency Capital Requirement and Minimum Capital Requirement

Calibration of stresses

For the purpose of this section, the Group has adopted the SF approach. This method uses stresses for each of the individual risks as calibrated by EIOPA. EIOPA also provides the standard correlation matrices for the purpose of aggregation.

Undertaking Specific Parameters (USPs) have not been used by the Group.

Use of matching adjustments

This is not applicable to the Group.

E.2.2 Overview of SCR standard formula calculation

This section details the capital requirements for the Group.

The assessment of the SCR using the SF approach is based on a modular approach consisting of a core of life, non-life, market, health and counterparty default risks with associated sub-modules. These are aggregated in the SF using correlation matrices, both at the sub-module and the main module level. An intangible asset module is then added (uncorrelated) to give the Basic Solvency Capital Requirement (BSCR). The operational risk component and adjustments for the risk absorbing effect of future profit sharing and deferred taxes are then allowed for, to give the overall SCR.

Hence, the SCR is calculated as follows:

SCR = BSCR - Adj + SCRop

Where

- SCR = The Overall Standard Formula Capital Charge;
- BSCR = Basic Solvency Capital Requirement;
- Adj = Adjustment for Risk Absorbing Effect of Future Profit Sharing and Deferred Taxes; and
- SCRop = The Capital Charge for Operational Risk.

The “delta-Net Asset Value” (∆NAV) approach is used for capturing the impact of the underlying risk module. The expression ∆NAV has a sign convention whereby positive values signify a loss. In order to calculate ∆NAV, the base scenario as well as the stressed assets and liabilities are calculated. The cashflows for each of these scenarios is then discounted to determine the corresponding present value of assets and liabilities. The difference between the base and the stressed assets and liabilities is the ∆NAV.

The ∆NAV is based on the Solvency II balance sheet that excludes the risk margin component of the technical provisions (i.e. uses only the best estimate liability component of the technical provisions). Furthermore when calculating ∆NAV the following need to be allowed for:

- Where risk mitigation techniques are used in the calculation of the SCR, the scenarios required for the calculation of the market risk module incorporate its effect. The impact of hedging instruments where a financial risk mitigation instrument has been utilised;

- The revaluation of technical provisions allowing for any relevant adverse changes in the option take-up behaviour of policyholders in the scenario; and

- For collective investment funds, a look through approach has been used to assess the risk applying to the underlying investment vehicle. Where a collective investment fund is not sufficiently transparent to allow for a reasonable best effort allocation, reference has been made to the investment mandate.

The Group has calculated the non-life risk SCR module for its existing business and its expected new business over the next year. Premium risk under the non-life insurance and non-SLT health insurance business are based on expected premiums for the next twelve months. The stress scenarios for underwriting risks in life insurance and SLT health insurance are instantaneous and do not allow for future new business.

E.2.3 SCR and MCR results

SCR

The following table gives the amounts of the SCR components:

	2019 €'m	2018 €'m
Market Risk	439	445
Counterparty default risk	81	63
Life underwriting risk	582	527
Health underwriting risk	119	115
Non-life underwriting risk	15	14
Diversification	(346)	(325)
Basic SCR	**890**	**840**
Operational risk SCR	84	81
Adjustment for the loss absorbing capacity of technical provisions	(3)	(3)
Adjustment for the loss absorbing capacity of deferred taxation	(64)	(72)
Non-controlled participations	—	1
Credit institutions	24	11
SCR	**931**	**859**

The SCR increased by €72m from €859m in 2018 to €931m in 2019 due to falls in interest rates amplifying the stress impacts, and Life Underwriting Risk increase especially in Lapse and Mortality risks, as well as an increase in the local capital requirements of the Romania Pension Company.

MCR

	2019 €'m	2018 €'m
MCR	**417**	**382**

The movement in the MCR is being driven by the movement in the SCR and the resulting impact on the MCR Cap.

Capital add-ons

The Group is not subject to any capital add-on based on instructions from the supervisor.

E.2.4 Treatment of participating business

The Group does not have any lines of business with material discretionary benefits.

The EIB business does provide "participating" benefits linked to investment returns where such returns exceed the level guaranteed at issue, however these excess benefits are not subject to material discretion. The EIB portfolios are not treated as Ring Fenced Funds (RFF), on the grounds that the technical provisions cover the entire expected future cost of benefits. Full account of changes in credited rates for EIB business is allowed for in the market stresses.

E.2.5 Risk mitigation techniques and future management actions

Treatment of risk mitigation techniques

Risk mitigation techniques for the Group relate principally to reinsurance evaluated within the technical provisions, in the SCR stresses, and in particular also in the Counterparty Default Risk module of the SCR, with due allowance for counterparty credit rating and loss-given-default.

Treatment of future management actions

MetLife Europe has approved the following future management actions:

- An expense reduction of 20% is allowed for under the 40% Mass Lapse SCR stress. The rationale being that were 40% of policyholders to lapse, MetLife Europe would be able to reduce expenses by 20%. The assumption has been appropriately documented and approved by the Board. This action affects the SCR.

- Over 2017, a second and distinct action was approved by the Board in relation to the management of future overhead expenses on the significant UK unit-linked business following the decision to close this to new business. The point of the action is to recognize that the overhead costs do not run off as quickly as the policies run off, hence to identify how management expects to reduce such overheads over the lifetime of the portfolio. This action affects the technical provisions with second order consequences for the SCR.

All other subsidiaries have not allowed for future management actions in the SCR calculation.

E.3 Use of the duration-based equity risk sub-module in the calculation of the SCR

This is not applicable to the Group.

E.4 Differences between the standard formula and any internal model used

This is not applicable to the Group.

E.5 Non-compliance with the MCR and non-compliance with the SCR

The Group has had own funds in excess of both the SCR and MCR requirements over the reporting year.

E.6 Any other information

All information has been disclosed in the preceding sections.

MetLife

Glossary of terms

The Company	MetLife EU Holding Company Limited (Holding Company)
The Group	MetLife EU Holding Company Limited and its subsidiaries (Solvency II)
Board	The Board of Directors of the Company, or another Group entity as relevant
MetLife Europe	MetLife Europe d.a.c.
MetLife Europe Insurance	MetLife Europe Insurance d.a.c.
MetLife Poland	MetLife Towarzystwo Ubiezpieczen na Zycie i Reasekuracji S.A.
MetLife Greece	MetLife Life Insurance Company S.A.
Solvency II	European Commission Directive 2009/138/EC on the taking-up and pursuit of the business of Insurance and Reinsurance
A&H	Accident and Health
ALM	Asset Liability Matching
BCP	Business Continuity Plan
BEC	Branch Executive Committee
BEL	Best Estimate Liability
BOG	Bank of Greece
BRC	Board Risk Committee
BSCR	Basic Solvency Capital Requirement
CAT	Catastrophe Risk
CBI	Central Bank of Ireland (the Irish Regulatory Authority)
CEO	Chief Executive Officer
CF	Controlled Function
CFO	Chief Finance Officer
CoC	Cost of Capital
CPPI	Constant Proportion Portfolio Insurance
CRM	Compliance Risk Management
CRO	Chief Risk Officer
CSA	Credit Support Annexes
DAC	Deferred Acquisition Costs
DR	Disaster Recovery
DTA	Deferred Tax Assets
DtC	Direct to Consumer
DTL	Deferred Tax Liabilities
EB	Employee Benefits
EEA	European Economic Area
EIB	Excess Interest Benefit
EIOPA	European Insurance and Occupational Pensions Authority (the European Regulatory Authority)
EMEA	Europe, Middle East and Africa
ERC	Executive Risk Committee
ERSA	Enterprise Risk Self Assessment
ESG	Economic Scenario Generator
EV	Expected Value
FOS	Freedom of Service

F2F	Face to Face
GAAP	Generally Accepted Accounting Principles
GBP	Great British Pound
GMAB	Guaranteed Minimum Accumulation Benefit
GMDB	Guaranteed Minimum Death Benefit
GMWB	Guaranteed Minimum Withdrawal Benefit
HO	Head Office
HR	Human Resources
IFRS	International Financial Reporting Standards
ILOE	Involuntary Loss of Employment
ISDA	International Swaps and Derivatives Association
ISEP	International Subsidiary Exposure Program
IT	Information Technology
KNF	Komisja Nadzoru Finansowego
MAP	Matching Adjustment Portfolio
MCR	Minimum Capital Requirement
ME	Middle East
MGHC II	MetLife Global Holding Company II GmbH (Swiss)
NAV	Net Asset Value
ORSA	Own Risk Solvency Assessment Process
OTC	Over the Counter
PAD	Provision for Adverse Deviations
PCF	Pre-Approval Controlled Function
PGAAP	Purchase GAAP
PMC	Product Management Committee
PV	Present Value
QRT	Quantitative Reporting Template
RACC	Risk, Audit and Compliance Committee
RAG	Red, Amber or Green
RC	Reserving Committee
RFF	Ring-fenced Fund
RM	Risk Margin
RSR	Regular Supervisory Report
SCR	Solvency Capital Requirement
SF	Solvency II Standard Formula
SFCR	Solvency and Financial Condition Report
SLT	Similar to Life Techniques
TCF	Treating Customers Fairly
TP	Technical Provisions
TTCB	Transforming the Cost Base
UA	Unmodelled Adjustments
USD	United States Dollar
USPs	Undertaking Specific Parameters
US GAAP	Accounting Principles Generally Accepted in the United States of America
VA	Variable Annuity

VOBA	Value of Business Acquired
VUL	Variable Universal Life
WCE	Western and Central Europe

Annex: Quantitative Reporting Templates

The following QRTs are reported in this annex:

- S.02.01.02 Balance Sheet
- S.05.01.02 Premiums, claims and expenses by Line of Business
- S.05.02.02 Premiums, claims and expenses by country
- S.23.01.04 Own Funds
- S.25.01.22 Solvency Capital Requirement - for undertaking on Standard formula
- S.32.01.04 Undertakings in the scope of the Group

Scenario	: Actual
Year	: 2019
Period	: Annual
Rep Type	: SII
Rep Unit	: [None]
Currency	: EUR

MetLife EU Holding Company Ltd

S.02.01.02

Balance sheet

		Solvency II
		C0010
Assets		
Intangible assets	R0030	0
Deferred tax assets	R0040	68,055,815
Pension benefit surplus	R0050	0
Property, plant and equipment held for own use	R0060	103,089,298
Investments (other than assets held for index-linked and unit-linked contracts)	R0070	5,074,348,683
Property (other than for own use)	R0080	988,545
Holdings in related undertakings, including participations	R0090	0
Equities	R0100	33,543
Equities - listed	R0110	0
Equities - unlisted	R0120	33,543
Bonds	R0130	4,779,488,462
Government Bonds	R0140	2,803,737,407
Corporate Bonds	R0150	1,975,751,056
Structured Notes	R0160	0
Collateralised Securities	R0170	0
Collective Investments Undertakings	R0180	107,704,170
Derivatives	R0190	127,348,542
Deposits other than cash equivalents	R0200	58,785,419
Other investments	R0210	0
Assets held for index-linked and unit-linked contracts	R0220	6,735,351,322
Loans and mortgages	R0230	204,150,487
Loans on policies	R0240	40,164,985
Loans and mortgages to individuals	R0250	1,749,603
Other loans and mortgages	R0260	162,235,899
Reinsurance recoverables	R0270	269,854,672
Non-life and health similar to non-life	R0280	28,586,021
Non-Life excluding Health	R0290	24,750,781
Health similar to Non-Life	R0300	3,835,240
Life and health similar to life, excluding health, index-linked and unit-linked	R0310	205,592,741
Health similar to Life	R0320	32,241,395
Life excluding Health and index-linked and unit-linked	R0330	173,351,346
Life index-linked and unit-linked	R0340	35,675,910
Deposits to cedants	R0350	0
Insurance and intermediaries receivables	R0360	131,091,083
Reinsurance receivables	R0370	54,941,104
Receivables (trade, not insurance)	R0380	115,414,299
Own Shares	R0390	0
Amounts due in respect of own funds or initial fund called up but not paid in	R0400	0
Cash and cash equivalents	R0410	660,729,244
Any other assets, not elsewhere shown	R0420	0
Total Assets	R0500	13,417,026,006

		Solvency II
		C0010
Liabilities		
Technical Provisions - Non-life	R0510	44,910,005
Technical Provisions - Non-Life (excluding Health)	R0520	33,514,584
TP calculated as a whole	R0530	0
Best Estimate	R0540	29,395,571
Risk Margin	R0550	4,119,013
Technical Provisions - Health (similar to Non-Life)	R0560	11,395,422
TP calculated as a whole	R0570	0
Best Estimate	R0580	-19,689,562
Risk Margin	R0590	31,084,983
Technical provisions - Life (excluding index-linked and unit-linked)	R0600	4,196,414,008
Technical Provisions - Health (similar to Life)	R0610	153,401,106
TP calculated as a whole	R0620	0
Best Estimate	R0630	121,541,403
Risk Margin	R0640	31,859,703
Technical Provisions - Life (excl Health, index linked and unit-linked)	R0650	4,043,012,902
TP calculated as a whole	R0660	0
Best Estimate	R0670	3,794,811,943
Risk Margin	R0680	248,200,959
Technical provisions - index-linked and unit-linked	R0690	6,385,142,666
TP calculated as a whole	R0700	0
Best Estimate	R0710	6,306,263,727
Risk Margin	R0720	78,878,939
Contingent liabilities	R0740	2,165,718
Provisions other than technical provisions	R0750	20,525,607
Pension benefit obligations	R0760	2,084,692
Deposits from reinsurers	R0770	101,154,188
Deferred tax liabilities	R0780	175,119,090
Derivatives	R0790	60,380,078
Debts owed to credit institutions	R0800	7,652,581
Financial liabilities other than debts owed to credit institutions	R0810	37,379,956
Insurance and intermediaries payable	R0820	237,787,912
Reinsurance payables	R0830	78,909,400
Payables (trade, not insurance)	R0840	299,690,517
Subordinated liabilities	R0850	
Subordinated liabilities not in BOF	R0860	0
Subordinated liabilities in BOF	R0870	0
Any other liabilities not elsewhere shown	R0880	0
Total Liabilities	R0900	11,649,316,418
Excess of assets over liabilities	R1000	1,767,709,588

S0201

Scenario : Actual
Year : 2019
Period : Annual
Rep Typ : SII
Currency : EUR

MetLife EU Holding Company Ltd

MetLife

S.05.01.02

Premiums, claims and expenses by Line of Business

		Line of Business for Non-Life obligations												Line of Business for accepted non-proportional reinsurance				
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	Non-Life insurance
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0200
Premiums written																		
Gross - Direct business	R0110	36,095,506	43,438,428	655,836	0	0	0	0	0	0	0	2,964,472	64,194,019					147,348,263
Gross - Proportional reinsurance accepted	R0120	323,365	0	0	0	0	0	0	0	0	0	0	4,296,545					4,619,909
Gross - Non-proportional reinsurance accepted	R0130																	
Reinsurer's share	R0140	1,817,427	3,181,418	618,172	0	0	0	0	0	0	0	490,969	51,870,669	0	0	0	0	57,978,655
Net	R0200	34,601,444	40,257,011	37,664	0	0	0	0	0	0	0	2,473,503	16,619,895	0	0	0	0	93,989,517
Premiums earned																		
Gross - Direct business	R0210	32,481,958	43,429,615	631,653	0	0	0	0	0	0	0	2,921,038	56,580,323					136,044,586
Gross - Proportional reinsurance accepted	R0220	323,365	0	0	0	0	0	0	0	0	0	0	4,366,799					4,690,163
Gross - Non-proportional reinsurance accepted	R0230																	0
Reinsurer's share	R0240	1,920,905	3,181,418	598,093	0	0	0	0	0	0	0	490,969	45,493,891					51,685,275
Net	R0300	30,884,418	40,248,197	33,560	0	0	0	0	0	0	0	2,430,069	15,453,230					89,049,475
Claims incurred																		
Gross - Direct business	R0310	17,878,843	19,804,175	-53,298	0	0	0	0	0	0	0	179,187	3,805,137					41,614,044
Gross - Proportional reinsurance accepted	R0320	117,432	0	0	0	0	0	0	0	0	0	0	828,758					946,190
Gross - Non-proportional reinsurance accepted	R0330																	0
Reinsurer's share	R0340	2,019,233	992,483	-2,282	0	0	0	0	0	0	0	144,261	3,477,609					6,631,304
Net	R0400	15,977,042	18,811,692	-51,016	0	0	0	0	0	0	0	34,926	1,156,286					35,928,930
Changes in other technical provisions																		
Gross - Direct business	R0410	0	-1,674,207	0	0	0	0	0	0	0	0	11,834	-3,379					-1,665,752
Gross - Proportional reinsurance accepted	R0420	0	0	0	0	0	0	0	0	0	0	0	0					0
Gross - Non-proportional reinsurance accepted	R0430													0	0	0	0	0
Reinsurer's share	R0440	0	-43,231	0	0	0	0	0	0	0	0	0	-134,885	0	0	0	0	-178,116
Net	R0500	0	-1,630,976	0	0	0	0	0	0	0	0	11,834	131,506	0	0	0	0	-1,487,636
Expenses incurred	R0550	7,323,725	17,396,292	182,325	0	0	0	0	0	0	0	1,670,227	11,542,274	0	0	0	0	38,114,843
Other expenses	R1200																	0
Total expenses	R1300																	38,114,843

		Line of Business for Life obligations						Line of Business for Life reinsurance obligations		Life insurance
		Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-Life insurance contracts related to health	Annuities stemming from non-life insurance contracts other than health	Health reinsurance	Accepted reinsurance	
		C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0300
Premiums written										
Gross	R1410	392,533,280	248,446,548	293,331,103	723,261,940	0	0	2,922,099	21,823,711	1,682,318,682
Reinsurer's share	R1420	30,221,574	2,886,140	727,520	180,691,440	0	0	0	0	214,526,673
Net	R1500	362,311,707	245,560,409	292,603,583	542,570,500	0	0	2,922,099	21,823,711	1,467,792,009
Premiums earned										
Gross	R1510	399,273,339	248,078,429	293,331,103	701,339,487	0	0	2,922,099	21,823,711	1,666,768,168
Reinsurer's share	R1520	34,966,273	2,877,588	727,520	183,519,820	0	0	0	0	222,091,200
Net	R1600	364,307,066	245,200,841	292,603,583	517,819,666	0	0	2,922,099	21,823,711	1,444,676,967
Claims incurred										
Gross	R1610	168,627,568	396,421,577	915,478,682	285,247,227	0	0	-198,746	1,596,973	1,767,173,280
Reinsurer's share	R1620	18,349,406	946,555	264,555	81,035,697	0	0	0	0	100,596,213
Net	R1700	150,278,161	395,475,022	915,214,128	204,211,529	0	0	-198,746	1,596,973	1,666,577,067
Changes in other technical provisions										
Gross	R1710	-35,047,571	6,591,760	-672,600,632	18,024,894	0	0	0	0	-683,031,550
Reinsurer's share	R1720	-74,007	26,126,759	0	1,188,414	0	0	0	0	27,241,166
Net	R1800	-34,973,564	-19,534,999	-672,600,632	16,836,480	0	0	0	0	-710,272,716
Expenses incurred	R1900	168,639,302	32,858,871	164,982,011	295,075,878	0	0	1,168,115	7,791,435	670,515,612
Other expenses	R2500									2,427,185
Total expenses	R2600									672,942,796

S0501

Scenario : Actual
Year : 2019
Period : Annual
Rep Type : SII
Currency : EUR

MetLife EU Holding Company Ltd

S.05.02.01

Premiums, claims and expenses by country

		Home country	Top 5 countries (by amount of gross premiums written) - non-life obligations					Total Top 5 and home country
		C0010	C0020		C0040	C0050		C0070
	R0010	IE	ES	SK	IT	CY	CZ	
Premiums written		C0080	C0090		C0110	C0120		C0140
Gross - Direct business	R0110	0	23,275,031	28,940,628	39,985,613	24,093,975	11,746,473	128,041,720
Gross - Proportional reinsurance accepted	R0120	3,940,174	356,371	0	0	323,365	0	4,619,909
Gross - Non-proportional reinsurance accepted	R0130	0	0	0	0	0	0	0
Reinsurer's share	R0140	890,742	22,341,587	1,236,794	22,131,214	50,122	1,778,590	48,429,050
Net	R0200	3,049,432	1,289,814	27,703,834	17,854,399	24,367,218	9,967,883	84,232,579
Premiums earned								
Gross - Direct business	R0210	0	24,224,758	28,940,628	37,481,228	23,937,049	11,721,740	126,305,403
Gross - Proportional reinsurance accepted	R0220	4,010,428	356,371	0	0	323,365	0	4,690,163
Gross - Non-proportional reinsurance accepted	R0230	0	0	0	0	0	0	0
Reinsurer's share	R0240	890,742	22,368,780	1,236,794	20,876,393	145,598	1,758,338	47,276,645
Net	R0300	3,119,686	2,212,349	27,703,834	16,604,835	24,114,815	9,963,402	83,718,922
Claims incurred								
Gross - Direct business	R0310	0	732,620	5,303,664	16,663,099	17,061,310	869,213	40,629,907
Gross - Proportional reinsurance accepted	R0320	812,498	16,259	0	0	117,432	0	946,190
Gross - Non-proportional reinsurance accepted	R0330	0	0	0	0	0	0	0
Reinsurer's share	R0340	503,684	701,393	366,070	3,039,854	1,334,854	503,391	6,449,246
Net	R0400	308,815	47,487	4,937,594	13,623,245	15,843,888	365,822	35,126,850
Changes in other technical provisions								
Gross - Direct business	R0410	0	0	0	-1,691,313	0	0	-1,691,313
Gross - Proportional reinsurance accepted	R0420	0	0	0	0	0	0	0
Gross - Non-proportional reinsurance accepted	R0430	0	0	0	0	0	0	0
Reinsurer's share	R0440	0	-10,213	-3,670	-164,234	0	0	-178,116
Net	R0500	0	10,213	3,670	-1,527,079	0	0	-1,513,197
Expenses incurred	R0550	1,834,424	-583,186	12,758,099	9,216,153	2,799,351	5,215,149	31,239,990
Other expenses	R1200							0
Total expenses	R1300	1,834,424	355,431	12,758,099	9,216,153	2,799,351	5,215,149	32,178,607

S0502

Scenario : Actual
Year : 2019
Period : Annual
Rep Type : SII
Currency : EUR

MetLife EU Holding Company Ltd

MetLife

S.05.02.01

Premiums, claims and expenses by country

		Home country	Top 5 countries (by amount of gross premiums written) - life obligations					Total Top 5 and home country
		C0150	C0160	C0170	C0180	C0190	C0190	C0210
	R1400	IE	GB	GR	IT	PL	FR	
		C0220	C0230	C0240	C0250	C0260	C0260	C0280
Premiums written								
Gross	R1410	77,476	282,992,717	283,114,156	219,707,295	195,723,203	185,414,521	1,167,029,367
Reinsurer's share	R1420	3,364,401	102,643,670	9,750,167	98,002,460	1,784,940	15,773,323	231,318,961
Net	R1500	-3,286,925	180,349,048	273,363,989	121,704,835	193,938,263	169,641,198	935,710,406
Premiums earned								
Gross	R1510	434,792	277,831,286	281,724,399	193,779,504	214,979,556	185,418,234	1,154,167,770
Reinsurer's share	R1520	3,363,500	103,928,374	9,734,583	94,712,435	12,364,082	15,777,657	239,880,630
Net	R1600	-2,928,708	173,902,912	271,989,816	99,067,069	202,615,474	169,640,576	914,287,140
Claims incurred								
Gross	R1610	22,722,065	843,374,455	179,139,963	62,073,182	238,825,535	59,858,237	1,405,993,437
Reinsurer's share	R1620	-2,431,014	44,072,529	7,651,859	32,908,875	2,430,793	4,393,250	89,026,291
Net	R1700	25,153,080	799,301,925	171,488,105	29,164,307	236,394,742	55,464,987	1,316,967,146
Changes in other technical provisions								
Gross	R1710	-43,376,136	-352,497,917	-80,184,550	-8,418,190	21,174,802	-7,397,756	-470,699,746
Reinsurer's share	R1720	688,387	165,529,570	-67,210	5,957	76,128	370,465	166,603,298
Net	R1800	-44,064,523	-518,027,487	-80,117,340	-8,424,147	21,098,675	-7,768,221	-637,303,044
Expenses incurred	R1900	110,674,383	116,159,049	46,199,721	61,313,932	83,103,929	78,328,416	495,779,430
Other expenses	R2500							5,181,588
Total expenses	R2600							500,961,018

Scenario : Actual
Year : 2019
Period : Annual
Rep Typ : SII
Currency : EUR

MetLife EU Holding Company Ltd

S.23.01.04

Own Funds

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Basic Own Funds						
Ordinary share capital (gross of own shares)	R0010	947	947		0	
Non-available called but not paid ordinary share capital at group level	R0020	0	0		0	
Share premium related to ordinary share capital	R0030	265,153,527	265,153,527		0	
Initial funds, members' contributions	R0040	0	0		0	
Subordinated mutual member accounts	R0050	0		0	0	0
Non-available subordinated mutual member accounts at group level	R0060	0		0	0	0
Surplus funds	R0070	0	0			
Non-available surplus funds at group level	R0080	0	0			
Preference shares	R0090	0		0	0	0
Non-available preference shares at group level	R0100	0		0	0	0
Share premium related to preference shares	R0110	0		0	0	0
Non-available share premium related to preference shares at group level	R0120	0		0	0	0
Reconciliation reserve before deduction for participations	R0130	1,434,499,299	1,434,499,299			
Subordinated liabilities	R0140	0		0	0	0
Non-available subordinated liabilities at group level	R0150	0		0	0	0
An amount equal to the value of net deferred tax assets	R0160	68,055,815				68,055,815
The amount equal to the value of net deferred tax assets not available at group	R0170	47,614,779				47,614,779
Other items approved by supervisory authority as basic own funds - Group	R0180	0	0	0	0	0
Non available other own funds items approved by supervisory authority	R0190	0	0	0	0	0
Minority interests (if not reported as part of another own fund item)	R0200	0	0	0	0	0
Non-available minority interests	R0210	0	0	0	0	0
Own funds not represented by the reconciliation reserve	R0220	0				
Deductions not included in the reconciliation reserve						
Participations credit institutions, investment firms and financial institutions	R0230	0	0	0	0	
whereof deducted according to art 228 of the Directive 2009/138/EC	R0240	0	0	0	0	
Participations where there is non-availability of information	R0250	0	0	0	0	0
Participations when using D&A or combination of methods	R0260	0	0	0	0	0
Total of non-available own fund items	R0270	47,614,779	0	0	0	47,614,779
Total deductions	R0280	47,614,779	0	0	0	47,614,779
Total basic own funds after adjustments	R0290	1,720,094,809	1,699,653,772	-	-	20,441,037
Ancillary Own Funds						
Unpaid and uncalled ordinary share capital	R0300	0			0	
Unpaid and uncalled initial funds	R0310	0			0	
Unpaid and uncalled preference share capital	R0320	0			0	0
Commitment to subscribe and pay for subordinated liabilities	R0330	0			0	0
Letters of credit and guarantees under Article 96(2)	R0340	0			0	
Letters of credit and guarantees other than under Article 96(2)	R0350	0			0	0
Supplementary members calls under Article 96(3)	R0360	0			0	
Supplementary members calls other than under Article 96(3)	R0370	0			0	0
Non-available ancillary own funds	R0380	0			0	0
Other ancillary own funds	R0390	0			0	0
Total ancillary own funds	R0400	0			0	0
Total own funds of other financial sectors						
Investment firms and financial institutions	R0410	0	0	0	0	
Institutions for occupational retirement provision	R0420	0	0	0	0	0
Non-regulated entities carrying out financial activities	R0430	0	0	0	0	
Total own funds of other financial sectors	R0440	0	0	0	0	
Own funds when using the D&A, exclusively or in combination of method 1						
Own funds aggregated using D&A and combination of method	R0450	0	0	0	0	0
Own funds aggregated using D&A and combination of method without IGT	R0460	0	0	0	0	0
Total available own funds to meet the SCR (group)	R0520	1,720,094,809	1,699,653,772	-	-	20,441,037
Total available own funds to meet the minimum group SCR	R0530	1,699,653,772	1,699,653,772	-	-	
Total eligible own funds to meet the SCR	R0560	1,720,094,809	1,699,653,772	-	-	20,441,037
Total eligible own funds to meet the minimum group SCR	R0570	1,699,653,772	1,699,653,772	-	-	
Consolidated Group SCR	R0590	930,628,618				
Minimum consolidated Group SCR (Article 230)	R0610	416,983,411				
Ratio of Eligible own funds to Minimum Group SCR	R0650	407.61%				
Total eligible own funds to meet the group SCR (inc other fin sector and D&A)	R0660	1,720,094,809	1,699,653,772	-	-	20,441,037
Group SCR	R0680	930,628,618				
Ratio of Eligible own funds to SCR including other financial sectors	R0690	184.83%				

Scenario : Actual
Year : 2019
Period : Annual
Rep Typ : SII
Currency : EUR

MetLife EU Holding Company Ltd

S.23.01.04

Own Funds

		Total
Reconciliation reserve		C0060
Excess of assets over liabilities	R0700	1,767,709,588
Own shares (held directly and indirectly)	R0710	-
Forseeable dividends, distributions and charges	R0720	-
Other basic own funds items	R0730	333,210,289
Adjustment for restricted own fund items of MAPs and RFFs	R0740	-
Other non available own funds	R0750	-
Reconciliation reserve before deduction for participations	R0760	1,434,499,299
Expected profits		
Expected profits included in future premiums (EPIFP) - Life business	R0770	817,859,690
Expected profits included in future premiums (EPIFP) - Non-Life business	R0780	31,424,935
Total Expected profits included in future premiums (EPIFP)	R0790	849,284,626

S2301

Scenario : Actual
Year : 2019
Period : Annual
Rep Typ : SII
Rep Uni : [None]
Currenc : EUR

MetLife EU Holding Company Ltd

S.25.01.22

Solvency Capital Requirement - for undertakings on Standard Formula

		Gross solvency capital requirement	USP	Simplifications
		C0040	C0090	C0010
Market risk	R0010	439,353,258		
Counterparty default risk	R0020	80,856,882		
Life underwriting risk	R0030	581,686,220	None	None
Health underwriting risk	R0040	118,755,706	None	None
Non-life underwriting risk	R0050	14,879,940	None	None
Diversification	R0060	-346,029,689		
Intangible asset risk	R0070	-		
Basic Solvency Capital Requirement	R0100	889,502,317		

Calculation of Solvency Capital Requirement		C0100
Operational risk	R0130	83,658,747
Loss-absorbing capacity of technical provisions	R0140	-2,970,495
Loss absorbing capacity of deferred taxes	R0150	-63,806,721
Capital requirement in accordance with Art 4 of Directive 2003/41/EC	R0160	-
Solvency capital requirement excluding capital add-on	R0200	906,383,848
Capital add-ons already set	R0210	-
Solvency capital requirement	R0220	930,628,618
Other information on SCR		
Capital requirement for duration-based equity risk sub-module	R0400	-
Notional Solvency Capital Requirements for remaining part	R0410	-
Notional Solvency Capital Requirement for ring fenced funds	R0420	-
Notional Solvency Capital Requirements for matching adjustment portfolios	R0430	-
Diversification effects due to RFF nSCR aggregation for article 304	R0440	-
Minimum consolidated group solvency capital requirement	R0470	416,983,411
Information on other entities		
Capital requirement for other financial sectors (Non-insurance capital requirements)	R0500	24,244,770
Capital requirement for other financial sectors (Non-insurance capital requirements) - Credit institutions, investment firms and financial institutions, alternative investment funds mana	R0510	24,244,770
Capital requirement for other financial sectors (Non-insurance capital requirements) - Institutions for occupational retirement provisions	R0520	-
Capital requirement for other financial sectors (Non-insurance capital requirements) - Capital requirement for non-regulated entities carrying out financial activities	R0530	-
Capital requirement for non-controlled participation requirements	R0540	-
Capital requirement for residual undertakings	R0550	-
Overall SCR		
SCR for undertakings included via D and A	R0560	-
Solvency capital requirement	R0570	930,628,618

Scenario : Actual
Year : 2019
Period : Annual
Rep Typ : SII
Rep Uni : [None]
Currenc : EUR

MetLife EU Holding Company Ltd

MetLife

S.32.01.04

Undertakings in the scope of the group

Country	Identification code and type of code of the undertaking	Legal Name of the undertaking	Type of undertaking	Legal form	Category (mutual/non mutual)	Supervisory Authority
C0010	C0020	C0040	C0050	C0060	C0070	C0080
GB	LEI/635400NHEHNLNOOCON25	MetLife Pension Trustees Limited	Credit institutions, investment firms and financial institutions	incorporated companies limited by shares	Non-mutual	Financial Conduct Authority
IE	LEI/549300D366WPHJ4OJ240	MetLife Europe d.a.c.	Composite insurer	incorporated companies limited by shares	Non-mutual	Central Bank of Ireland
IE	LEI/635400NKTDCRIP8MW721	MetLife Europe Services Limited	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	incorporated companies limited by shares	Non-mutual	Not Required
IE	LEI/635400UXRXZZHNPISH82	MetLife Europe Insurance d.a.c.	Non-life insurer	incorporated companies limited by shares	Non-mutual	Central Bank of Ireland
IE	LEI/635400CHXE7WQ4KORZ69	MetLife Services EEIG	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Unlimited	Non-mutual	Not Required
PL	LEI/259400B0G3LJVFVZS942	MetLife Towarzystwo Ubezpieczeń na Życie i Reasekuracji Spółka Akcyjna	Life insurer	Spolka Akcyjna	Non-mutual	Komisja Nadzoru Finansowego
PL	LEI/635400ZQXFFERFINH330	MetLife Powszechne Towarzystwo Emerytalne S.A.	Credit institutions, investment firms and financial institutions	Spolka Akcyjna	Non-mutual	Komisja Nadzoru Finansowego
PL	LEI/635400GH2ZGTVF346I21	MetLife Services Sp z.o.o	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	'spólka z ograniczona odpowiedzialnoscia	Non-mutual	Not Required
PL	LEI/635400TDD6OUGVL3EI20	MetLife Towarzystwo Funduszky Inwestycyjnych S.A.	Credit institutions, investment firms and financial institutions	Spolka Akcyjna	Non-mutual	Komisja Nadzoru Finansowego
CY	LEI/635400CGNSC556VFPB57	MetLife Services Cyprus Limited	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	εταιρεία περιορισμένης ευθύνης με μετοχές	Non-mutual	Not Required
GR	LEI/213800MM677CWPSYWJ83	METLIFE LIFE INSURANCE S.A.	Composite insurer	ανώνυμη εταιρία’	Non-mutual	National Bank of Greece
GR	LEI/635400S5G5WWGN6B8T87	MetLife Mutual Fund Management Company	Credit institutions, investment firms and financial institutions	Ανώνυμη Εταιρία	Non-mutual	Hellenic Capital Market Commission
HU	LEI/635400JBCECJBZXQ8486	Elso Amerikai-Magyar Biztosítási Ügynök Kft.	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	incorporated companies limited by shares	Non-mutual	Not Required
RO	LEI/635400LWSV74E2BPCB36	Metropolitan Life SAFPAP S.A.	Credit institutions, investment firms and financial institutions	Societate pe actiuni	Non-mutual	Autoritatea de Supraveghere Financiara
SK	LEI/635400PSUHC4N8DXDH26	MetLife Slovakia s.r.o.	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	incorporated companies limited by shares	Non-mutual	Not Required
BG	LEI/635400CCB11TOGGW6B84	MetLife Services EOOD	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Еднолично дружество сограничена отговорност	Non-mutual	Not Required
IT	LEI/635400TW2BMPPHFLE121	Agenvita S.r.l.	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	S.r.L	Non-mutual	Not Required
FR	LEI/635400XE43DKKBISHK71	MetLife Solutions S.A.S.	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Société par Actions Simplifiée	Non-mutual	Not Required
IE	LEI/635400BZJFKMRZMKBB72	MetLife EU Holding Company Limited	Insurance holding company as defined in Art. 212Â§ [f] of Directive 2009/138/EC	incorporated companies limited by shares	Non-mutual	Not Required
ES	LEI/6354004CVGQFI9SJOV31	MetLife Services Sociedad Limitada	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	incorporated companies limited by shares	Non-mutual	Not Required

Accounting Standard	Criteria of influence						Inclusion in the scope of Group supervision		Group solvency calculation
	Capital share	Used for the establishment of accountingconsolidated accounts	Voting rights	Other criteria	Level of influence	Proportional Share used for group solvency calculation	Inclusion in the scope of Group supervision	Date of decision if art. 214 is applied	Method chosen and under method 1, treatment of the undertaking
C0170	C0180	C0190	C0200	C0210	C0220	C0230	C0240	C0250	C0260
Local GAAP	100.00%	100.00%	100%		Dominant	100%	Included into scope of group supervision		Method 1: Sectoral rules
IFRS	100.00%	100.00%	100%		Dominant	100%	Included into scope of group supervision		Method 1: Full consolidation
IFRS	100.00%	100.00%	100%		Dominant	100%	Included into scope of group supervision		Method 1: Full consolidation
IFRS	100.00%	100.00%	100%		Dominant	100%	Included into scope of group supervision		Method 1: Full consolidation
IFRS	100.00%	100.00%	100%		Dominant	100%	Included into scope of group supervision		Method 1: Full consolidation
Local GAAP	100.00%	100.00%	100%		Dominant	100%	Included into scope of group supervision		Method 1: Full consolidation
Local GAAP	100.00%	100.00%	100%		Dominant	100%	Included into scope of group supervision		Method 1: Sectoral rules
Local GAAP	100.00%	100.00%	100%		Dominant	100%	Included into scope of group supervision		Method 1: Full consolidation
Local GAAP	100.00%	100.00%	100%		Dominant	100%	Included into scope of group supervision		Method 1: Sectoral rules
IFRS	100.00%	100.00%	100%		Dominant	100%	Included into scope of group supervision		Method 1: Full consolidation
IFRS	100.00%	100.00%	100%		Dominant	100%	Included into scope of group supervision		Method 1: Full consolidation
IFRS	100.00%	100.00%	100%		Dominant	100%	Included into scope of group supervision		Method 1: Sectoral rules
Local GAAP	100.00%	100.00%	100%		Dominant	100%	Included into scope of group supervision		Method 1: Full consolidation
Local GAAP	100.00%	100.00%	100%		Dominant	100%	Included into scope of group supervision		Method 1: Sectoral rules
IFRS	100.00%	100.00%	100%		Dominant	100%	Included into scope of group supervision		Method 1: Full consolidation
IFRS	100.00%	100.00%	100%		Dominant	100%	Included into scope of group supervision		Method 1: Full consolidation
Local GAAP	100.00%	100.00%	100%		Dominant	100%	Included into scope of group supervision		Method 1: Full consolidation
Local GAAP	100.00%	100.00%	100%		Dominant	100%	Included into scope of group supervision		Method 1: Full consolidation
IFRS	100.00%	100.00%	100%		Dominant	100%	Included into scope of group supervision		Method 1: Full consolidation
Local GAAP	100.00%	100.00%	100%		Dominant	100%	Included into scope of group supervision		Method 1: Full consolidation