MetLife

MetLife Europe d.a.c.

Solvency II Solvency and Financial Condition Report

For the year ended 31 December 2022

MetLife

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Executive summary

Background

MetLife Europe d.a.c. (the Undertaking) is an Irish incorporated entity domiciled in Ireland and is authorised by the Central Bank of Ireland (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 (EU) (Insurance and Reinsurance) Regulations 2015 (S.I. No 485 of 2015).

The Undertaking's immediate parent company is MetLife EU Holding Company Limited (MetLife EU) and its ultimate parent company is MetLife, Inc., a company domiciled in the United States of America (USA).

MetLife Inc. operates within Europe through various subsidiaries. The Undertaking leverages the options provided by the European Insurance Directives to "passport" throughout the EU from a single base in Ireland. The Undertaking has branches in the United Kingdom (UK), Italy, Spain, Portugal, France, Czech Republic, Bulgaria, Slovakia, Hungary, Romania and Cyprus. The Undertaking also operates via Freedom of Services (FOS) in Germany, Austria and the Netherlands. The Undertaking ceased operating freedom of services in Poland in March 2022. The Undertaking terminated all business with Russia during 2022.

The Undertaking is required to submit the 2022 Solvency and Financial Condition Report (SFCR) to the CBI as part of the 2022 annual Solvency II returns. The SFCR is prepared pursuant to the Commission Delegated Regulation (EU) 2015/35 ("The Delegated Acts") and the European Insurance and Occupational Pensions Authority (EIOPA) Final Report on Public Consultation No. 14/047. The Delegated Acts supplement Directive 2009/138/EC as implemented in Ireland by the EU (Insurance and Reinsurance) Regulations 2015.

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

Content

The following provides a summary of the SFCR by section and notes any material changes during the year

A - Business and Performance

Significant business events

On 24 February 2022, Russia commenced an invasion of Ukraine. The invasion has had a significant impact on a number of financial markets. The Directors have considered the impact of these developments on the Undertaking and have determined that, to the best of their knowledge, there are no material direct material operational or financial exposures. However, the indirect impacts such as increased market volatility and heightened levels of inflation have the potential to impact the Undertaking negatively. In this regard, the Russia-Ukraine conflict has increased the market and supply-chain disruption initially triggered by the COVID-19 pandemic resulting in high levels of inflation and rising interest rate and market volatility as a result of monetary and fiscal policy responses. Section C.6 reflects how the Russia-Ukraine conflict and the resulting economic volatility has the potential to impact the Undertaking. The Directors will continue to monitor this ongoing situation for further developments which may impact the Undertaking.

The UK ceased to be a member of the EU on 31 January 2020, and is no longer subject to EU law. While discussions continue between the UK and EU on a Memorandum of Understanding (MOU) for financial services, there is no clear timeline. In the meantime, the UK government has begun the process of reviewing its regulatory framework. It is likely that the UK's domestic prudential regime may begin to diverge from the Solvency II Directive, but it is still unclear if it will do so in a way that would prevent a future MOU or have a material impact on the supervision of insurers. The Undertaking expects to maintain its existing operating model, including as an inbound EEA-insurer, under the UK's Temporary Permissions Regime (TPR), which is due to last until at least the 31 December 2023 and will so permit the Undertaking to carry on its insurance business in the UK during this period.

The Undertaking paid a dividend of €155m to MetLife EU during the year. There were sufficient International Financial Reporting Standards ("IFRS") distributable reserves in accordance with the Companies Act 2014 requirements. In addition, the directors were satisfied that there was sufficient solvency cover, based on the Own Risk and Solvency Assessment (ORSA), to support the payment of the dividend.

Overall, the Undertaking's solvency coverage increased to 198% in 2022 (2021: 196%; 2020: 186%).

The Undertaking's strategy is in line with the MetLife Inc. strategy, referred to as the 'Next Horizon Strategy'. The Strategy is encapsulated within a Strategy framework that connects Purpose, Bold Commitments, Strategic Choices and Key Enablers. These are defined as:

Purpose: This is described as 'Always with you, building a more confident future'. This underpins the Strategy and sets the direction for the Undertaking.

Bold Commitments: This defines key stakeholders as People, Shareholders and Customers and the Undertaking's commitments to them.

Strategic Choices: This identifies what to do differently to activate the purpose and deliver on commitments. It is defined by three strategic pillars of Focus, Simplify and Differentiate.

Key Enablers: These are the behaviours, mind-set and culture required to successfully implement the Strategy, with focus on customer and efficiency mind-set.

MetLife group's commitment to the environment reflects the corporate purpose. MetLife group's approach includes a comprehensive environmental, health and safety agenda that considers the need to use natural resources sustainably. The MetLife group's priority is to reduce the environmental impact of their global operations and supply chain, while leveraging its investments, products, and services to help protect communities and drive climate solutions. The Undertaking, being an integral part of the MetLife group, supports the group's commitment to environmental stewardship. For example, the Undertaking prioritises this commitment by implementing greenhouse gas emissions reduction programs, energy-efficiency initiatives, water and waste minimization strategies, recycling, climate change risk management and employee engagement on environmental initiatives throughout the Undertaking's operations.

Details of MetLife group's sustainability program, including environmental initiatives and carbon emissions data can be found in MetLife's Sustainability Report (www.metlife.com/sustainability).

Business performance

The financial statements are prepared under IFRS. Profit has increased from €128m in 2021 to €135m in 2022. This mainly due to business growth and lower claims in the UK group business partially offset by higher expenses.

There are no material changes by line of business or by geographical segment over the reporting period.

B - Systems of Governance

Governance structure and roles

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

The Board directs the Undertaking's affairs to ensure its prosperity, whilst meeting the appropriate interests of its shareholders and third parties, such as customers and regulators. In particular, the Board provides effective, prudent and ethical oversight of the Undertaking.

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

- The business strategy;
- The amounts, types and distribution of capital adequate to cover the risks of the Undertaking;
- The strategy for the ongoing management of material risks;
- A robust and transparent organisational structure with effective communication and reporting channels;
- A remuneration framework that is in line with the risk strategy of the Undertaking; and
- An adequate and effective internal control framework, that includes well-functioning risk management, compliance and internal audit functions as well as an appropriate financial reporting and accounting framework.

The Corporate Governance Structure is supported by the Executive Management organisational structure, which defines key areas of authority and responsibility and establishes the appropriate lines of reporting. The Executive Management is responsible for the day to day running of the Undertaking and is led by the Chief Executive Officer (CEO).

The committees of the Board are:

- Audit Committee;
- Risk Committee;
- Investment Committee; and
- Nomination Committee.

Fit and proper requirements

The Undertaking's Fitness and Probity Policy sets out the minimum standards, in compliance with the CBI Fitness and Probity Standards and relevant legislation. It is there to ensure that a person, who is known as a 'Responsible Person', has the necessary qualities and competencies in order to allow him/her to perform the duties and carry out the responsibilities of his/her position within the Undertaking. 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 (the Framework) sets out the approaches to risk management and structure to be followed by all associates in their capacity as executives, management and staff. The key objectives of the Framework are to:

- Promote a strong risk culture in the Undertaking, rooted in the Undertaking's purpose and values, in particular customer protection;
- Ensure consistent, systematic management of risks across all businesses, operations and risk types; and
- Enable decision makers to efficiently direct the Undertaking's resources to appropriate business opportunities that are within the Board's risk appetite.

A key element of risk management is the ORSA. The ORSA is a bespoke strategic analysis which links together all pillars of Solvency II and all areas of the Undertaking. It enables the Board to understand the risks faced, and how they translate into capital needs or alternatively require mitigating actions. The ORSA process is an ongoing and continuous process, of which the annual report is a complete board-level roundup at a point in time providing a meaningful and useful report to the Board. The results of the ORSA process and the insights gained in the process provide input into risk management, long-term capital management, business planning and product development and design.

The Undertaking's Control Framework promotes 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 joint responsibilities of the general managers and the Heads of Functions.

C - Risk Profile

The Undertaking is exposed to underwriting, market, credit, liquidity and operational risk.

Underwriting risk includes mortality risk, longevity risk, morbidity risk, policyholder behaviour risk, and expense risk. Underwriting risks are primarily mitigated through diversification and single-exposure limits for different components such as mortality and morbidity. 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 Undertaking 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 and equity markets, either indirectly through revenues that depend on the value of investments covering unit-linked policies or directly through positions held to facilitate policyholder transactions or guarantees provided to policyholders. Market risks are primarily mitigated through aligning assets and liabilities, in particular in terms of currencies and timing of cash flows. Equity exposures from the book of unit-linked policies are managed through product design and selection of suitable investment funds. The Undertaking's market risk exposure increased due to the higher interest rates over the period.

The Undertaking 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 primarily from the investment portfolio and from a number of counterparties related to risk mitigation. Credit risks are primarily mitigated through asset allocation, diversification and single-exposure limits. For counterparty exposures, the Undertaking may require the placement of collateral.

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

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

The Undertaking is also exposed to emerging and evolving risks. The Undertaking currently considers geopolitical risk related to the conflict in Ukraine, economic uncertainty related to a high inflationary environment, changing customer and partner expectations, disruptive technology (including transformative technology for insurance distribution (InsurTech) and cybersecurity issues) and regulatory change (noting the large volume of change in the pipeline) as key emerging risks.

In addition to the risks outlined above, the Undertaking is also exposed to the risks posed by sustainability and more specifically climate change. Climate risk is unique as a category of risk in that it can impact the Undertaking and its business model across a variety of the traditional risk categories. In addition, climate risk can impact the Undertaking differently across the short, medium and long term. Increasing regulatory focus from an Environment, Social and Governance (ESG) perspective has looked to inform firms on how the management of climate risks should be approached. They set out a framework for how firms should consider climate risk including a number of requirements spanning governance, risk management, scenario analysis and disclosure. The Undertaking continues to develop its capabilities to manage climate risk in line with emerging and evolving methods, tools and available data.

In addition, a key risk also remains around the potential for regulatory divergence between the UK and EU following the UK's departure from the EU.

The Undertaking reviews its risk exposures regularly and considers potential actions to align exposure to risk appetite.

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. The main valuation differences between Solvency II and IFRS relate to deferred acquisition costs and intangible assets, which are not recognised under Solvency II. In addition property, plant and equipment is measured at cost less accumulated depreciation for IFRS as against fair value for Solvency II. Commercial mortgage loans are stated at unpaid principal balance, adjusted for any deferred fees for IFRS compared to fair value for Solvency II.

Technical Provisions

The technical provisions correspond to the current amount the Undertaking 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 (BEL) 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 a fair value adjustment that captures the cost of holding the unhedgeable 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.

Solvency II and IFRS have different rules for classifying/grouping insurance contracts, and these rules affect the valuation of the liabilities. Solvency II capitalises all future profits, subject to contract boundaries, whereas IFRS generally does not. Solvency II determines a risk margin, whereas this concept does not generally apply to IFRS.

Solvency II requires assumptions to be based on best estimate whereas IFRS may apply Provisions for Adverse deviations to the assumptions used to value the reserves. The Solvency II 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 relate to lapses, expenses, mortality and morbidity.

Net technical provisions have decreased by €343m from €2,225m in 2021 to €1,883m in 2022. Drivers of this decrease include assumption changes during 2022, primarily demographic and expense assumption changes, organic changes in relation to new business, actual experience and market movements and roll-forward of the technical provisions on the in-force business.

E - Capital Management

Capital Management Policy

The strategic objectives of capital management for the Undertaking are:

- Regulatory compliance: to ensure compliance with the Undertaking's regulatory capital requirements.
- Efficient allocation: to manage and allocate capital efficiently to achieve sustainable returns and facilitate growth objectives.
- Financial strength: to ensure access to capital markets on competitive terms, so that the Undertaking's overall cost of capital is minimised.

Taken together, these strategic goals strengthen the Undertaking's ability to withstand losses from adverse business and market conditions, enhance its financial flexibility and serve the interests of stakeholders.

The Undertaking's capital is monitored through the capital management process and within the Undertaking's stated risk appetite limits. Any breaches of these limits is escalated in accordance with and as defined by any relevant regulatory or internal policies. The Undertaking's risk appetite recognises the regulatory minimum standard, as it applies to technical provisions, own funds and capital under Solvency II, and sets the target ongoing solvency level in order to enable the Undertaking to withstand the financial implications of adverse experience.

Own funds and SCR

The SCR is calculated using the standard formula 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. It 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 using correlation matrices, both at the sub-module and the main module level. 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:

	31-Dec-22	31-Dec-21	Movement
	€'m	€'m	€'m
Own Funds			
Tier One	**1,194**	1,366	(172)
Tier Two	**—**	—	—
Tier Three	**24**	16	8
Eligible own funds for SCR	**1,218**	1,382	(164)
SCR	**616**	704	(88)
Solvency Ratio	**198%**	196%	2%
Eligible own funds for MCR	**1,194**	1,366	(172)
MCR	**277**	317	(40)

Own funds decreased by €163m from €1,382m in 2021 to €1,218m in 2022. The primary driver of this decrease is the payment of a dividend of €155m to MetLife EU in December 2022.

The solvency ratio increased by 2% from 196% in 2021 to 198% in 2022.

The Undertaking has had own funds in excess of both the SCR and MCR requirements over the reporting period. The ORSA assessments to date indicate that the Undertaking is adequately capitalised.

Approval

The SFCR was approved by the Board on 28 March 2023.

A Business and performance

A.1 Business

A.1.1 Overview

The Undertaking 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 EU (Insurance and Reinsurance) Regulations 2015 (S.I. No. 485 of 2015).

The Undertaking's immediate parent company is MetLife EU and its ultimate parent company is MetLife, Inc., a company domiciled in the USA. See section A.1.3 for details on the Group entity structure.

MetLife Inc. operates within Europe through various subsidiaries. The Undertaking leverages the options provided by the European Insurance Directives to "passport" throughout the EU from a single base in Ireland. The Undertaking has branches in the UK, Italy, Spain, Portugal, France, Czech Republic, Bulgaria, Slovakia, Hungary, Romania and Cyprus. The Undertaking also operates via FOS in Germany, Austria and the Netherlands. The Undertaking ceased operating freedom of services in Poland in March 2022. The Undertaking terminated all business with Russia during 2022.

The Undertaking's regulatory supervisor is the CBI, whose address is:

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

The Undertaking's external auditor is Mazars, whose address is:

Mazars
Chartered Accountants and Statutory Audit Firm
Block 3
Harcourt Centre
Harcourt Road
Dublin 2

See section A.2 for a description of the Undertaking's underwriting performance by material lines of business and geographical areas.

A.1.2 Significant business and other events

On 24 February 2022, Russia commenced an invasion of Ukraine. The invasion has had a significant impact on a number of financial markets. The Directors have considered the impact of these developments on the Undertaking and have determined that, to the best of their knowledge, there are no material direct material operational or financial exposures. However, the indirect impacts such as increased market volatility and heightened levels of inflation have the potential to impact the Undertaking negatively. In this regard, the Russia-Ukraine conflict has increased the market and supply-chain disruption initially triggered by the COVID-19 pandemic resulting in high levels of inflation and rising interest rate and market volatility as a result of monetary and fiscal policy responses. Section C.6 reflects how the Russia-Ukraine conflict and the resulting economic volatility has the potential to impact the Undertaking. The Directors will continue to monitor this ongoing situation for further developments which may impact the Undertaking.

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prevent a future MOU or have a material impact on the supervision of insurers. The Undertaking expects to maintain its existing operating model, including as an inbound EEA-insurer, under the UK's Temporary Permissions Regime (TPR), which is due to last until at least the 31 December 2023 and will so permit the Undertaking to carry on its insurance business in the UK during this period.

The Undertaking paid a dividend of €155m to MetLife EU during the year. There were sufficient International Financial Reporting Standards (IFRS) distributable reserves in accordance with the Companies Act 2014 requirements. In addition, the directors were satisfied that there was sufficient solvency cover, based on the Own Risk and Solvency Assessment (ORSA), to support the payment of the dividend.

Overall, the Undertaking's solvency coverage increased to 198% in 2022 (2021: 196%; 2020: 186%). Additional details are provided in section E.2.3.

The Undertaking's strategy is in line with the MetLife, Inc. strategy, referred to as the 'Next Horizon Strategy'. The Strategy is encapsulated within a Strategy framework that connects Purpose, Bold Commitments, Strategic Choices and Key Enablers. These are defined as:

Purpose: This is described as 'Always with you, building a more confident future'. This underpins the Strategy and sets the direction for the Undertaking.

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Details of MetLife group's sustainability program, including environmental initiatives and carbon emissions data can be found in MetLife's Sustainability Report (www.metlife.com/sustainability).

A.1.3 Entity structure

The Undertaking's immediate parent company is MetLife EU and its ultimate parent company is MetLife, Inc. The Undertaking's parent is subject to group regulatory supervision by the CBI.

The Undertaking has authorised share capital of 100,000,000 shares of €1 each. At 31 December 2022, the Undertaking had issued €4,379,124 (2021: €4,379,124) in share capital. The qualifying holdings, number of shares and voting rights of the issued shares as at 31 December 2022 and 2021 are:

	Holdings	**Shares**
MetLife EU Holding Company Limited	100.00%	4,379,124

The Undertaking has a 100% owned subsidiary in the UK, MetLife Pension Trustees Limited. This subsidiary is trustee and administrator of personal pension schemes.

A.1.4 Total performance

Total performance	Section reference	**2022 €'m**	2021 €'m
Operating			
Underwriting result	A2.1	**315**	256
Investment income	A3.1	**60**	64
Other income	A4.1	**16**	16
Expenses	A4.1	**(189)**	(138)
Tax	A4.1	**(35)**	(42)
Total operating		**167**	156
Non-operating			
Investment income	A3.1	**(594)**	322
Net fees	A4.1	**1**	(361)
Net Investment gains/(losses)	A4.1	**—**	41
Foreign exchange gains	A4.1	**3**	12
Direct interest credited to policyholder account balances	A4.1	**570**	(325)
Reinsured interest credited to policyholder account balances	A4.1	**(454)**	192
Expenses	A4.1	**(38)**	284
Interest on funds withheld	A4.1	**454**	(192)
Tax	A4.1	**26**	(1)
Total non-operating		**(32)**	(28)
Profit for the financial year		**135**	128

The financial values are per the Undertaking's IFRS financial statements.

Analysis is provided in the sections referenced above.

A.2 Underwriting performance

A.2.1 Underwriting performance by line of business

The tables below set out the analysis of 2022 underwriting performance against the prior year.

	Health Insurance	Insurance with profit participation	Index linked and unit linked	Other life insurance	Non-life insurance	Total
	€'m	€'m	€'m	€'m	€'m	€'m
	2022	2022	2022	2022	2022	2022
Net earned premium	290	48	(32)	616	68	990
Fee income	—	(2)	126	40	—	164
Total premium and fee income	290	46	94	656	68	1,154
Claims incurred	(43)	(109)	—	(284)	(38)	(474)
Change in technical provisions	(5)	27	(6)	(1)	(3)	12
Total policyholder benefits	(48)	(82)	(6)	(285)	(41)	(462)
Commission	(107)	(1)	(44)	(185)	(17)	(354)
Other variable expenses	(23)	(7)	—	(61)	(2)	(93)
Total variable expenses	(130)	(8)	(44)	(246)	(19)	(447)
Deferred acquisition costs	10	13	22	23	2	70
Underwriting result	122	(31)	66	148	10	315

	Health Insurance €'m 2021	Insurance with profit participation €'m 2021	Index linked and unit linked €'m 2021	Other life insurance €'m 2021	Non-life insurance €'m 2021	Total €'m 2021
Net earned premium	258	37	(62)	607	68	908
Fee income	—	7	195	5	—	207
Total premium and fee income	258	44	133	612	68	1,115
Claims incurred	(47)	(106)	—	(313)	(34)	(500)
Change in technical provisions	4	22	(11)	(1)	(1)	13
Total policyholder benefits	(43)	(84)	(11)	(314)	(35)	(487)
Commission	(94)	(2)	(39)	(140)	(17)	(292)
Other variable expenses	(18)	(6)	—	(62)	(2)	(88)
Total variable expenses	(112)	(8)	(39)	(202)	(19)	(380)
Deferred acquisition costs	13	17	(49)	27	—	8
Underwriting result	116	(31)	34	123	14	256

The underwriting profit increased by €59m from €256m in 2021 to €315m in 2022. This is mainly driven by the other life and index and unit-linked lines of business.

The other life line of business has increased from 2021 primarily due to lower claims in UK group business.

The health line of business has increased from 2021 primarily due to business growth in UK and Romania.

The insurance with profit participation and non-life lines of business results are mainly consistent with 2021.

For the insurance with profit participation line of business, the underwriting result is depressed due to 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.

The index and unit-linked lower underwriting result is driven by the impact of the 2021 MetLife Reinsurance Company of Bermuda Limited (MetLife Bermuda) reinsurance treaty with the UK. The Undertaking agreed to pay €4,591m in consideration for the net reinsured liabilities of €4,235m. This resulted in a net cost of reinsurance at inception of the contract to the Undertaking of €356m. This cost is deferred and amortised over the remaining life of the reinsured contracts. The payment includes €389m initial reinsurance premium with the remainder owed as part of a funds withheld arrangement. The 2021 reinsurance balances were reflected in the income statement through a number of offsetting operating and non-operating line items including reinsurance premium, deferred fee income, deferred acquisition costs (DAC), net investment guarantees gain/(loss) and the deferred cost of reinsurance in expenses. This includes €36m income in the index and unit-linked underwriting result offset by €36m deferred cost of reinsurance expenses (see section A.4.1).

In addition, there are offsetting variances in the index and unit-linked result due to 2021 Czech and Slovakia modelling adjustments. The adjustments offset between DAC and deferred fee income.

A.2.2 Underwriting performance by geographical segment

The Undertaking performance, split by material geographic performance is set out in the table below:

	UK and Ireland		**Western Europe**		**Central Europe**		**Total**	
	2022	2021	**2022**	2021	**2022**	2021	**2022**	2021
	€'m	€'m	**€'m**	€'m	**€'m**	€'m	**€'m**	€'m
Premium and fee income	**291**	285	**536**	488	**324**	342	**1,151**	1,115
Policyholder benefits	**(163)**	(198)	**(167)**	(149)	**(133)**	(141)	**(463)**	(488)
Variable expenses	**(41)**	(35)	**(246)**	(203)	**(158)**	(141)	**(445)**	(379)
Deferred acquisition costs	**10**	(29)	**18**	19	**44**	18	**72**	8
Underwriting result	**97**	23	**141**	155	**77**	78	**315**	256

See the narrative analysis in section A.2.1 which sets out the main drivers of the movements in underwriting profit in the branches.

A.3 Investment performance

A.3.1 Investment return

	2022 €'m	2021 €'m
Operating investment income		
Non unit-linked fixed interest securities		
Net interest income	**59**	63
Investment management expenses	**(3)**	(3)
Other		
Mortgage loan income	**4**	4
Total operating investment income	**60**	64
Non-operating investment income		
Unit-linked assets		
Dividend income	**51**	53
Net interest income	**4**	3
Realised gains	**78**	198
Unrealised (losses)/gains	**(717)**	69
Investment management expenses	**2**	2
Non unit-linked fixed interest securities		
Realised (losses)/gains	**—**	9
Other		
Net losses from derivatives	**(12)**	(12)
Total non-operating investment income	**(594)**	322
Total investment return	**(534)**	386

Total investment return decreased by €920m from €386m in 2021 to €(534)m in 2022.

Non Unit-Linked Fixed Interest Securities

Net interest income is reducing year on year due to a combination of reducing asset holdings, and reduced yields available on reinvested assets leading to continued reducing yields on the Undertaking's asset portfolios. Note that the reducing portfolio yield has been occurring for several years now.

The non unit-linked realised gains are driven by limited trading activity (sales/maturities) throughout the year.

Unit-Linked assets

Unrealised losses were experienced on the Undertaking's book. This reduction is due to the poor performance of equity markets over 2022, primarily driven by Russia's war in Ukraine, high inflation and tightening monetary policy negatively impacting risk assets around the world.

The decrease in realised gains is largely due sale of assets on the UK Wealth Management book (in line with run-off) which were lower due to poor market performance during 2022.

A.3.2 Gains/losses recognised directly in equity

	2022	2021
	€'m	€'m
Investment gains recognised directly in equity	**(272)**	115

The investment gains have decreased by €387m from €115m in 2021 to €(272)m in 2022.This is driven by continuing increasing interest rates leading to a decrease in market value of available for sale assets.

Note: Investment gains/losses include amortised cost to fair value on available for sale financial assets. These are disclosed in equity in the IFRS financial statements.

A.3.3 Investments in securitisations

The Undertaking has no investments in securitisations.

A.4 Performance of other activities

A.4.1 Other Income and Expenses

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

	2022	2021
	€'m	€'m
Performance of other activities		
Operating		
Other income	**16**	16
Expenses	**(189)**	(138)
Tax	**(35)**	(42)
Total operating	**(208)**	(164)
Non-operating		
Expenses	**(38)**	284
Interest on funds withheld	**454**	(192)
Guaranteed fees net of reinsurance	**1**	(361)
Direct interest credited to policyholder account balances	**570**	(325)
Reinsured interest credited to policyholder account balances	**(454)**	192
Net Investment gains/(losses)	**—**	41
Foreign exchange gains	**3**	12
Tax	**26**	(1)
Total non-operating	**562**	(350)
Net results from other activities	**354**	(513)

Net results from other activities have increased by €867m from €(513)m in 2021 to €354m in 2022.

Operating expenses have increased by €51m mainly due to the 2021 MetLife Bermuda opening balances which offset against the underwriting result (see section A.2.1) and an increase in salary costs and other general expenses.

The non-operating expenses variance is due to the 2021 MetLife Bermuda opening balances. The opening balances offset against the variance in guarantee fees net of reinsurance and net investment gains/(losses). (see section A.2.1).

Interest on funds withheld relates to relates to ceded investment income on the reinsurance treaty with MetLife Bermuda and offsets against the reinsured interest credited to policyholder account balances.

Direct interest credited to policyholder account balances has increased by €895m. This is driven by the increase in unit-linked investment income (see section A.3.1).

Foreign exchange gains decreased by €9m due mainly foreign exchange movements in Hungary and Head Office partially offset by foreign exchange movements in UK.

A.4.2 Leases

The Undertaking uses IFRS 16 to measure leases.

In 2022 there was a right-of-use asset on the balance sheet of €15m (2021: €16m) and a corresponding liability representing the obligation to make lease payments of €16m (2021: €17m).

Expenses of €5.5m (2021: €5m) were incurred in the year in relation to the above leases.

A.5 Any other information

Intra-group transactions

Intra-group operations and transactions are mainly related to the Undertaking's reinsurance and operational arrangements.

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.

A.5.1 Outstanding balances at year end

The Undertaking has intra-group balances with the following companies that are subsidiaries of its ultimate parent, MetLife Inc.:

	2022	2021
	€'000	€'000
MetLife EU	**30,220**	35,257
ALICO US	**3,398**	729
Delaware American Life Insurance Company	**9**	4
MetLife Europe Insurance d.a.c.	**5,110**	838
MetLife International Holdings Inc	**(9,312)**	(8,191)
MetLife Solutions SAS	**124**	1,361
Metropolitan Life Training and Consulting s.r.l.	**18**	18
MetLife Services Cyprus Limited	**14**	72
MetLife TFI S.A.	**—**	21
Metropolitan Life Insurance Company	**645**	537
MetLife Services Sp z.o.o	**—**	8
MetLife, Inc.	**(4)**	(4)
Metropolitan Life SAFPAP S.A.	**(17)**	(17)
MetLife Investments Limited	**(94)**	(105)
MetLife Pension Trustees Limited	**(225)**	(238)
Agenvita s.r.l.	**(617)**	(563)
MetLife Greece	**—**	(94)
MetLife Europe Services Limited	**(4,907)**	(3,685)
MetLife Services EEIG	**(5,602)**	(3,701)
MetLife Reinsurance Company of Bermuda Limited	**308,175**	317,425

A.5.2 Material transactions during the year

The Undertaking paid dividends of €155m to its immediate parent, MetLife EU, on 7 December 2022.

A.5.3 Events after the year end

The Undertaking is changing the basis of its financial reporting statements from IFRS to Irish GAAP under the Financial Reporting Standard (FRS) applicable in the UK and Republic of Ireland (FRS102) and Insurance Contracts (FRS 103) for the period beginning 1 January 2023. The Undertaking is actively planning and implementing the required changes to policy and processes to ensure a smooth transition.

B System of governance

B.1 General information on the system of governance

B.1.1 Governance structure

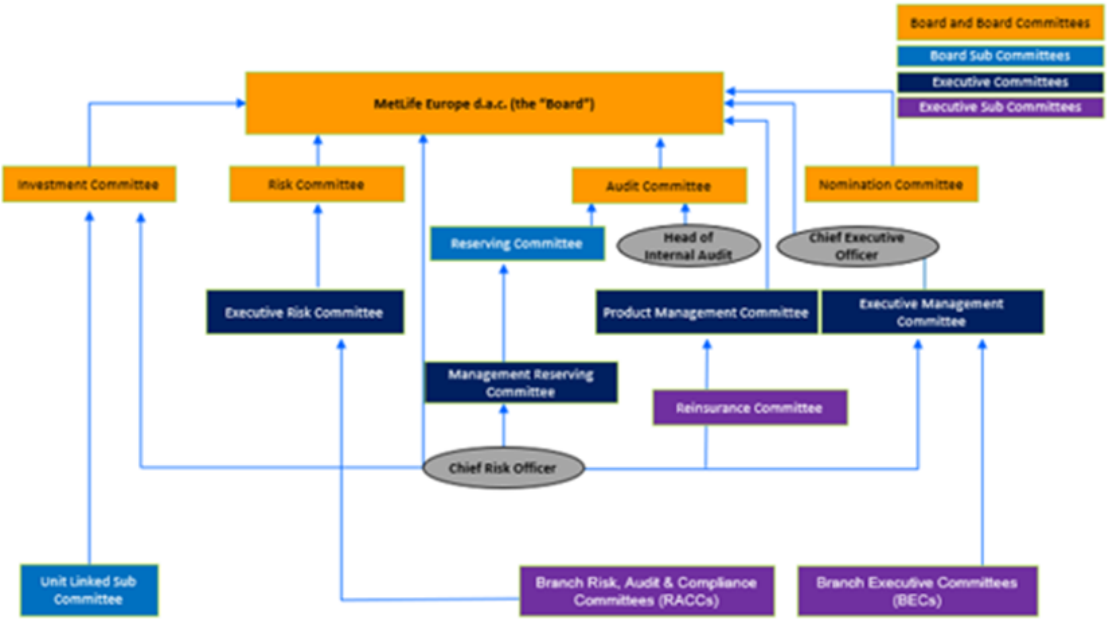
A consistent governance structure is in place across MetLife's EEA group of entities, supporting clear decision making, roles and responsibilities. The Corporate Governance Framework (the "Framework") describes corporate governance within the Undertaking. The Framework ensures that there is a common understanding of the following:

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

The Framework also provides a central record of the current membership of the Board, the various committees, and a list of all Pre-Approval Controlled Functions, i.e. roles for which CBI prior approval is required.

The governance structure defines the key areas of authority and responsibility and establishes the appropriate lines of reporting. The Undertaking is structured so as to achieve its objectives, enable effective risk management and to carry out its activities in a manner reflective of its size and requirements.

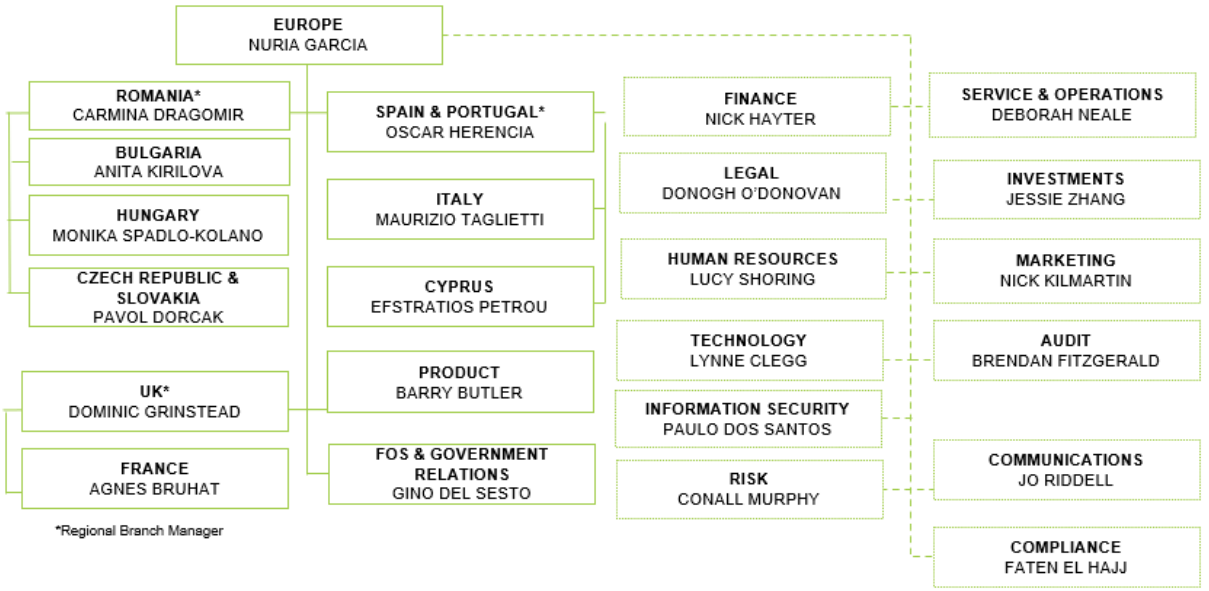
Figure: Undertaking's Corporate Governance Structure



The Corporate Governance Structure is supported by the Executive organisational structure, which defines key areas of authority and responsibility and establishes the appropriate lines of reporting. The Executive Management is responsible for the day to day running of the Undertaking and is led by the CEO.

In Ireland, there is an established fitness and probity regime and the list of 'key functions' is naturally and conclusively defined by all those who are subject to fit and proper requirements under the CBI's guidance. The list of those persons is detailed within section B.2. The following chart indicates the positions of key function holders within the Executive Management team and their reporting lines.

Figure: Executive Organisational Structure



B.1.2 Role of the Board

The Board directs the Undertaking's affairs to ensure its prosperity, whilst meeting the appropriate interests of its shareholders and third parties, such as customers and regulators. The key overarching responsibility of the Board is one of management on an ongoing basis including management of strategic, operational, financial and reputational risk to which the Undertaking may be exposed. In particular, the Board provides effective, prudent and ethical oversight of the Undertaking.

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

- the business strategy;
- the amounts, types and distribution of capital adequate to cover the risks of the Undertaking;
- the strategy for the ongoing management of material risks;
- a robust and transparent organisational structure with effective communication and reporting channels;
- a remuneration framework that is in line with the risk strategy of the Undertaking; and
- an adequate and effective internal control framework, that includes well-functioning risk management, compliance and internal audit functions as well as an appropriate financial reporting and accounting framework.

The Board focuses on the following key areas:

Vision and values

- Guide and set the pace for the Undertaking's current operations and future development.
- Promote appropriate values throughout the Undertaking (e.g. values on compliance through the compliance statement).
- Determine policies and ensure they are consistent with, and promote the vision and values, of the Undertaking.

Strategy and structure

- Review present and future opportunities, threats and risks in the external environment and strengths, weaknesses and risks relating to the Undertaking.
- Review strategic options, decide on those to be pursued and the means to implement and support them.
- Determine and review the Undertaking's goals.
- Ensure that the Undertaking's organisational structure and capability are appropriate for implementing the chosen strategies and manage risk and compliance effectively in the Undertaking.
- Ensure that risk and compliance are managed effectively throughout the Undertaking.
- Oversee remuneration practices and shall ensure that the Undertaking has remuneration policies and practices that are consistent with and promote sound and effective risk management.

Delegation to management

The Board may delegate certain matters by Board resolution, by terms of reference for committees of the Board or by power of attorney to specific an individual to act on behalf of the Board in respect of certain matters. Where the Board delegates authority it shall monitor the exercise of this delegated authority. The Board cannot abrogate its responsibility for delegated authority.

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

The Board meets at least six times per calendar year and at least three times in every six month period.

All directors attend Board meetings in person unless they are unable to do so due to circumstances beyond their control (e.g. illness). However, where physical presence is not possible, directors may attend by teleconference or video-conference. In the event of the absence of the Chair, an independent non-executive director chairs Board meetings.

Board working sessions and Board training sessions are scheduled regularly to discuss key developments, projects and initiatives. The aim of these sessions is to provide the Board with the opportunity to explore, at an early stage, topics which will be presented at a future Board meeting for consideration.

All Board meetings are arranged through the Company Secretary and the Chair. Minuting of all Board meetings follows the Board/Committee minute review process in line with the Framework.

B.1.3 Role of directors

The role of the independent non-executive director

As an integral component of the Board, independent non-executive directors represent a key layer of oversight. It is essential for independent non-executive directors to bring an independent viewpoint and constructive challenge to the deliberations of the Board that is objective and independent of the activities of the executives. Their independence is regularly assessed by the Board.

The role of the executive director

The role of the executive director includes to propose strategies to the Board and, following Board scrutiny, to execute the agreed strategies to the highest possible standards.

B.1.4 Matters reserved for the Board

Strategy and Management

- Responsibility for overseeing the management of the Undertaking.
- Approval of the Undertaking's strategic objectives and business strategy; and review of performance in light of strategy.
- Approval of all relevant Undertaking policies and MetLife Group policies where they apply to the Undertaking.
- Decisions to extend the Undertaking's activities into new business or geographic areas.
- Decisions to cease to operate all or any material part of the Undertaking's business.
- Decisions to vary the Undertaking's strategy for meeting the policyholder liabilities.
- Approval of critical and important (Tier One) outsourcing arrangements.

Structure and Capital

- Reviewing and approving the Undertaking's financial plans.
- Approval of changes relating to the Undertaking's capital structure, including share issues, reduction in capital, loan capital and gifts of capital.

Financial Reporting and Controls

- Approval of the annual report and financial statements.
- Approval of the annual regulatory return to the CBI.
- Approval of significant changes in accounting policies and practices.
- Approval of dividends.
- Approval of the external auditor's fees.

Internal Controls

- Responsibility for setting and overseeing the establishment of an adequate and effective internal control and risk management systems, including approval of the internal audit plan.
- Approval of the Risk Management Framework.
- Approval of the Own Risk Solvency Assessment ("ORSA") process.

Non-insurance Contracts

- Approval of material capital projects.
- Approval of acquisitions, mergers or disposals.
- Approval of material contracts by nature or amount entered into by the Undertaking in the ordinary course of business (e.g., acquisitions or disposals of fixed assets). Note: Material includes, but is not limited to, consideration over €7,500,000 (or €5,000,000 net of reinsurance, per matter).
- Approval of new bank borrowing facilities.
- Approval of all investment transactions reserved for the Board in the Strategic investment policy.

Board Membership and other Appointments

- Other than where the shareholder exercises the right, appointment and removal of directors.
- Approval of changes to Board structure, size and composition.
- Appointment and removal of the Chair.
- Appointment and removal of the Company Secretary.
- Appointment, reappointment or removal of the external auditor.
- Appointment or removal of Board Committee Chair and members of committees of the Board.
- Appointment or removal from office of Pre-Approved Controlled Functions.

Delegation of Authority

- Approval of Undertaking's authorised signatories.
- Authorising individuals to grant powers of attorney.

Corporate Governance

- Review and approval of the Undertaking's overall corporate governance arrangements.

Compliance

- Approval of the compliance monitoring programme.
- Approval of the Compliance Statement

Litigation

- Approval and settlement of material litigation matters

Other

- Approval and settlement of material litigation matters.
- Approval of schedule of matters reserved to the Board.
- Any decision likely to have a material impact on the Undertaking from any perspective, including, but not limited to, financial, operational, strategic or reputational.

B.1.5 Role of CEO

The Board appoints a CEO.

The CEO is the most senior executive officer and has ultimate executive responsibility for the Undertaking's operations, compliance and performance. The CEO is a director of the Undertaking. The CEO is the main link between the executive and the Board. The CEO has certain authorities delegated to him/her by the Board.

With support of the Chair of the Board, the CEO is responsible for agreeing the remuneration of the independent non-executive directors.

The Executive Management is responsible for the day to day running of the Undertaking and is led by the CEO.

B.1.6 Board committee structure

The purpose of a committee of the Board is to provide more detailed oversight of particular areas of the Undertaking's activities.

The Board has oversight of all committees of the Board and ensures and documents that all members of any committees of the Board have the necessary skills, knowledge, expertise and time to fulfil that role. Minutes of all committees of the Board are distributed to the Board either at a Board meeting or via Board Vantage. The Board documents and provides any necessary training to those members to ensure they have, and maintain, the necessary skills and experience.

The current committees of the Board are:

- Audit Committee;
- Risk Committee;
- Investment Committee; and
- Nomination Committee.

The Audit Committee

The purpose of the Audit Committee (AC) is to assist the Board in fulfilling its statutory and fiduciary responsibilities relating to the external reporting of financial information, internal controls and the independence and effectiveness of internal and external audit.

The role of the AC, its membership, frequency of meetings and reporting requirements are set out in the Terms of Reference of the AC as approved by the Board.

The Board Risk Committee

The Board Risk Committee (BRC) is responsible for oversight and to give advice to the Board on the current risk exposures of the Undertaking and its future risk strategy. The BRC advises and makes recommendations to the Board on the following:

- risk appetite and tolerance for future strategy (taking into account the Board's overall risk appetite, the current financial position of the Undertaking and, drawing on the work of the AC and the external auditor, the capacity of the Undertaking to manage and control risks within the agreed strategy);
- the system and programme of risk management with the aim of identifying, measuring, controlling and reporting risks;
- the alignment of strategy with the Board's risk appetite; and
- promoting and embedding a risk awareness culture within the Undertaking.

The BRC also oversees the risk management function.

The role of the BRC, its membership, frequency of meetings and reporting requirements are set out in the Terms of Reference of the BRC as approved by the Board.

The Investment Committee

The purpose of the Investment Committee (IC) is to assist the Board in fulfilling its statutory and fiduciary responsibilities relating to the oversight of investment management for the Undertaking.

The role of the IC, its membership, frequency of meetings and reporting requirements are set out in the Terms of Reference of the IC as approved by the Board.

The Nomination Committee

The purpose of the Nomination Committee (Nom Co) includes to:

- Consider and make recommendations to the Board on all new appointments of both executive and non-executive directors; and
- Be involved in succession planning for the Board, bearing in mind the future demands on the Undertaking and the existing level of skills and expertise.

The role of the Nom Co, its membership, frequency of meetings and reporting requirements are set out in the Terms of Reference of the Nom Co as approved by the Board.

B.1.7 Main roles and responsibilities of key functions

This section details the roles and responsibilities of the four mandatory 'key functions' of Internal Audit, Compliance, Risk Management and the Actuarial function.

The role of Head of Internal Audit

The Head of Internal Audit reports to the Chair of the AC. The Head of Internal Audit is responsible for:

- leading the performance of all audit activities across the Undertaking;
- providing input and challenge to management regarding the effectiveness of risk management and internal control processes across the Undertaking;
- evaluating the design and operating effectiveness of the Undertaking's policies and processes;
- performing consulting and advisory services related to governance, risk management and control processes;
- developing, presenting and executing appropriate risk-based audit plans in accordance with MetLife's global audit methodology, including presenting quarterly plans for review and approval by the AC;
- providing timely reports to the AC regarding the outputs of planned audit activities, including progress against agreed management action plans;
- attending, presenting at, and issuing reports to the appropriate governing bodies, including the AC, the BRC and other committees as appropriate;
- providing the AC and the broader management team with an understanding of Internal Audit's methodology and approach;

- ensuring that the Internal Audit team is appropriately resourced in terms of skills and experience to undertake planned audit activities;
- assisting the AC in meeting its fiduciary responsibilities;
- maintaining open, constructive and cooperative working relationships with regulators, including the CBI; and
- developing and maintaining an effective working relationship with the external auditors.

The role of Head of Compliance

The Head of Compliance is a member of the Undertaking's Executive Management and reports to the CEO. The Head of Compliance is the executive officer with primary responsibility for ensuring that the Undertaking remains compliant with applicable laws, requirements and regulations and with the Undertaking's Compliance Policies, Procedures and Programmes.

The role of Chief Risk Officer (CRO)

The CRO is a member of the Undertaking's Executive Management and reports to the CEO. The CRO is a director of the Undertaking. The CRO's primary responsibility is to the Board. The CRO reports to the Board periodically and has direct access to the Chair. The CRO reports to the BRC on a regular basis. The CRO chairs the Executive Risk Committee.

The CRO is the senior executive officer with responsibility for the risk management function and for maintaining and monitoring the effectiveness of the Undertaking's risk management system.

The role of the Head of Actuarial Function

The Head of Actuarial Function is a member of the Undertaking's Executive Management and reports to the Chief Finance Officer (CFO). The role relates to the delivery of actuarial services to the Undertaking and comprises responsibilities for general management input to the Undertaking, administration of the actuarial function, and statutory duties set out in legislation (subject also to regulation and professional guidance).

Actuarial services include but is not limited to the determination of technical provisions (for all accounting bases) and required capital, and the provision of advice in relation to capital management, underwriting, reinsurance and investment.

B.1.8 Material changes

Over the reporting period, there were no material changes to the system of governance of the Undertaking.

B.1.9 Remuneration

The Undertaking adopts the remuneration policy and practices determined by MetLife Inc.. The Undertaking's Board is responsible for ensuring that in adopting the policy that it is in line with the risk strategies of the Undertaking and that it is consistent with and promotes sound and effective risk management. The Undertaking's Board provides oversight of the remuneration policy and practices and ensures that these do not promote excessive risk taking.

Remuneration Policy

The Board is responsible for:

- approving a remuneration policy;
- ensuring that the remuneration policy and remuneration practices are implemented and maintained in line with the Undertaking's business and risk management strategy, its risk profile, objectives, risk management practices and the long-term interests and performance of the Undertaking
- shall incorporate measures aimed at avoiding conflicts of interest
- ensuring the remuneration policy shall promote sound and effective risk management and shall not encourage risk-taking that exceeds the Undertaking's risk tolerance limits; and

- reviewing the remuneration structure for employees of the Undertaking is in line with the risk strategies of the Undertaking.

B.1.10 Material transactions with related parties

Material transactions with shareholder
The Undertaking paid dividends of €155m to its immediate parent, MetLife EU on 7 December 2022.

All intra group balances and transactions are set out in section A.5.1.

Material transactions with persons who exercise a significant influence on the Undertaking
There were no material transactions with any persons who exercise a significant influence on the Undertaking 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 Executive Management and the Board regularly review the adequacy of the system of governance as a whole and in selected areas, to confirm it remains adequate for the Undertaking's needs, and to prioritise areas of improvement. There were no major changes required to the system of governance as a result of these reviews.

B.2 Fit and proper requirements

B.2.1 Fit and proper policy

The Undertaking's Fitness and Probity Policy (the Policy) sets out the minimum standards, in compliance with the CBI Fitness and Probity Standards and relevant legislation. It is there to ensure that a person, who is known as a 'Responsible Person', has the necessary qualities and competencies in order to allow him/her to perform the duties and carry out the responsibilities of his/her position within the Undertaking. 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 Undertaking and its branches. Specifically, the Policy sets out and describes the approach for assessing and monitoring individuals' fitness and probity.

Definitions

- Pre-Approval Controlled Functions (PCFs): The specific Controlled Functions (CFs) are set out in Schedule 2 of the Regulations. Persons appointed to a PCF must be approved in writing by the CBI, prior to their appointment.
- CFs: Specific functions as set out in the Regulations. Persons performing these functions include the persons who exercise a significant influence in the affairs of the Undertaking, monitor compliance or perform functions in a customer facing role. In determining whether an individual is performing a CF, the Undertaking assesses the role and responsibilities of the person in line with the relevant regulatory requirements.
- Regulations: Central Bank Reform Act 2010 (Sections 20 and 22) Regulations 2011 as amended.
- Responsible Person: Any person performing one or more CF role.

Assessment of fit and proper

The Undertaking does not permit a person to perform a CF unless it is satisfied on reasonable grounds that the person complies with the standards described below and has obtained confirmation from the person that he/she agrees to abide by the standards.

The standards provide that a Responsible Person must be:

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

The Undertaking 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 CBI (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 to the CBI is carried out by Compliance following a 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.
- 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 has been expelled by the CBI or government body or agency?
- 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?
- 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 criterion 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 Undertaking's Human Resources (HR) 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 is required to notify the Head of HR without delay.

B.3 Risk management system including the Own Risk and Solvency Assessment (ORSA)

B.3.1 Risk management structure

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

The key objectives of the Framework are to:

- Promote a strong risk culture in the Undertaking, rooted in the Undertaking's purpose and values, in particular customer protection;
- Ensure consistent, systematic management of risks across all businesses, operations and risk types; and
- Enable decision makers to direct the Undertaking's resources to attractive business opportunities that are within the Board's risk appetite.

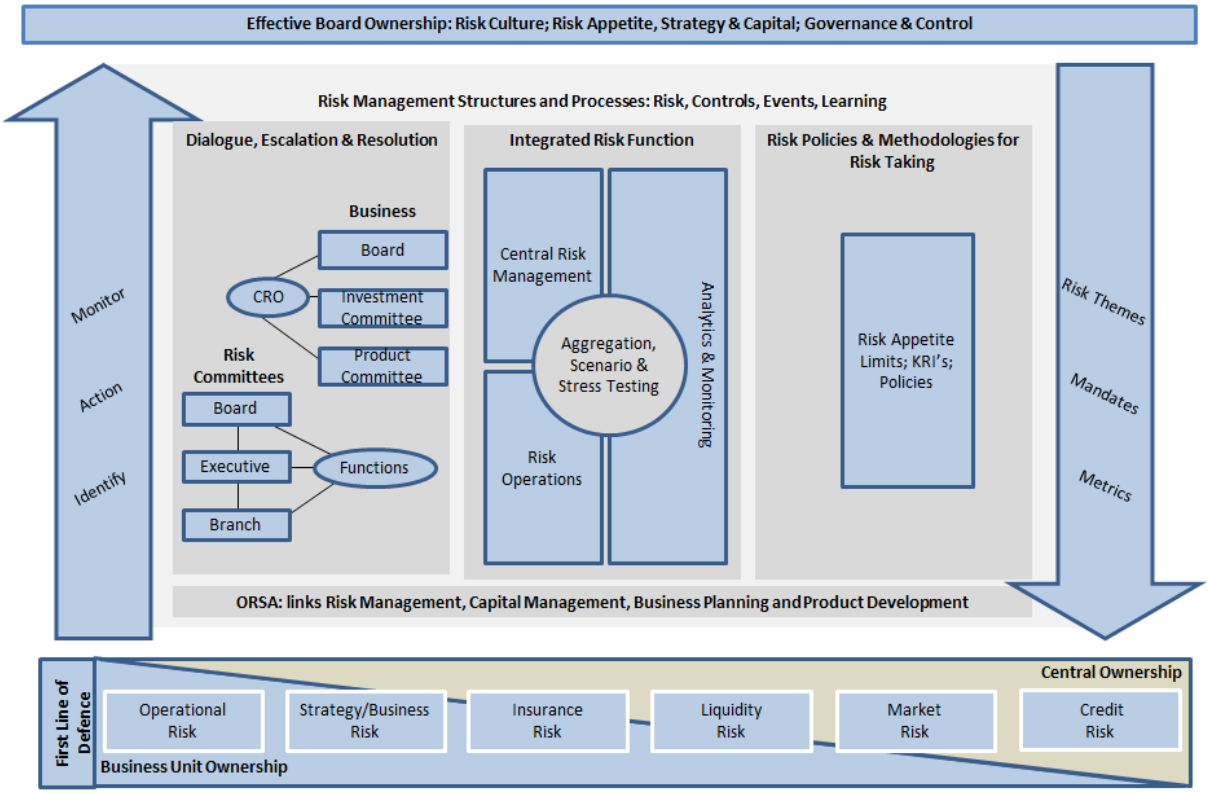
Scope and application

All business activity and decisions are made in the context of, and in compliance with, the Framework, which should also be read in the context of the Undertaking's Risk Strategy and Appetite and associated policies. Every associate is sufficiently familiar with the Framework as 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 Group's strategy in Europe, the Undertaking is active in diverse segments, markets and products. Decisions are made and implemented across borders; and business environments are the result of, for instance, different histories as the Undertaking has integrated other entities. The Framework is designed to facilitate, on an ongoing 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 the Undertaking.

Figure: The Elements of the Undertaking's Risk Management Framework



The Board owns the Undertaking's Risk Appetite and Strategy. In defining this, consideration is given to the existing and potential opportunities to develop and grow the business, while also maintaining our existing business and the Undertaking's capacity to absorb losses. In addition, as a key part of the wider MetLife, Inc. Group, the Undertaking's risk appetite takes strategic direction from MetLife, Inc.'s 'Enterprise Risk Appetite', as defined by the MetLife Inc. board, and cannot go beyond it in any dimension.

The Undertaking adopts the 'three lines of defence' governance model to ensure that the overall risk profile of the Undertaking remains within the risk appetite as mandated by the Board. The Undertaking's "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 the Undertaking faces.

The first line of defence

The managers of all business and operations areas, as the first line of defence, are responsible as risk owners for ensuring that all risks in their respective areas and any relevant interfaces with other areas are justified by business goals, and that all risks are appropriately managed and controlled within the Framework. In particular, it is the responsibility of the relevant department manager to identify, measure, manage, monitor and report all risks, both present and emerging, in an area according to the Framework and the Risk Appetite and Strategy.

The Finance Function is key to risk measurement. It measures and monitors financial valuations, flows and projections; ensures appropriate accounting procedures and authorities; and regularly reports to the Board. The Head of Actuarial Function regularly reports independently on valuation assumptions and uncertainties.

The second line of defence

The Risk Management, Compliance and Information Security Functions fulfil the second line of defence, advised by the Legal Function, by providing the enterprise-wide, comprehensive and consistent systems, techniques and processes to aggregate, assess and limit the risks the Undertaking faces across different areas. In particular, the Risk Function utilises risk quantification

models such as Economic Capital, recommends risk appetite and limits, and provides support in the management of key risks.

The third line of defence

Internal Audit provides independent assurance over the strengths of controls as the third line of defence. Internal Audit examines and evaluates the adequacy and effectiveness of controls with a risk-based focus, and performs special reviews and investigations as directed by the Audit Committee and Executive Management.

Dialogue, escalation and resolution

A number of interacting committees provide the structure for the dialogue regarding risk exposures. Any potential risk exposure is considered across the wider business, in particular where interdependencies arise across different functions. This includes escalation of risks that cannot be managed within a confined area of the organisation and resolution of conflicts between different decision makers, in particular where questions of risk appetite are concerned.

At an executive level, the Undertaking has established the following committees: the Executive Management Committee (EMC), the ERC and the Product Management Committee (PMC); and in each branch, there is a Branch Executive Committee (BEC) and a RACC. There are also RACCs specifically for the FOS Business (FOS RACC) and the Head Office functions (HO RACC).

Executive Risk Committee (ERC)

The ERC reports regularly to the BRC and is chaired by the CRO. The ERC monitors and reports to the BRC in respect of the current overall risk profile, key risks, emerging risks and risk metrics, including the solvency position of the Undertaking, and its dynamics, against the Board's stated risk appetite. It steers the operation of the Risk Management Framework and monitors, reviews and makes recommendations to management relating to risk issues facing the Undertaking. The ERC also makes recommendations to the BRC regarding risk appetite, policies etc. and also sets technical limits in line with the approved risk appetite.

Risk, Audit and Compliance Committees (RACCs)

RACCs report into the ERC and are established for each branch, the FOS business, and the HO functions. The purpose of each RACC is to review and approve the identification and assessment of all risks, both existing and emerging, actual losses, issues and near misses within its remit; approve the relevant controls and action plans, for existing and new businesses, product and distribution arrangements; and to provide general oversight to risk management within its area. The RACCs also monitor and review the metrics assigned to them for monitoring by the ERC providing opportunity for escalation to the ERC where necessary. RACC meetings are scheduled to ensure timely information flow between the RACCs and the ERC.

One of the branch/FOS RACCs' primary responsibilities is to identify, monitor, assess and manage Operational and Conduct Risks, where the RACC ensures that these can be suitably integrated into the Undertaking-wide risk management programme. For Insurance Risks, Credit Risk, Market/Asset Liability Management (ALM) Risks and Liquidity Risk, the branch RACC supports the identification and monitoring in particular of exposures linked to products and distribution arrangements.

The branch general managers have a leading role in each RACC (and the Head of Operations in the HO RACC) in ensuring high-quality meetings through their example and authority. The RACC should be chaired by a person nominated by the CRO.

Other Committees

Reserving Committee

The Reserving Committee is a sub-committee of the Audit Committee and reviews the basis of Solvency II reserving, including assumptions and methodology. The CRO chairs the Reserving Committee.

Management Reserving Committee

The Management Reserving Committee is a sub-committee of the Reserving Committee and provides a forum for discussion of actuarial matters by executive leaders prior to submission to the Reserving Committee. The CRO chairs the Management Reserving Committee.

Product Management Committee (PMC)

The PMC assists the executive function of the Undertaking in relation to the creation and ongoing review of the Undertaking's products and reinsurance programmes. While not a 'Risk' committee, the PMC plays an important 'first-line' role in the approval of products, oversight and governance of the suite of products and the management of product related risks, in particular insurance risk but also credit and market/ALM risks originating from product features.

The CRO is a member of the PMC.

Reinsurance Committee

The Reinsurance Committee is a sub-committee of the PMC. The purpose of the Reinsurance Committee is to maintain oversight of the Undertaking's reinsurance operations and to assist the PMC in relation to any reinsurance arrangements to be entered into (including any amendments) or terminated by, or on behalf of, the Undertaking.

Executive Management Committee (EMC)

The CRO is a member of the Undertaking's EMC, where the Undertaking's strategic direction is decided, and its implementation is monitored.

Branch Executive Committee (BEC)

Each branch has a BEC which is chaired by the branch general manager, and together with the RACC forms part of the primary governance structure for each branch. Other working or steering groups may be established, however these should be concentrated on operational matters, with key decisions in terms of governance being referred to the BEC and RACC, as appropriate.

The branch risk manager is a member of and/or attends the BEC, which is responsible for ensuring that the branch establishes and maintains such systems and controls as are appropriate to its business. In particular, the BEC, together with the RACC, ensures the effective implementation of risk and compliance management within the branch. Under specific circumstances, the CRO can temporarily approve an alternative branch executive to represent risk management in the BEC.

Risk Management Function

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

A primary focus for the Risk Function is to provide an integrated and transparent assessment of risks and capital requirements while also ensuring consistent standards and effective risk governance is in place.

The Risk Function leverages MetLife, Inc.'s Global Risk Management (GRM) Function for challenge and support, escalating risks and issues as required.

Activities of the Risk Function

The Risk Function carries out the following key activities:

- Risk Monitoring and Analytics.
- Risk Governance and Reporting.
- Embedding of the Risk Management Framework in the business units (branches and FOS business).
- Operational risk management processes, e.g. management of the risk register.
- Leading the ORSA process, analysis and reporting.
- Leading the Recovery Planning process in line with regulations.

Risk policies and methodologies

The Board approves policies and other documents providing binding direction and guidance used in the Undertaking to regulate risk exposures. All business activity and decisions in which an element of risk is present must be taken in the context of, and in compliance with, the Risk Strategy and Appetite document and such further policies. Any potential risk exposure is considered across the wide business, in particular where interdependencies arise across different functions.

It is the responsibility of all relevant individuals to be familiar with the contents of the policies, where appropriate, and to exercise sound judgement to act within the policies in their daily work.

The policies are to be adhered to in all circumstances. Implementation of the policies and monitoring of ongoing compliance is primarily the responsibility of the Heads of Function and is overseen by the relevant committee. In particular, policy breaches must be reported to the ERC, and as appropriate to the BRC and Board.

Risk Management policies are developed where necessary to regulate the management of specific risks and provide a consistent Framework for the management of risk in line with Risk Strategy and Appetite, and should be read and reviewed in the context of Risk Strategy and Appetite. The policies establish minimum standards, allocate responsibilities to ensure that these standards are upheld, and articulate the Undertaking's approach to risk management for a risk type, the key risk management processes, detailed limits, the governance approach, and reporting requirements.

The Board reviews the risk policies at least annually, amending them to reflect current best practice and changes in regulatory requirements. In the annual review process, each policy is reviewed with and by the Undertaking, with the appropriate challenge from the Risk Function. Any material change is not effective until approved by the Board either directly or via the BRC.

Following approval, the Risk Function circulates the Risk policies and communicates changes with the business. The Risk Function intranet page is a central location from which all Business Functions, including branches, can access the Risk policies. Approved policies are presented to the RACCs for noting and implementation. On a quarterly basis, the RACCs monitor and challenge the implementation of appropriate Risk policies within the Undertaking to ensure ongoing compliance.

B.3.2 Risk strategy and appetite

The Undertaking’s risk appetite is set in the context of both its overall business objectives and its risk strategy. The Undertaking takes certain financial and insurance risks as a strategic objective, but as a consequence of its activities is also exposed to operational and other risks. The Board is responsible for the Undertaking’s overall risk profile, and in particular sets the risk appetite.

The Risk Appetite is operationalised through quantitative limits set out in the appendices of the Risk Strategy and Appetite policy. These limits define both the medium-term risk appetite, and the range for permissible deviations over the short term. Further risk limits and guidelines on how to comply with risk appetite in each class are set out in the respective individual risk policies (Credit, Market, Liquidity, Insurance and Operational).

Management is responsible for defining the metrics in line with the business and the risk appetite set out in the Risk Strategy and Appetite. The ERC is responsible for approving any changes in the metrics that are proposed in between scheduled reviews. Any such approved changes are notified to the BRC and the Board. Additional limits can be set by agreement between the respective risk owners and the CRO.

Risk management strategies by category of risk

The material risks to which the Undertaking are exposed are insurance risk, credit risk, market risk, liquidity risk, operational and business risk, conduct risk and strategic risk.

Credit risk

The Undertaking is exposed to credit risk, i.e.:

- Another party's failure to perform its financial obligations to the Undertaking, 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 the Undertaking's cash deposits, general-account investments, and derivative counterparties is managed by the Undertaking's Treasury and Investment Functions, and overseen by the Investment Committee. The credit risk of reinsurance counterparties and where product design creates credit exposure on separate-account assets is managed by the Finance Function and overseen by the Reinsurance Committee and PMC. The credit risk of other counterparties, such as distributors, large clients etc. is the responsibility of the respective business unit and where material to the Undertaking's risk profile is overseen by the appropriate Risk Committee on an exception basis.

Market / ALM risk

The Undertaking is exposed to market risk, including interest rates due to timing differences of asset and liability cash flows, and basis differences between valuation rates, different currencies, credit spreads, and equity markets on unit-linked books, either indirectly through revenues that depend on the value of investments covering unit-linked policies, or directly through positions held to facilitate policyholder transactions or guarantees provided to policyholders. These risks are identified and assessed as part of the ALM process, in which all balance sheet values are mapped to their relevant market drivers. The Investment Committee oversees the ALM process.

Market risks are primarily mitigated through aligning assets and liabilities, in particular in terms of timing of cash flows and currencies. Exposure to changes in credit spreads is 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 the selection of suitable investment funds, hedging, and re-insurance. The Investment Committee and PMC oversee the management of the Undertaking's market risks.

Liquidity risk

The Undertaking is exposed to liquidity risks where it is obliged to settle liabilities at short notice, and is unable to liquidate assets 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 mitigated by investing in a diversified, high-quality, liquid investment portfolio and a strong forecasting process. This process identifies liquidity needs in both stressed and non-stressed market conditions.

Liquidity risk management is managed by Treasury and overseen by the Investment Committee.

Insurance risk

The Undertaking is exposed 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.

These are identified and assessed as part of the product development process, in which appropriate underwriting, sales and administrative conditions are defined for all risks associated with the insurance policies over their whole life cycle.

The branches develop insurance products and underwrite risks in line with approved standards. Each insurance class needs to be approved by the Board prior to any business being underwritten. The Board can delegate its authority to approve products to management so long as they do not have the potential to change the Undertaking's risk profile materially. The Undertaking's aggregate insurance risk is overseen by the PMC.

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. The Undertaking is exposed to conduct risk through its conduct and that of its associates not being in accordance with our desired culture or defined policies and procedures. Conduct risk is intricately tied to the overall management of a business and is therefore the responsibility of each business unit.

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 business unit. Operational risk also arises in the Undertaking's HO functions, such as Finance, Actuarial, etc. Each function is responsible for the management of operational risk in their respective area. The Risk Management Function provide oversight as part of the Risk and Control Self-Assessment (RCSA) process and Non-Financial Risk Assessment (NFRA) processes.

Sustainability Risk

Sustainability Risk means an environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential negative impact on the value of the investment or on the value of the liability. Certain elements of this risk are difficult to quantify and there is a high degree of uncertainty regarding its ultimate impact. As with Operational Risk, Sustainability Risk is intricately tied to the overall management of the business and is therefore the responsibility of each business unit.

Model Risk

The Undertaking is also exposed to Model Risk. The Model Risk process is managed internally whereby function owners are required to certify on a quarterly basis that they have appropriately identified, assessed, managed, and reported on the Undertaking's Model, Tool and End User Computing (EUC) risks.

Strategy Risk

Strategy Risk is defined as failure of elements of a chosen strategy, leading to financial loss or foregone expected profits. A particular aspect of Strategy Risk is a withdrawal of capital and liquidity sources that the Undertaking relies upon in the execution of its strategy. Strategy risk is primarily owned in each business unit, and the Undertaking's Executive Team owns the risk of the Undertaking's overall strategy.

B.3.3 ORSA

ORSA Process

The ORSA is a bespoke strategic analysis which links together all pillars of Solvency II and all areas of the Undertaking. It enables the Board to understand the risks faced, and how they translate into capital needs or alternatively require mitigation actions.

The ORSA process is an ongoing and continuous process, of which the annual report is a complete board-level roundup at a point in time providing a meaningful and useful report to the Board. The results of the ORSA process and the insights gained in the process provide input into risk management, long-term capital management, business planning and product development and design and allow the Undertaking to:

- Assess the link between the Undertaking's Risk Management Framework, business plan, risk profile, and capital planning, including dividend payments;
- Understand the level at which the Risk Management Framework influences the decision making process;
- Establish the ORSA as a tool that allows the identification, measurement, management, monitoring and reporting of risk, which is embedded in the Undertaking's management processes, under the direction of the Board;

- Provide insight into the development of the balance sheet and the drivers of volatility;
- Confirm appropriate risk appetite limits, including the normal operating range for capital;
- Inform commercial decisions and assess key projects and solutions to meet customer needs;
- Describe the approach by which the Undertaking meets all relevant regulatory requirements in relation to stress testing and scenario analysis;
- Assess the Undertaking's overall solvency needs prospectively, providing analysis of the Undertaking's ability to remain a going concern;
- Monitor compliance with regulatory capital requirements on a continuous basis, allowing for changes in risk profile and stressed conditions, and the quality and loss absorbing capacity of own funds;
- Produce results that are integrated into long term capital planning, own funds allocation, business planning, product development and design, and governance; and
- Describe the approach by which the Undertaking incorporates all key results and findings from stress testing and scenario analysis into the capital management and planning approach and business decision making approaches.

The ORSA process is a continuous cycle of assessment and is significantly dependent on the key interactions between the processes (i.e. business planning and stress testing) in order to obtain the results which provide senior management and the Board with comfort that there are adequate solvency levels, i.e. the regulatory capital requirements are achieved and within the risk tolerance limits.

The Board are heavily engaged with the ORSA process at all stages. Key stages of the Board's involvement in the ORSA process are as follows:

- Early in the year, the Board reviews the ORSA Board engagement plan for the year and agrees the stress and scenario tests to be carried out;
- Over the course of several meetings during the year, the Board reviews the overall solvency needs output, including information on the risk profile, the draft solvency projections, the assessment of the appropriateness of the standard formula and the own view of capital. During these sessions, the Board engages in active challenge of the results, which may include requesting further analysis, stress tests and scenarios, investigation of management actions or specific information to be added to the ORSA report; and
- Towards the end of the year, the Board reviews the final ORSA report for approval. At the end of each ORSA cycle a review exercise is undertaken to identify any potential improvements to be applied to future ORSA cycles.

The ORSA process is overseen by the ERC. The quantitative output is prepared by the ORSA Process Delivery Team, which includes representatives from multiple teams across Finance, Actuarial and Risk. Various other functions and Subject Matter Experts across the organization also provide inputs to the ORSA process.

The ORSA process captures all the material risks that the Undertaking faces or may face in the future that may impact meeting its obligations. The business planning process feeds directly into the ORSA. The business plan links to capital management and solvency is stressed to ensure robustness over a five year horizon.

Material risks identified within the ORSA process for which it is not considered appropriate to hold a capital buffer are addressed by identifying contingency plans. In addition to this and in line with new regulatory guidelines, a Recovery Plan has been developed to identify and assess the options available to the Undertaking in order to restore financial strength and viability should the Undertaking come under severe stress.

Risk Appetite forms a key part of the ORSA providing a link between the capital and risk management processes. It underpins the management and monitoring of key risks and helps shape management information and executive decision making. The Undertaking's overall solvency needs are assessed taking into account the Undertaking's specific risk profile, approved risk tolerance limits and business strategy. This assessment represents the Undertaking's own view of its risk profile and capital needs and other means needed to appropriately address these risks.

The ORSA process is conducted in its entirety at least annually and without delay following any significant change in the risk profile of the Undertaking and this is reviewed and approved by the Board following the recommendations of the BRC. There will be certain events that may require the process to be run on an ad hoc basis. Such events may follow from internal decisions and external factors.

The Undertaking has processes in place to ensure that the required documentation is produced to an appropriate standard. For each ORSA, the ORSA guidelines require three reports - a record of the ORSA process, an ORSA internal report and an ORSA supervisory report are produced. A single report may be produced to meet the requirements of the three reports. Supplementary documentation may be produced to support the official record and provide additional information to internal stakeholders.

In the last reporting period, the Undertaking did not perform any ad hoc ORSAs.

Own Solvency Needs

The Undertaking determines overall solvency needs taking into account the Undertaking's specific risk profile, approved risk tolerance limits and business strategy. This assessment represents the Undertaking's own view of its risk profile and capital needs and other means needed to appropriately address these risks.

The Undertaking expresses the overall solvency needs in quantitative terms and complements the quantification by a qualitative description of the risks. Within this process, the Undertaking carries out the following:

- Identifies the Undertaking's specific risk profile taking into account the approved risk tolerance limits and business strategy and external environment;
- Performs an assessment of the appropriateness of the Standard Formula (SF);
- Subjects the balance sheet and the identified risks to a range of stress test/scenario analyses to provide an adequate basis for the assessment of the overall solvency needs. This assessment is forward-looking and covers separately each year of the business planning period. The scope of the stress tests, reverse stress-tests and scenario analyses is compatible with the principle of proportionality, having regard to the nature, scale and complexity of the Undertaking's business; and
- Prepares contingency plans to address material risks that if they were to happen could have a significant impact on the solvency position or viability of the Undertaking.

The above process undertaken ensures 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.

The ORSA assessments to date indicate that the Undertaking is adequately capitalised.

B.4 Internal control system

B.4.1 Internal controls

The Undertaking's Control Framework promotes 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 joint responsibilities of the general managers and the Heads of Functions.

The Control Framework defines control activities as the policies and procedures that mitigate the Undertaking's risks to the expected 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 security of assets.

All key controls are registered with the associated risks in the Undertaking's risk register, and managed as part of that process to validate their effectiveness and address identified weaknesses. Ongoing monitoring occurs in the ordinary course of operations.

Both the Heads of Functions and the branch general managers have visibility of the control effectiveness and any deficiencies in their areas. The scope and frequency of independent validation depends primarily on an assessment of risks and the effectiveness of ongoing monitoring procedures. Internal control deficiencies including loss events and near misses are reported using the RCSA or NFRA processes, with material incidents escalated to the relevant Risk Committee.

B.4.2 Key procedures

The Undertaking'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	Approval/authorisation is the confirmation or sanction of employee decisions, events or transactions based on a review by the appropriate management personnel.
Business Resumption	Controls that ensure that business operations can resume in the event of disaster or IT outage. These controls include Business Continuity (BCP) and Disaster Recovery (DR) Planning, BCP/DR Testing, system back-up and data retention.
Code of Accounts Structure	Controls to ensure that the design of the general ledger or subledger account codes assists in minimising errors and allow for effective data capture and reporting.
Documentation	Controls are in place ensuring decisions, exceptions, transactions, and other events are substantiated through documentation. This control includes confirmations, notices and/or disclosures that are required to be sent to clients on a periodic or annual basis.
Hiring/Selection	The hiring and selection process includes a due diligence and escalation process in connection with information received as a result of a background check conducted on an individual candidate who is seeking registration, appointment or a license with the Undertaking.
Input Form Design, Edits, and Validations	Controls that ensure the completeness, accuracy, and/or integrity of data input into information systems. These controls include business rules built into the design of system interfaces to reduce the probability of data input errors, (e.g. required fields, acceptable values, etc.), input data validation against known or expected values (e.g. tolerances etc.), or verifying the integrity and origin of data (e.g. digital signatures, hard-copy signatures etc.)

Control Name	Description
Physical Safeguarding Mechanisms	Controls that protect the Undertaking's assets through direct measures such as locks on doors, bars on windows, use of safes to secure valuables, and other similar techniques.
Policies & Procedures	There are policies and procedures describing the Undertaking's policies for operation and the procedures necessary to fulfill the policies. There are also reference aids or resources available which employees can refer to assist them in fulfilling their job responsibilities.
Process Monitoring	Management monitoring controls that ensure business processes within the Lines of Business meet their business objectives. These controls may include reviewing transaction error reports, reviewing compliance with applicable laws/regulations (e.g., monitoring the status of claims to ensure turnaround times comply with regulatory time standards), conducting quality assurance reviews, rejecting duplicate transactions, financial statement reviews, etc.
Reconciliations/ Comparisons	Control techniques that 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	Controls segregating tasks or processes to reduce the risk of accidental errors and/or fraud.
Strategic Monitoring and Governance	Management monitoring controls that ensure Lines of Business meet their strategic objectives. These controls include short and long-term range planning, organisational design/staffing, key performance indicator reviews, risk management, enterprise architecture, data governance, knowledge management, etc.
System Access Approval and Monitoring	Controls are in place over the authorisation, identification and authentication of associate access to IT Resources. Minimally, access to systems or data is formally approved and access is periodically reviewed for appropriateness.
System Change Control	Controls are in place to ensure changes to IT systems are reviewed to ensure they meet the needs of the Undertaking, perform as expected, and do not create security vulnerabilities. These controls could include unit testing, performance testing, user acceptance testing, vulnerability testing, etc.
System Data Encryption	Controls are in place to ensure sensitive data is encrypted in Undertaking systems. Encryption controls and other methods of safeguarding data are used in at-risk IT assets such as laptops, smart phones/blackberry's and back-up tapes to prevent unauthorised data access and/or disclosure of confidential or sensitive information.
System Monitoring and Response	Controls that ensure the technology environment is monitored for security incidents, processing abends, system outages, etc. 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	Controls that ensure that third-parties are operating in accordance with agreements and contracts and deviations are acted upon by management.
Training/ Communication	Controls are in place to ensure that employees, at all levels, are provided with training activities that comply with regulatory requirements regarding training on products, services, procedures, rules and standards, as applicable. The organisation has communicated its values and standards to employees, suppliers, customers and other relevant stakeholders. There is a process to update and communicate these standards and related training regularly.
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.

B.4.3 Description of Compliance Function

The Compliance Risk Management (CRM) Function is an important part of an effective internal control system and the three lines of defence model. CRM provides strategic advice and challenge to first line, partnering closely with them while fulfilling its responsibilities to key stakeholders, such as customers, shareholders, regulators and employees. CRM provides a framework for the Undertaking's lines of businesses and functions to identify, assess and mitigate compliance risk, establish controls and embed Compliance risk management in business processes. It also intends to help management be reasonably assured that effective processes are in place to ensure adherence to applicable laws and regulations. The framework ensures that any uncovered compliance issues are appropriately addressed and that ownership of the compliance risks and mitigating actions are assigned to business process owners. In this regard, the Undertaking is committed to having in place an effective CRM framework 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 CRM Framework consists of the following key elements:

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

The Board has overall responsibility for setting and overseeing compliance arrangements in the Undertaking. 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 CRM Framework. The core role of the Compliance Function is to standardise, document and provide assurance to the management of the Undertaking, and ultimately to the relevant regulators, that the Undertaking is operating within the letter and the spirit of the legal and regulatory framework. The Compliance Function reports to the Undertaking's ERC / BRC and ultimately to the Board.

The Compliance Function performs the following actions on an annual basis:

- In line with the CRM Framework, identification and assessment of compliance risks, including but not limited to, the completion of compliance monitoring and testing activities to ensure independent oversight and review of policies and procedures.
- Regulatory Change Management (in line with the Regulatory Change Procedure):
    - 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 Undertaking.
- Providing an Annual Compliance Plan, including a Testing and Monitoring Plan for approval from the Board.
- Supporting a robust training programme to ensure all staff are fully up to date with and understand all aspects of compliance programmes and regulations.
- Reviewing compliance policies, procedures and controls on a regular basis.
- In addition, the Head of Compliance is also responsible for providing compliance oversight of the Compliance Function in all branches of the Undertaking and is the Head of Anti-Money Laundering and Counter Terrorist Financing Compliance of the Undertaking.

B.5 Internal Audit Function

B.5.1 Internal Audit Purpose

The primary role of Internal Audit (IA) is to support the Board and the Executive Management to protect the assets, reputation and sustainability of MetLife. IA is an independent and objective function that provides assurance, advice and insight as to whether the design and operating effectiveness of the Undertaking's framework of risk management, internal control, compliance and governance processes, as implemented and represented by management, is adequate and working effectively

MetLife has adopted a “three lines of defence” risk and internal control framework to ensure that it can execute on the Undertaking’s approved strategy while concurrently ensuring that it can fulfil its responsibilities to key stakeholder groups, such as customers, shareholders, regulators and employees.

a. Business management, as the first line, owns risk identification, together with the design and execution of processes and controls to manage the risk.
b. Compliance and Risk Management, as the second line, provides input, challenge, oversight and governance.
c. IA, as the third line, provides independent assurance, reviewing both first and second lines of defence; it should not be relied upon by management as a substitute in whole or in part for either first or second line of defence activity.

At the request of the Audit Committee and Executive Group management, IA may perform advisory services and special reviews related to governance, risk management and controls as appropriate for the Undertaking, providing they do not compromise the role and independent function of IA.

B.5.2 Independence

It is a fundamental requirement for IA to maintain independence and objectivity from the first and second-line management of the business. IA will operate free of conditions that threaten its ability to carry out activities in an unbiased manner and has no direct operational responsibilities or authority for day-to-day business management, the management of risk, and the effectiveness of internal controls. Internal auditors are prohibited from having operational responsibility or authority over areas audited.

B.5.3 Authority

IA derives its authority from the Undertaking's Board, and the Audit Committee to which it has direct access. For the purposes of its work, IA has unrestricted authorisation to access all records, personnel and physical property, and formal meetings and committees relevant to the performance of their assignment in any functional area of the Undertaking and, where contractually authorised, its contractors or suppliers. All employees assist IA in fulfilling its roles and responsibilities. Documents and information given to IA are handled in the same prudent and confidential manner as by those employees normally accountable for them.

B.5.4 Performance

IA must exercise due professional care in the execution and communication of audits and other work. The Institute of Internal Auditors (IIA) has established standards (Standards) for the professional practice of Internal Auditing. The Standards apply to individual internal auditors and to internal audit activities. All internal auditors are accountable for conforming with the Standards related to individual objectivity, proficiency and due professional care. IA employs methodology to ensure auditors align with the Standards, and internal auditors are accountable for conforming with the Standards that are relevant to the performance of their job responsibilities. The IIA has also established a Code of Ethics. Auditors are responsible to conduct themselves so that their good faith and integrity are not open to question.

The IA Charter defines IA’s purpose, authority and responsibility. This Charter establishes IA’s position within the Undertaking, including the nature of the Chief Auditor’s (Head of Internal Audit) functional reporting relationship with the Board and administrative reporting to the CEO; authorises access to

records, personnel and physical properties relevant to the performance of engagements; and defines the scope of IA activities.

B.5.5 Organisation and Reporting

The Head of Internal Audit has a functional reporting relationship to the Audit Committee and will meet with the Chair of the Audit Committee throughout the year. The Head of Internal Audit also reports administratively to the CEO and has direct and continuing access to the CEO as required. The Head of Internal Audit does not participate in the decision-making process of the Executive Group or Board, but may be invited by the CEO or Board, as the case may be, to attend any meetings and receive any information needed for successful execution of the Head of Internal Audit's function.

B.5.6 Scope of Responsibilities

The Head of Internal Audit is accountable for:

a. Identifying all auditable areas within the undertaking;

b. Proposing a risk-based audit plan that is reviewed and approved by the Audit Committee at least annually. The plan covers key risks, emerging risks and regulatory obligations in line with the MetLife risk management and internal controls framework. Any significant deviation from the approved internal audit plan will be communicated to the Audit Committee through periodic activity reports;

c. Implementing the approved audit plan, communicating the results, and providing a written report. The Head of Internal Audit is accountable for all reports issued by IA and for deciding to whom and how it will be disseminated;

d. Monitoring action plans taken by management. IA maintains an audit-issues tracking system to identify the status of significant audit issues and the corrective actions planned by management;

e. Recruiting, developing and retaining personnel with appropriate skills, knowledge, experience and professional certifications to conduct their duties in an effective and efficient manner. They will maintain their technical competence through an appropriate curriculum of professional training and continuing education;

f. Contracting for specific expertise when needed for an audit assignment; the audit work remains the responsibility of IA and must be consistent with MetLife, Inc.'s IA Charter; and

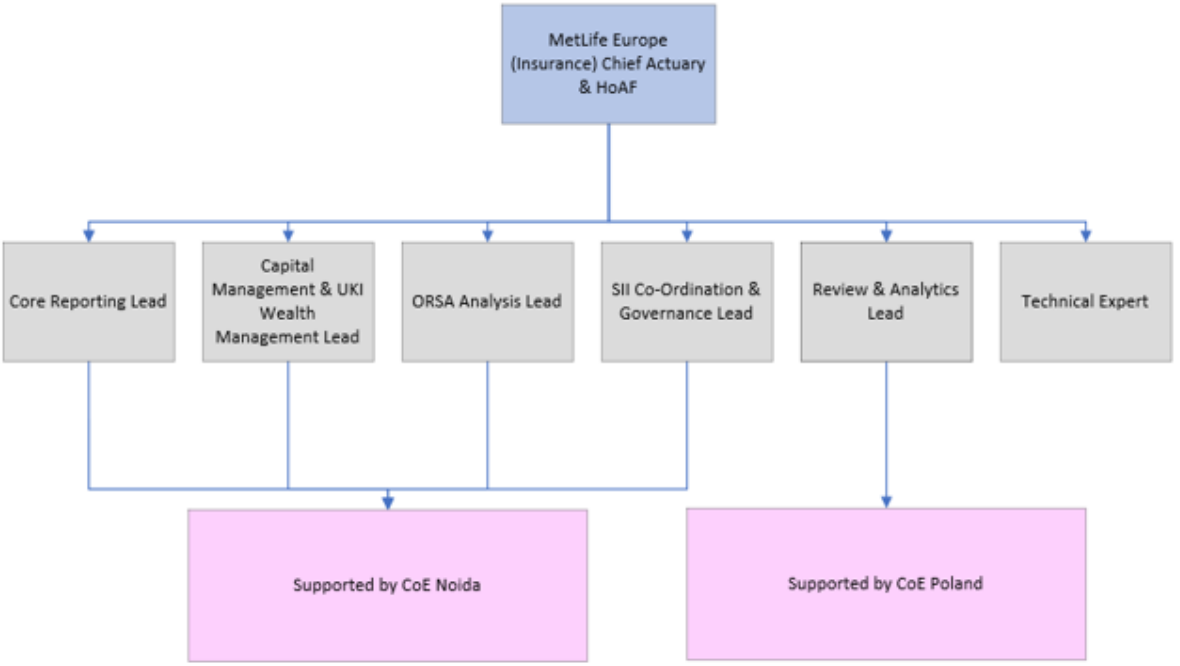
g. Updating the Audit Committee on key audit initiatives, adequacy of resource levels, providing regular updates on the progress of completion of the audit plan, including any changes, and the status of management action plans.

B.6 Actuarial Function

The Actuarial Function is responsible for the following key deliverables within the Undertaking:

- Production of the (External) Annual "Actuarial Function Report" covering the following matters (alternatively some of these may be provided separately):
  - Report on the technical provisions
  - Opinion on the technical provisions
  - Opinion on underwriting
  - Opinion on reinsurance
  - Description of the activities of the Actuarial Function over the year
- (Internal) Quarterly slide deck to management providing analysis of the Solvency II balance sheet, and support for sign-off (and supporting the ORSA stipulation for continuous compliance with the requirements for technical provisions);
- (Internal) Quarterly analysis of Earnings slide deck to management providing a more in depth analysis on the Solvency II earnings;
- (Internal) Annual report to the Board on the actuarial assumptions;
- (Internal) Contributions to risk management notably the ORSA, including inputs to the choice of stresses and scenarios, and documented quality control over the projections themselves; and
- (External) Actuarial opinion on the ORSA.

Note that the prefix "Internal" / "External" refers to whether the documentary outputs correspond directly to external requirements or are internal ways to support the external requirements. For example, the assumptions report is not required separately by external requirements, but, given that the assumptions are clearly a key element of the technical provisions, there needs to be suitable supporting documentation.



The Actuarial Function consists of the Actuarial Analysis team as outlined in the above chart excluding contractors supporting projects.

The Actuarial Production team produces valuation results which are subsequently passed to the Actuarial Analysis team for analysis and review before final sign off by the Head of Actuarial Function. Beyond its Solvency II duties as Actuarial Function, the Actuarial Analysis team also contributes to a range of financial reporting and management activities.

B.7 Outsourcing

B.7.1 Outsourcing policy

The Undertaking outsources a range of activities in the countries it is active in, particularly in the areas of policy administration and IT in order to benefit from expertise and efficiencies not practically available internally. Each outsourcing arrangement has a functional owner in the senior team who is responsible for the management and first line oversight of the arrangement. The Procurement function oversees the Third Party Risk Due Diligence and facilitates its completion for all vendors identified as potential outsourcing providers.

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 ongoing monitoring, and that the risks associated with entering outsourcing arrangements are effectively managed. The Outsourcing Policy applies to all outsourcing agreements and covers the requirements for both external outsourcing and Intra-group outsourcing.

B.7.2 Details of outsourcing (including critical or important outsourcing)

The Undertaking operates on a partially outsourced model, which means that certain services (including certain critical or important activities of the actuarial, compliance, risk management, IT services and internal audit functions) are provided by the following MetLife group service companies:

- MetLife Europe Services Limited (MESL) for UK jurisdiction
- MetLife Services European Economic Interest Group (EEIG) and MetLife Innovation Centre Limited for Ireland jurisdiction

In addition, the Undertaking benefits from group services such as investment services from MetLife companies based in the UK and USA, and IT services from MetLife companies based in the USA.

In addition, the Undertaking externally outsources the following critical or important functions / activities:

Critical or important outsourced function / activity	Jurisdiction
Complaint handling	Multiple jurisdictions (France, Netherlands, UK, Poland, Germany, Portugal, Italy and France)
Storage of policyholder data and policy servicing	Multiple jurisdictions (France, Netherlands, UK, Spain, Cyprus, Poland, Germany, Portugal, Romania, Italy and France)
Claim handling	Multiple jurisdictions (France, Netherlands, UK, Spain, Poland, Germany, Portugal, Slovakia, Romania, Italy and France)
Storage of data	Multiple jurisdictions (All Undertaking branches)
Inbound services (Inbound mails and Document management)	Multiple jurisdictions (France, Spain, UK, Portugal and Italy)
Outbound mail services	Multiple jurisdictions (France, Spain, UK, Portugal and Italy)

B.8 Any other information

The information provided in the sections above provide a comprehensive and complete description of the Undertaking's system of governance and its continuing adequacy for the Undertaking.

C Risk profile

C.1 Underwriting risk

C.1.1 Material exposures

The Undertaking is exposed to underwriting risks in its businesses, including mortality risk, longevity risk, morbidity risk, policyholder-behaviour risk, and expense risk. 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.

Exposures to underwriting risks decreased over the reporting period due to higher interest rates and changes in the mix of business. Going forward, exposure to underwriting risks is expected to increase as the Undertaking continues to focus on sales of protection business.

C.1.2 Material risk concentrations

Through its operations, the Undertaking seeks to underwrite a highly diversified and balanced portfolio of underwriting risks. In certain business lines, material geographical risk concentrations can arise. These are monitored and managed as appropriate with catastrophe reinsurance.

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 as mentioned above.

C.1.4 Material risk sensitivities

As required by the calculations to determine the SCR using the SF, the Undertaking determines the impact of increases in expected loss rates, and pandemic events. The impacts are set out in the following table and explained further below. The following table shows the sensitivity in the Undertaking's capital requirements if a 1 in 200 year event (as measured by the SF) happened for each risk category.

	31-Dec-22
	€'m
Mortality risk	**140**
Disability risk	**82**
Lapse risk	**491**
Expense risk	**81**
Catastrophe risk	**114**

Mortality risk (including catastrophe) predominantly arises on Group Life business in the UK and individual term life business in France. Additional exposures to mortality arises in the credit life and individual life businesses across the branches.

Exposure to disability risk arises in the credit life, group income protection (primarily UK) and accident and health businesses.

Lapse risk affects the business in different ways depending on the future expected profitability: the Undertaking is generally exposed to the risk of higher lapses (long term trend or mass lapse) on more profitable business and lower lapses on less profitable business. In particular some of the in-force business offers guarantees, i.e. Excess Interest Benefit (EIB), that are currently valuable and generate

exposures to lower lapses on such business. Note the SCR for lapse risk reduced during the period due to the rise in interest rates and due to decreasing remaining policy terms on certain blocks of profitable A&H business.

Exposure to expense risk relates to an increase in the level of and inflation on future maintenance expenses in relation to the existing business. This affects all business broadly according to the size of each portfolio.

Catastrophe risk measures the change in the Undertaking's insurance liabilities due to extreme or exceptional events. This reduced over the period due to modelling refinements on Cyprus medical expense business.

Underwriting risk exposures are mitigated as described above.

C.2 Market risk

C.2.1 Material exposures

The Undertaking 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 and equity markets, either indirectly through revenues that depend on the value of investments covering unit-linked policies or directly through positions held to facilitate policyholder transactions or guarantees provided to policyholders. These risks are identified and assessed as part of the Undertaking's ALM process, in which all balance sheet values are mapped to their relevant market drivers. In line with the Prudent Person Principle, the Undertaking invests in assets whose risks can be properly identified, measured, managed, controlled, reported and appropriately taken into account as part of the ORSA process.

The exposures to market risks have increased over the period due to higher interest rates offset by a reduction in the equity risk shock.

C.2.2 Material risk concentrations

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

C.2.3 Material risk mitigation practices

Market risks are primarily mitigated through aligning assets and liabilities within agreed tolerances, in particular in terms of currencies and timing of cash flows. The 100% UK Wealth Management reinsurance with MetLife Bermuda ensures all of the risks on this business are fully reinsured. Equity exposures from the non-UK 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 Undertaking determines the impact of changes in interest rates, equity levels, property risk and currency values (against the Euro) which are set out in the following table and explained further below. The following table shows the sensitivity in the Undertaking's capital requirements if a 1 in 200 year event (as measured by the SF) happened for each risk category.

	31-Dec-22
	€'m
Interest rate risk	**77**
Equity risk	**41**
Property risk	**12**
Currency risk	**52**

Interest-rate risk is the risk of loss arising from changes in the level of real or nominal interest rate prices or market implied interest rate volatility levels. The Undertaking is in particular exposed to a drop in interest rates at the long end, as some of the liability cashflows extend beyond the maturity of the asset portfolio. Interest rate risk has increased over the period due to the rise in interest rates resulting in a higher shock under the SF methodology.

Equity risk arises from changes in equity prices (including equity index prices), or market implied equity market volatility levels. As the Undertaking's key exposure to equity options and guarantees is

reinsured, the Undertaking's retained exposure to equity risk relates to unit-linked business resulting from a fall in unit fund prices following a severe downturn in equity markets.

Property risk arises as a result of sensitivity of assets, liabilities and financial investments to the level or volatility of market prices of property. The Undertaking is not exposed to any material property risk.

Currency risk is the risk of loss arising from changes in foreign exchange rates or market implied foreign exchange volatility levels. As the Undertaking is a multi-currency business, foreign exchange exposures depend on the performance of liabilities in different currencies and the assets covering them. The Undertaking's currency risk slightly increased over the period due to increased exposure to USD offset by an increase in the coverage of its FX derivatives on Czech Koruna and Pound Sterling currency exposure.

Market risk exposures are mitigated as described above.

C.3 Credit risk

C.3.1 Material exposures

The Undertaking 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 primarily from the investment portfolio and from a number of counterparties related to risk mitigation.

These risks are identified and assessed as part of the ALM and reinsurance processes, in which the creditworthiness of the obligors is monitored.

The exposures to credit risk has reduced over the reporting period mainly due to the increase in interest rates over the period and reduction in corporate bond holdings following the 2022 dividend payment.

C.3.2 Loan portfolio

The Undertaking invests in mortgage loans which are principally collateralised by commercial real estate properties. The credit risk exposure in commercial real estate loans stems from various factors, including the supply and demand of leasable commercial space, creditworthiness of tenants and partners, capital markets volatility and interest rate fluctuations. The exposure is limited by the Investment guidelines.

In addition, on a limited number of legacy products, loans can be extended to policyholders as long as they are fully covered by the cash value of the policy.

C.3.3 Material risk concentrations

The Undertaking maintains a highly diversified, well rated investment portfolio and routinely monitors and limits credit exposures at counterparty and aggregate level. Concentrations can arise where the Undertaking's requirements of quality, duration, currency etc. limit the choice of obligors, in particular the Undertaking has a relatively large exposure to government bonds in the Czech Republic, Romania and Hungary for currency matching reasons. These holdings are within risk appetite limits and expected to reduce over time as the EIB business in those countries runs off.

There is a material reinsurance counterparty exposure to MetLife Bermuda mainly due to the 100% UK Wealth Management quota share treaty. This counterparty risk is mitigated by a robust collateral arrangement with the reinsurer, which is monitored on an ongoing basis.

C.3.4 Material risk mitigation practices

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

Credit risk, including concentration risk as outlined in the above section, is mitigated through credit rating, funds withheld arrangement and the placement of collateral.

Although MetLife Bermuda does not have a rating, an indicative Insurer Financial Strength Rating of MA1 was assigned by MetLife, Inc.'s GRM Credit team. The most material exposure to MetLife Bermuda is for the UK Wealth Management book of business and, in the event of a default, the Undertaking's Exposure at Default would be the entire gross liability for the VAH guarantees, less the value of the hedging portfolio and the policyholder account assets held on the Undertaking's balance sheet in funds withheld; which are expected to be highly correlated to the liabilities on this business. However, the Undertaking holds very substantial collateral from MetLife Bermuda, from which the Undertaking can recover unmet obligations, and reduces any loss given default further. Overall in light of these protections, the counterparty credit risk is considered to be appropriately mitigated.

Exposure to changes in credit spreads is mitigated by investing in a diversified and high-quality investment portfolio.

C.3.5 Material risk sensitivities

As required by the calculations to determine the SCR using the SF, the Undertaking determines the impact of changes in credit spreads and a potential extreme loss of counterparty exposures which are set out in the following table and explained further below. The following table shows the sensitivity in the Undertaking's capital requirements if a 1 in 200 year event happened for each risk category.

	31-Dec-22 €'m
Spread risk	81
Counterparty default risk	48

The investment portfolio is exposed to credit spread movements, whilst counterparty default risk exposures arise primarily from reinsurance arrangements and third party receivables. All credit risk exposures are mitigated as described above. Note the Undertaking was approved by the CBI to use the volatility adjustment which reduces the risk of a forced sale of assets in stressed conditions and so is a key risk mitigant for credit spread volatility.

C.4 Liquidity risk

C.4.1 Material exposures

The Undertaking 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 the ALM process. The exposures to liquidity risks have been stable over the course of the reporting period.

The Undertaking's investments are typically highly liquid. In its assessment of liquidity, the Undertaking can also take into account the cash inflows and outflows arising from regular business activities over the course of the liquidity horizon considered. An element of these cashflows relates to the expected profits included in future premiums (EPIFP). The total amount of the EPIFP as calculated in accordance with Article 260(2-4) of the Delegated Acts was €1,130m as at 31 December 2022.

C.4.2 Material risk concentrations

In line with its Investment Guidelines, the Undertaking maintains a highly diversified portfolio and limits the exposure to individual obligors. Concentrations can arise where the Undertaking's liquidity needs are triggered by individual events. Liquidity stress testing is carried out to ensure that sufficient liquidity would be available in such events.

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 Undertaking 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. The results of the liquidity stress tests over the reporting period showed that the Undertaking had sufficient liquidity even in extreme events.

C.5 Operational risk

C.5.1 Material exposures

The Undertaking 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. As the Undertaking continues to evolve operationally, it aims to maintain a stable operational risk environment over the plan horizon.

C.5.2 Material risk concentrations

The Undertaking 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.

C.5.3 Material risk mitigation practices

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

C.5.4 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

The Undertaking is also exposed to emerging and evolving risks and undertakes a top-down semi-annual analysis which provides a holistic view of all external factors that could trigger new risks or opportunities for the Undertaking. An emerging risk register is maintained which incorporates this analysis and the output of the discussions at the ERC, the BRC along with discussions with subject matter experts.

The key emerging and evolving risks facing the Undertaking relate to emerging external factors, in particular:

- **Geopolitical risk**: The key risks being the armed conflict in Ukraine, increased nationalism across Europe threatening the stability of the ESM and related economic instability. At the time of writing the direct impacts to the Undertaking of the conflict in Ukraine have been limited but the indirect impacts such as increased market volatility, inflation and cyber risk threats continue to evolve and can impact the Undertaking negatively. Political risk threatening the stability of the EU single market is another key area of concern for the Undertaking. This has been observed previously with Brexit and the impact this can have on markets as well as the Undertaking's operating model. Single market consistency is important for the strategy of Undertaking and any risks to this are closely monitored. In addition, developments in US-China relations and Chinese domestic policies pose further geopolitical risk and related economic uncertainty.
- **Economic risk**: Emerging risk concerns relate to the future path of inflation, monetary policy and fiscal policy and the interconnected nature of these risks prompting further macro-economic uncertainty. The key drivers of uncertainty in this area include the conflict in Ukraine, ongoing supply chain issues and the resulting monetary and fiscal policy actions being taken

to combat inflation. Recent policy actions appear to have had an impact on inflation, however significant uncertainty remains. Should inflation persist this will potentially lead to an increase in expenses for the Undertaking resulting in both income statement impacts and balance sheet impacts as expenses are capitalised in the Solvency II technical provisions.

- **Social risk**: Key risks of note relate to changing customer and partner expectations, labour market changes, and future mortality and morbidity trends. Customer and partner expectations covers the risk that the Undertaking is unable to execute on its digitalisation and product innovation strategies in line with customers' and partners evolving expectations. Labour market changes and changing social trends can impact on the working population creating skills shortages. This has the potential to impact the Undertaking's digitalisation strategy if there are shortages of skills in this area. In addition, there is a risk of changing mortality trends, particularly in the UK and France where the Undertaking's exposure to mortality risk is higher. The impact of COVID-19 on future mortality trends is unclear with additional factors such as ageing populations, mental health impacts and medical advances contributing to the uncertainty.
- **Technological risk**: One of the key risks noted is Cyber Risk, in particular the increased sophistication of attacker's capabilities and the need for companies' cyber security measures to keep pace. Technological risk also includes data privacy and further technological disruption which could impact business performance.
- **Legal and Regulatory risk**: The very large volume of change in the pipeline and the potential costs and risks associated with this, including potential impacts on future business performance, product offerings and solvency. Of particular note is the increasing regulatory focus on areas around conduct risk, for example EIOPA's review of credit protection insurance and its consultation on a framework to address value for money risk on unit-linked products.

As outlined earlier, the Undertaking is also exposed to the risks posed by sustainability and more specifically climate change. Climate risk is unique as a category of risk in that it can impact the Undertaking and its business model across a variety of the traditional risk categories. In addition, climate risk can impact the Undertaking differently across the short, medium and long term. Increasing regulatory focus from an ESG perspective has looked to inform firms on how the management of climate risks should be approached. They set out a framework for how firms should consider risks associated with climate change and sustainability more broadly including a number of requirements spanning governance, risk management, scenario analysis and disclosure. The Undertaking continues to develop its capabilities to manage sustainability risk in line with emerging and evolving methods, tools and available data.

The UK ceased to be a member of the EU in January 2020 and is no longer subject to EU law. While discussions continue between the UK and EU on a MOU for financial services, there is no clear timeline. In the meantime, the UK government has begun the process of reviewing its regulatory framework. It is likely that the UK's domestic prudential regime may begin to diverge from the Solvency II Directive, but it is still unclear if it will do so in a way that would prevent a future MOU or have a material impact on the supervision of insurers. The Undertaking expects to maintain its existing operating model, including as an inbound EEA-insurer, under the UK's TPR, which is due to last until at least the 31 December 2023 and will so permit the Undertaking to carry on its insurance business in the UK during this period.

C.7 Any other information

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

D Valuation for solvency purposes

D.1 Assets

Basis of valuation

The valuation of assets for Solvency II has been determined in line with the Solvency II Directive 2009/138/EC and related guidance.

Unless expressly stated in the notes below, the Undertaking 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 Undertaking, 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 Undertaking'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 Undertaking 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 Undertaking believes that the fair value is represented by the amounts realisable, on account of their short term nature.

The following table shows the assets of the Undertaking as reported in the Balance Sheet QRT SE.02.01.16 under Solvency II, and comprises figures produced under both Solvency II and in the Undertaking's financial statements. The financial statements have been prepared in accordance with IFRS.

Assets of the Undertaking as at 31 December 2022

Assets	Solvency II value	Reclassification differences	Valuation differences	IFRS value
	€'m	€'m	€'m	€'m
Deferred acquisition costs	—	—	879	879
Intangible assets	—	—	16	16
Deferred tax assets	24	—	39	63
Property, plant and equipment held for own use	52	—	(4)	48
Property (other than for own use)	1	—	(1)	—
Participations and related undertakings	2	—	(1)	1
Government Bonds	1,007	(10)	—	997
Corporate Bonds	847	(12)	—	835
Collective Investments Undertakings	1	—	—	1
Derivative Assets	6	—	—	6
Deposits other than cash equivalents	4	—	—	4
Assets held for index-linked and unit-linked funds	3,849	(73)	—	3,776
Loans on policies	11	—	—	11
Other loans and mortgages	155	(6)	7	156
Reinsurance recoverables	3,006	(78)	123	3,051
Insurance and intermediaries receivables	96	—	—	96
Reinsurance receivables	29	78	—	107
Receivables (trade, not insurance)	73	36	103	212
Cash and cash equivalents	193	69	—	262
Any other assets	—	—	276	276
Total Assets	**9,356**	**4**	**1,437**	**10,797**

The Solvency II liabilities are compared to the IFRS liabilities in section D.3. The valuation differences between the Solvency II and IFRS excess of assets over liabilities is set out in section E.1.2.

The items on Solvency II and IFRS balance sheets may be disclosed in different categories. The 'reclassification' column above includes such amounts where there is a different classification between Solvency II and IFRS. There is no net bottom line reclassification difference between the assets in this section and the liabilities in section D.3.

D.1.1 Deferred acquisition costs

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

Under IFRS, such costs are deferred to the extent that they are expected to be recoverable. Direct response marketing costs relating to the acquisition of life and personal accident business are deferred to the extent that they are expected to be recoverable. Other acquisition costs incurred during the financial year that are directly attributable to the successful acquisition of new business, are deferred to the extent that they are expected to be recoverable. All other costs are recognised as an expense when incurred. Accordingly, the two amounts differ on account of the different accounting policies applied.

A portion of the DAC asset is allocated to an Unearned Commission Asset (UCA) to reflect clawback arrangements in place for associated commission payments. As commission is earned, it is moved to DAC. The UCA is disclosed in other assets in IFRS but is not recognised under Solvency II.

Prepaid commission, relating to prepaid renewal commission on the UK Individual Protection business, is also disclosed in other assets in IFRS but is not recognised under Solvency II.

D.1.2 Intangible assets

Intangible assets include those payments made to third party distributors for exclusive distribution rights obtained by the Undertaking.

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

Under IFRS, intangible assets are stated at cost less accumulated amortisation. Intangible assets are recognised if the undiscounted future cash flows exceed the initial cost of the asset. Intangible assets are amortised over their useful life and amortisation methods are either proportional to expected profits or expected premiums. Accordingly, the two amounts differ on account of the different accounting policies applied.

D.1.3 Deferred tax assets

Under Solvency II, a deferred tax asset (DTA) is 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 DTAs can be realised, the Undertaking considers projected future taxable profits in excess of those profits arising from the reversal of existing taxable temporary differences.

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

The principles under which DTAs and liabilities are recognised under Solvency II are broadly similar to those under IFRS.

However, there are differences in the carrying value of underlying assets and liabilities, which give rise to temporary differences between carrying value and tax base. Accordingly, the two amounts differ on the SII and IFRS balance sheets.

The following table sets out the composition of the deferred tax balances under Solvency II, as at the reporting date, with a comparison against the deferred tax balances under IFRS:

	Solvency II	IFRS
	2022	2022
	€'m	€'m
Commission fees allowable in future years	**3**	3
Premium reserves for claims for non-life insurance contracts	**—**	—
Losses carried forward	**1**	1
Property, plant and equipment	**(6)**	2
Policyholder assets/liabilities	**(164)**	160
Deferred acquisition costs	**(25)**	(149)
Investments	**83**	36
Differences between Solvency II and IFRS balance sheet	**(75)**	—
Net deferred tax balance	**(130)**	8

Details of UK Tax Rate Change:

Finance Act 2021, which was enacted on 24 May 2021, and received Royal Assent on 10 June 2021, includes a provision to retain the corporation tax rate at 25% to be in force from 1 April 2023.

DTAs:

As of 31 December 2022, there are Head Office and a number of branches that are in a net DTA position for Solvency II purposes: UK with a DTA of €11.7m, Czech Republic with a DTA of €6.1m, Hungary with a DTA of €1.3m and Bulgaria with a DTA of €0.4m.

All the branches were profitable in 2022 and are expected to continue as such. The branches are satisfied they can gain full value for these DTAs as it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. As a result, there is full recognition of these DTAs.

The following branches have local DTAs on the balance sheet relating to current and historical net operating losses and are in a net DTL Position for Solvency II purposes:

	2022	2021
	€'m	€'m
Spain	**0.1**	0.3
Bulgaria	**0.5**	0.5
Total	**0.6**	0.8

These branches have historically been profitable and demonstrated ability of utilisation. Based on the available evidence, it is management's expectation that these will continue to be profitable, cash tax paying, and utilise remaining losses within their countries.

The amount of net DTAs in the above branches is not considered material as of 31 December 2022. Therefore, in accordance with Article 297 of the Delegated Regulation 2019/98, no description is provided on the underlying assumptions used for the projection of probable future taxable profit.

For all branches in a net DTL position, management expects that the unwind of the DTL position will offset any DTAs on the balance sheet. These branches have a record of profitability and cash tax payments.

In addition, the following unrecognised DTAs exist in the UK branch and Head Office at year end 2022:

	2022	2021
	€'m	€'m
Ireland	**90**	86
UK	**10**	21
Cyprus	**2**	2
Total	**102**	109

Ireland: The unrecognized DTA relates to (i) historic losses of €21m and (ii) Foreign Tax Credits (FTC) of €69m for the tax paid by foreign branches of the Undertaking.

Such losses and FTCs have no expiry date, however there is currently no evidence to support recoverability as our expectation for (i) is that these losses are ring fenced and cannot be used by the current business and (ii) is that local taxes paid will always exceed the Irish taxes due.

UK: The unrecognized DTA of €10m relates to losses generated in the non-basic life assurance and general annuity business (BLAGAB)/BLAGAB business and 2022 rate change on same. The losses reduced due to their utilisation in the 2021 tax return, by way of group relief.

Based on current UK tax legislation, the use of losses is as follows:

a. The use of carried-forward losses against current year profits will be restricted, subject to an annual £5m allowance (the £5m threshold applies on a group-wide basis).
b. Above the £5m allowance, only 50% of profits can be covered by carried-forward losses.

It should be noted that these losses can be carried forward in perpetuity under UK tax law. However, this legislation impacts on the speed at which the branch can utilise these losses.

Cyprus: The unrecognised DTA of €2m relates to local losses, with an expiry date of 5 years from when the losses occur. The majority of the losses relate to the year 2016 (€2m). The 2021 Local Tax return is due to be filed in January 2023.

These items are disclosed in the IFRS accounts also.

The amount of DTAs is not considered material at 31 December 2022. Therefore, in accordance with Article 297 of the Delegated Regulation 2019/981, no description is provided on the underlying assumptions used for the projection of probable future taxable profit.

D.1.4 Property, plant and equipment

D.1.4.1 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.

Under IFRS, all property, plant and equipment is measured at cost less accumulated depreciation. Accordingly, the two amounts differ on account of the different accounting policies applied.

D.1.4.2 Right-of-use assets

Right-of-use assets leased by the Undertaking 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 IFRS, right-of-use assets are initially measured at the present value of the lease payments that are not paid at the commencement date and then depreciated on a straight-line basis.

The IFRS carrying value is considered a good representation of the fair value under Solvency II. Accordingly, there are no differences between Solvency II and IFRS.

D.1.5 Investments (other than assets held for index-linked and unit-linked contracts)

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

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

D.1.5.1 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 annually.

Under IFRS, property (other than own use) is measured at cost less accumulated depreciation. Accordingly, the two amounts differ on account of the different accounting policies applied.

D.1.5.2 Holdings in related undertakings, including participations

The Undertaking has a 100% owned subsidiary in the UK, MetLife Pension Trustees Limited. This subsidiary is trustee and administrator of personal pension schemes. Under Solvency II, the adjusted equity method is applied to determine its fair value. This requires valuing such investments based on the Undertaking's share of the excess of assets over liabilities of the related undertaking, using the Solvency II valuation principles.

Under IFRS, the Undertaking's subsidiary is stated at historic cost. Accordingly, the two amounts differ on account of the different accounting policies applied.

D.1.5.3 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.

Under IFRS, equities are stated at fair value. Accordingly, there are no differences between Solvency II and IFRS.

D.1.5.4 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.

Under IFRS, bonds are stated at fair value. Accordingly, there are no differences between Solvency II and IFRS.

D.1.5.5 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.

Under IFRS, collective investments undertakings are stated at fair value. Accordingly, there are no differences between Solvency II and IFRS.

D.1.5.6 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.

Asset and liability derivatives are shown separately on the balance sheet.

There are no differences between the valuation under Solvency II and under IFRS.

D.1.5.7 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.

Under IFRS, demand deposits are stated at carrying value which approximates to fair value. Accordingly, there is no difference between the two amounts.

D.1.6 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.

Under IFRS, assets held for index-linked and unit-linked contracts are stated at fair value. Accordingly, there is no difference between the two amounts.

D.1.7 Loans and mortgages

Policy loans are valued at amortised cost under Solvency II and IFRS. 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.

Under IFRS, mortgage loans held-for-investment are stated at unpaid principal balance, adjusted for any deferred fees. Accordingly, there are differences in the valuations of loans and mortgages on the two balance sheets.

Other loans also comprise intercompany loans with fixed or determinable payments. Under Solvency II, these are stated at fair value. Under IFRS, these are measured at amortised cost using the effective interest method, less any impairment. This is not considered materially different to fair value. Accordingly, there are no differences between Solvency II and IFRS.

D.1.8 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 D.2.

Under IFRS, reinsurance recoverables are valued using the same methods used to calculate technical provisions, however there are differences between the value of reinsurance recoverables on the two balance sheets.

D.1.9 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.

Under IFRS, receivables and other assets are recorded at cost less any irrecoverable amounts and are an approximation of the fair value of these assets. Accordingly, there are no differences between Solvency II and IFRS.

D.1.10 Reinsurance receivables

Reinsurance receivables relate to claims and commissions settled to policyholders but not yet paid by reinsurers.

Under Solvency II, these are stated at fair value.

Under IFRS, receivables and other assets are recorded at cost less any irrecoverable amounts and are an approximation of the fair value of these assets. Accordingly, there are no differences between Solvency II and IFRS.

D.1.11 Receivables (trade, not insurance)

Under Solvency II, these are stated at fair value.

Under IFRS, trade receivables are recorded at cost less any irrecoverable amounts and are an approximation of the fair value of these assets. Accordingly, there are no differences between Solvency II and IFRS.

See section D.1.1 for details of UCA which is disclosed in other assets in IFRS but is not recognised under Solvency II.

D.1.12 Cash and cash equivalents

Cash and cash equivalents and bank overdrafts are carried at fair value on the Solvency II balance sheet, which is based on the amounts due on demand.

Under IFRS, cash and cash equivalents and bank overdrafts are stated at carrying value which approximates to fair value. Accordingly, there is no difference between the two amounts.

Bank overdrafts are disclosed in debts owed to credit institutions in IFRS and Solvency II.

D.1.13 Any other assets

On 3 February 2021, the Undertaking amended and restated the MetLife Bermuda UK Wealth Management reinsurance treaty, effective 1 January 2021, to cover 100% of the UK Wealth Management guarantees and base contracts. See note A.1.2 for further details.

Under IFRS, the net cost of reinsurance at inception of the contract is deferred and amortised over the remaining life of the reinsured contracts.

Under Solvency II, deferred cost of reinsurance does not represent a recognisable asset. The net cost of reinsurance is recognised as a decrease in eligible own funds in the period in which it occurs. Accordingly, the two amounts differ on account of the different accounting policies applied.

D.1.14 Any other information on assets

Estimation uncertainty

The key source of estimation uncertainty arises in derivatives (section D.1.5.6).

Asset levelling

The following table provides an analysis of financial assets that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 4 on the degree to which the fair value is observable.

- Level 1: quoted prices in active markets for identical assets;
- Level 2: quoted prices in active markets for similar assets;
- Level 3: inputs other than quoted prices in active markets for identical or similar assets that are observable for the asset directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 4: inputs not based on observable market data.

Asset Category	Level 1 2022 €'m	Level 2 2022 €'m	Level 3 2022 €'m	Level 4 2022 €'m	Total Solvency II 2022 €'m
Assets held for index-linked and unit-linked funds (excluding outstanding trades)	3,701	124	—	22	3,847
Cash and cash equivalents	193	—	—	—	193
Corporate Bonds	—	820	—	27	847
Deposits other than cash equivalents	—	—	—	3	3
Derivative assets	1	—	5	—	6
Government Bonds	—	1,007	—	—	1,007
Collective investment undertakings	1	—	—	1	2
Loans on policies	—	—	—	11	11
Other loans & mortgages	—	—	—	155	155
Participations and related undertakings	—	—	—	2	2
Property (other than for own use)	—	—	—	1	1
Property (other than for own use)	—	—	—	52	52
Grand Total	3,896	1,951	5	274	6,126

All other information has been disclosed in the preceding sections.

D.2 Technical provisions

The technical provisions correspond to the current amount the Undertaking would have to pay if they were to transfer their insurance obligations immediately to another Undertaking. The value of technical provisions is equal to the sum of a BEL and a risk margin. The methodology employed in the calculation of the BEL 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 (HRGs) when calculating the technical provisions. The approach to segmentation is covered in section D.2.1.

The BEL 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 should properly segment 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.

In respect of the Undertaking, the following are the main lines of business:

- Other life insurance;
- Insurance with profit participation;
- Index-linked and unit-linked life insurance;
- Similar to Life Techniques (SLT) Health insurance;
- Non-SLT Health insurance; and
- Other non-life insurance.

D.2.2 Technical provisions split by line of business

Technical provisions split by gross and net of reinsurance

Illustrated below is a breakdown of gross and net technical provisions by line of business. The 2022 and 2021 numbers below are the Technical Provisions under the Risk-Free plus Volatility Adjuster basis in line with the reported Solvency II results:

	Gross of Reinsurance	**Reinsurance Relief**	**Net of Reinsurance**	Gross of Reinsurance	Reinsurance Relief	Net of Reinsurance
	2022	**2022**	**2022**	2021	2021	2021
Line of business	**€'m**	**€'m**	**€'m**	€'m	€'m	€'m
Insurance with profit participation	1,153	—	1,153	1,512	—	1,512
Index-linked and unit-linked insurance	3,622	(2,777)	845	4,810	(3,911)	899
Other life insurance	215	(163)	52	235	(239)	(4)
Accepted reinsurance	1	—	1	1	—	1
Health insurance (direct business)	(112)	(60)	(172)	(105)	(73)	(178)
Total Life	**4,879**	**(3,000)**	**1,879**	6,453	(4,223)	2,230
Medical expense insurance	12	(2)	10	8	(2)	6
Income protection insurance	(3)	(3)	(6)	(10)	(2)	(12)
Workers' compensation insurance	1	(1)	—	1	—	1
Total Non-Life	**10**	**(6)**	**4**	(1)	(4)	(5)
Total Technical Provisions	**4,889**	**(3,006)**	**1,883**	6,452	(4,227)	2,225

Gross technical provisions split by BEL and Risk Margin

The table below presents the breakdown of gross technical provisions by lines of business into BEL and risk margin (methodology is covered in sections D.2.3 and D.2.7 respectively).

The 2022 and 2021 numbers below are the Technical Provisions under the Risk-Free plus Volatility Adjuster basis in line with the reported Solvency II results:

Line of business	**BEL**	**Risk Margin**	**Gross Technical Provision under Solvency II**	BEL	Risk Margin	Gross Technical Provision under Solvency II
	2022	**2022**	**2022**	2021	2021	2021
	€'m	**€'m**	**€'m**	€'m	€'m	€'m
Insurance with profit participation	1,128	25	1,153	1,480	32	1,512
Index-linked and unit-linked insurance	3,585	38	3,623	4,763	47	4,810
Other life insurance	137	77	214	142	93	235
Accepted reinsurance	1	—	1	1	—	1
Health insurance (direct business)	(163)	51	(112)	(171)	66	(105)
Gross Total Life	**4,688**	**191**	**4,879**	6,215	238	6,453
Medical expense insurance	10	2	12	8	1	9
Income protection insurance	(12)	9	(3)	(20)	14	(6)
Workers' compensation insurance	1	—	1	1	—	1
Gross Total Non-Life	**(1)**	**11**	**10**	(14)	13	(1)
Total Gross Technical Provisions	**4,687**	**202**	**4,889**	6,201	251	6,452

Gross technical provisions decreased by €1,563m from €6,452m in 2021 to €4,889m in 2022. Net technical provisions decreased by €342m from €2,225m in 2021 to €1,883m in 2022. The change in net technical provisions is driven principally by the following:

- Assumption changes decreased the net technical provisions by €40m, primarily due to demographic and expense assumption changes during 2022.
- New business, experience & market movements account for the remaining movements. This impact is due to "organic" changes in relation to new business, actual experience and market movements (e.g. interest rates, foreign exchange rates, inflation), and roll-forward of the technical provisions on the in-force business (release of cash flows and risk margin, unwind of discount rate). Much of this change on the gross technical provisions relates to the impact of the UK unit-linked portfolio, with this block of business now fully reinsured and in run off, and an increase in the GBP exchange rates and interest rates across both UK Variable Annuity Holdings (VAH) and EIB portfolios. This was partially offset by positive market performance over the year increasing the value of some of the unit linked business outside of the UK VAH portfolio and a rise in inflation over the year.
- Reinsurance relief decreased by €1,221m due to the movements in the UK VAH portfolio described above which is fully reinsured.

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 and economic developments over the lifetime of the insurance and reinsurance obligations.

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

The Undertaking 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 Undertaking 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, cancelled or expires.

D.2.3.4 Time horizon

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

D.2.3.5 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.2.3.6 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.2.3.7 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.2.3.8 Life insurance obligations

Cash-flow projections used in the calculation are made separately for each policy, except where grouping of model point files is used. Material grouping is used in the following branches:

- Italy
- Spain
- Romania
- Slovakia

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.2.3.9 Non-life insurance obligations

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

D.2.3.10 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 Undertaking are in relation to the EIB 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 EIB 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 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. This 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

The Undertaking uses the volatility adjusted risk free rates for the valuation of its Euro liabilities and risk free rates for its remaining liabilities. The above approach is used consistently through the Solvency II Balance Sheet, Own Funds, SCR and MCR.

Illiquidity premium

This is no longer relevant under Solvency II.

D.2.6 Calculation of technical provisions as a whole

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

D.2.7 Risk margin

The risk margin is a fair value adjustment that captures the cost of holding the unhedgeable part of the SCR over the lifetime of the policies in force. It is added to the BEL which together make the technical provisions. Market risks are deemed hedgeable and are therefore excluded from this calculation. Determination of the risk margin therefore entails a projection of the unhedgeable part of the SCR over the run-off of the in-force business.

For the purposes of calculating the risk margin, 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 following risks are considered key and cover over 80% of the risk margin: Mortality, Morbidity, Lapse, Expenses, Catastrophe and Premium and Reserve risk.

The non-hedgeable SCR components are discounted using the risk-free rates.

D.2.8 Approximation of technical provisions

Technical provisions - un-modelled business

Due to modelling or data limitations on certain lines of business, certain components of the BEL are allowed for via un-modelled adjustments (UA) or modelled adjustments (MA). The basis for the UA or MA will vary from item to item.

Technical provisions - Paid-Up option

The Undertaking 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. It is complex to model and is assumed to be broadly equivalent financially to the surrender of the contract.

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 a 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.

BEL
The BEL 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.

Key assumptions used in calculating the BEL include:

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

2. Non unit-linked contracts

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 BEL, are discussed below.

Key assumptions used in calculating the BEL include:

- Expected future economic conditions (including risk-free interest rates, inflation rates and reinvestment rates);
- Maintenance expenses and associated inflation;
- Mortality / morbidity rates based on selected published actuarial mortality tables; and
- Lapse rates based on expected surrender experience

Such assumptions are captured in more detail in sections D.2.3 and D.2.15.

Expert judgement

Expert judgement is necessary in the calculation of the BEL for a number of reasons including the following:

- Selection of data to use, and adjustment to reflect current or future conditions, correcting errors and deciding on the treatment of outliers or extreme events;
- Selection of realistic assumptions, allowing appropriately for the environment in which the Undertaking operates;
- Selection of the valuation technique considering appropriate alternative methodologies.

D.2.10 Matching adjustment

This is not applicable to the Undertaking.

D.2.11 Volatility adjustment

The Undertaking applies volatility adjustment on the Euro risk-free interest rate term structure in accordance with Article 77d of Directive 2009/138/EC.

The volatility adjustment is applicable to all Euro-denominated branches within the Undertaking (namely Cyprus, France, Italy, Portugal, Slovakia and Spain) and Euro liabilities from one non-Euro denominated country (Bulgaria), comprising together 99% of the Undertaking's Euro liabilities. The application of the volatility adjustment was approved by CBI for first use at 31 December 2020.

The EUR volatility adjustment has increased from 3bps to 19bps over the year and had an impact of €12m on the Technical Provisions. The effect of the application of the volatility adjustment as at 31 December 2022 is as below:

	Risk-Free Rates	Volatility Adjusted Risk-Free Rates	Impact	% of Impact
	€'m	€'m	€'m	€'m
Total Liabilities	8,151	8,138	(13)	(0.15)%
Solvency Capital Requirement	616	616	—	0.03%
Minimum Capital Requirement	277	277	—	—%
Basic Own Funds	1,206	1,218	12	1.00%
Own Funds Eligible to cover the SCR	1,206	1,218	12	1.00%
Own Funds Eligible to cover the MCR	1,182	1,194	12	1.02%

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

This is not applicable to the Undertaking.

D.2.13 Transitional deduction

This is not applicable to the Undertaking.

D.2.14 Differences between Solvency II valuation and IFRS

The table and the associated explanations below provide key differences between technical provisions under Solvency II and those presented in the Undertaking's financial statements:

Analysis of Differences	Other life insurance	Insurance with profit participation	Index-linked and unit-linked life insurance	SLT Health insurance	Non-SLT Health insurance	Total
	2022	2022	2022	2022	2022	2022
	€'m	€'m	€'m	€'m	€'m	€'m
Gross Technical Provisions under IFRS	696	1,421	3,653	509	10	6,289
Assumption and Methodology Differences	(676)	(296)	(68)	(797)	(21)	(1,858)
RBNS Reclassification Differences	119	3	—	125	10	257
Items in Solvency II not in IFRS (Risk Margin)	77	25	37	51	11	201
Gross Technical Provisions under Solvency II	**216**	**1,153**	**3,622**	**(112)**	**10**	**4,889**

There are many significant differences between the technical provisions in the financial statements under IFRS and the technical provisions under Solvency II which are outlined below.

Assumption and Methodology Differences

Solvency II and IFRS have different rules for classifying/grouping insurance contracts, and these rules affect the valuation of the liabilities.

Solvency II capitalises all future profits, subject to contract boundaries, whereas IFRS generally does not. IFRS valuation of non-linked business adopts a net premium valuation methodology on regular premium business. For unit-linked type contracts, reserves typically equal the account values with no allowance for future profits. Exceptions exist for contracts with guarantees.

Solvency II assumptions are all best estimate whereas IFRS may apply Provisions for Adverse Deviations (PADs) to the assumptions used to value the reserves, according to classification rules.

Items in Solvency II but not in IFRS

Solvency II determines a risk margin based on the concept of the cost of capital (for risks that are not hedgeable), whereas this concept does not generally apply to IFRS (this might be considered as analogous to the PAD under IFRS).

Reclassification

RBNS balances are disclosed in technical provisions in Solvency II but in payables in IFRS.

D.2.15 Information on actuarial methodologies and assumptions

Principal assumptions used in the determination of technical provisions

Solvency II requires assumptions to be based on best estimates. 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 ranked from the highest to the lowest as follows: lapses, mortality, expenses, morbidity. The primary lines of business contributing to these assumptions relate to the UK and France.

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 and persistency assumptions tend to be Undertaking 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 Undertaking specific, not only in the manner that they reflect the plan expense base of the Undertaking, but also in the way that the Undertaking allocates expenses between acquisition and maintenance and by line of business.

3. Economic Assumptions

Noting that 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 Economic Scenario Generators (ESGs). These too are constrained by 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:

D.2.15.1 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, tables from an alternative country have been used which best match the experience.

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

D.2.15.2 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
- Hospitalization

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.2.15.3 Persistency

Lapses
Lapse rates are set for each country within the Undertaking 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.2.15.4 Expenses

D.2.15.4a 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 reserves. Expenses can vary by country, currency, product, premium type and distribution channel.

D.2.15.4b Expense inflation assumption
Maintenance and overhead expenses are adjusted based on inflation assumptions.

D.2.15.4c Commission assumption
Commissions are defined for each country within the Undertaking and are split into initial and renewal commissions. Standard commission is calculated as a percentage of premium. Depending on the 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.2.15.5 Premium Indexation

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

D.2.15.6 Benefit Escalation

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

D.2.15.7 Interest Rate

D.2.15.7a 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 on 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.
- 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.

The volatility adjustment is applied as an increase to the risk-free (RF) liability discount rate and is published by EIOPA with the risk-free rates on a monthly basis. The adjustment is based on the credit spreads observed on representative “reference portfolios” of bonds and varies by currency and country. It is broadly equal to 65% of the excess spread over risk-free (i.e. 65% of “total market yield minus risk-free minus allowance for credit risk”). The volatility adjustment is level up to the last liquid point (20 years for Euro) after which it begins to reduce as the overall discount rate (risk-free plus volatility adjustment) progressively converges to the ultimate forward rate.

D.2.15.7b Credited rate/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.2.15.7c Reversionary and terminal bonuses

This is not applicable to the Undertaking.

D.2.15.8 Fund Growth - Unit Linked

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

D.2.15.9 Discount Rate/Illiquidity Premium

This is consistent with section D.2.15.7. No illiquidity premiums are allowed for in any country.

D.3 Other liabilities

Liabilities of the Undertaking as at 31 December 2022

Liabilities	Solvency II value	Reclassification differences	Valuation differences	IFRS value
	€'m	€'m	€'m	€'m
Technical provisions - Non-life	10	—	—	10
Technical provisions - Life	4,879	(258)	1,658	6,279
Provisions other than technical provisions	9	—	—	9
Deposits from reinsurers	2,714	—	4	2,718
Deferred tax liabilities	154	—	(99)	55
Derivatives	72	1	—	73
Debts owed to credit institutions	6	—	—	6
Insurance and intermediaries payable	149	258	7	414
Reinsurance payables	45	—	—	45
Payables (trade, not insurance)	84	3	—	87
Financial liabilities	16	—	—	16
Total Liabilities	**8,138**	**4**	**1,570**	**9,712**
Excess of assets over liabilities	**1,218**	**—**	**(133)**	**1,085**

The Solvency II assets are compared to the IFRS Liabilities in section D.1. The valuation differences between the Solvency and IFRS excess of assets over liabilities is set out in section E.1.2.

D.3.1 Provisions other than technical provisions

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

Under Solvency II and IFRS, 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. Accordingly, there are no differences between Solvency II and IFRS.

D.3.2 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

Under IFRS, deposits from reinsurers are recorded at cost and are an approximation of the fair value of these liabilities. Accordingly, there are no differences between Solvency II and IFRS.

D.3.3 Deferred tax liabilities

For further details, please refer to section D.1.3.

D.3.4 Derivatives

Under Solvency II, derivative liabilities are measured at fair value. The valuation methodology for derivatives is set out in D.1.5.6.

There are no differences between the valuation under Solvency II and under IFRS.

D.3.5 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.

Under IFRS, trade and other payables comprise short-term payables which are recorded at cost and are an approximation of the fair value of these liabilities. Accordingly, there are no differences between Solvency II and IFRS, other than those attributable to timing.

D.3.5.1 Leasing

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 and IFRS, a lease liability should be 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.

Accordingly, there are no differences between the valuation under Solvency II and under IFRS.

D.3.5.2 Employee benefits

A portion of pension costs are allocated from MetLife Services EEIG (Ireland) and MESL (UK) are not directly paid for by the Undertaking. These allocations are recognised as an expense when incurred and any related accruals are included in intercompany payables. MetLife Services EEIG and MESL make payments at agreed rates of the employee's gross salary for each individual's pension fund, the assets of which are invested in independent trustees for the benefit of the employees and their dependents.

The Undertaking makes other payment directly towards pension plans for employees remunerated at branch level. Contributions towards these plans are recognised as an expense in the income statement as incurred. The Undertaking does not operate a defined benefit pension plan.

D.3.6 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.3.7 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 D.1.5.4.

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

The strategic objectives of capital management for the Undertaking are:

- Regulatory compliance: to ensure compliance with the Undertaking's regulatory capital requirements;
- Efficient allocation: to manage and allocate capital efficiently to achieve sustainable returns and facilitate growth objectives; and
- Financial strength: to ensure access to capital markets on competitive terms, so that the Undertaking's overall cost of capital is minimised.

Taken together, these strategic goals strengthen the Undertaking's ability to withstand losses from adverse business and market conditions, enhance its financial flexibility and serve the interests of stakeholders.

Roles and Responsibilities

- The Board has ultimate responsibility for ensuring adequacy of capital for the Undertaking.
- 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 Undertaking's capitalisation supports the Undertaking'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.

Capital Management Framework

The Board is ultimately responsible for the sourcing, deployment and adequacy of capital (i.e. assets held other than those designated to meet policyholder and other Undertaking liabilities) and places significant reliance on the advice of the CFO and CRO who bear specific professional duties in this regard.

The Undertaking's capital is monitored through the capital management process and within the Undertaking's stated risk appetite limits. Any breaches of these limits is escalated in accordance with and as defined by any relevant regulatory or internal policies.

The Undertaking's risk appetite recognises the regulatory minimum standard, as it applies to technical provisions, own funds and capital under Solvency II, and sets the target ongoing solvency level in order to enable the Undertaking to withstand the financial implications of adverse experience.

Risk appetite

The Undertaking has developed key risk appetite statements which apply on an ongoing basis. The Risk Management Function reviews the Undertaking'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 Undertaking. The appropriateness of the risk appetite is evaluated as part of the Undertaking's ORSA process each year 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.

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 output of the ORSA, including the expected capital position over a 12 month time horizon and the risks to that capital position, but in any case would not result in the Undertaking going below its overall target solvency level.

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.

Investment Guidelines are in place that govern the investment options for all assets owned by the Undertaking.

E.1.2 Reconciliation of equity under IFRS to excess of assets over liabilities under Solvency II

The Undertaking's excess of assets over liabilities (own funds) under Solvency II is different to the shareholders' equity in the financial statements prepared under IFRS. The table summarises the differences at 31 December 2022:

	Section	31-Dec-22 €'m	31-Dec-22 €'m
Assets under IFRS valuation	D.1	**10,797**	
Liabilities under IFRS valuation	D.3	**(9,712)**	
Equity per the IFRS financial statements			**1,085**
· Valuation differences on technical provisions (net)	D.2	**1,535**	
· Write off of deferred acquisition costs	D.1.1	**(879)**	
· Write off of intangible assets	D.1.2	**(16)**	
· Unearned commission asset and prepaid commission	D.1.1	**(93)**	
· Net deferred tax	D.1.3	**(138)**	
· Adjustment to loans and mortgages	D.1.7	**(7)**	
· Economic value adjustment to properties	D.1.4	**6**	
· Other adjustments	D1.13	**(275)**	
			133
Assets under Solvency II valuation	D.1	**9,356**	
Liabilities under Solvency II valuation	D.3	**(8,138)**	
Excess of assets over liabilities under Solvency II			**1,218**

Valuation differences occur due to different basis used for Solvency II reporting compared with IFRS. See the sections referenced above for details of the valuation differences.

E.1.3 Composition and quality of own funds

The items reported in the own funds are split into three categories depending on different factors such as quality, liquidity and timeline to availability when liabilities arise.

Tier one own funds include ordinary share capital, non-cumulative preference shares and relevant subordinated liabilities. Tier two own funds include cumulative preference shares and subordinated liabilities under a shorter duration. Tier three own funds include own funds which do not satisfy the Tier one or Tier two requirements.

Composition and quality of own funds

All of the Undertaking's own funds are categorised as Tier one (ordinary share capital and share premium related to ordinary share capital) for Solvency II purposes, with the exception of net DTAs of €24m (2021: €16m), which are categorised as Tier three.

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	4,379,124
Mandatory service costs	None
Absence of encumbrance	Yes

E.1.5 Movement in own funds

Illustrated below is the movement in own funds.

	31-Dec-22	31-Dec-21	Movement
	€'m	€'m	€'m
Basic own funds			
Tier One	**1,194**	1,366	(172)
Tier Two	**—**	—	—
Tier Three	**24**	16	8
Total basic own funds	**1,218**	1,382	(164)

The Undertaking has no ancillary own funds.

Own funds decreased by €164m from €1,382m to €1,218m. The primary driver of this decrease is the payment of a dividend of €155m to MetLife EU in December 2022.

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

Illustrated below is the eligible amount of own funds to cover the SCR and MCR.

	31-Dec-22	31-Dec-21	Movement
	€'m	€'m	€'m
Total own funds	**1,218**	1,382	(164)
Less:			
Restrictions	**—**	—	—
Deductions	**—**	—	—
Total eligible own funds for SCR	**1,218**	1,382	(164)
SCR	**616**	704	(88)
Solvency Ratio	**198%**	196%	2%
Total eligible own funds for MCR	**1,194**	1,366	(172)
MCR	**277**	317	(40)

The Undertaking has no restrictions on eligible own funds. Tier 3 own funds consist of DTAs. These are all considered eligible as they make up less than 15% of the SCR.

Loss absorbency

The Undertaking's Tier One own funds are immediately available to absorb losses. They absorb losses if there is any non-compliance with the SCR.

E.1.7 Reconciliation reserve - key elements

Reserve item	**Amount**	Amount
	31-Dec-22	31-Dec-21
	€'m	€'m
Excess of assets over liabilities	**1,218**	1,382
Own shares (included as assets on the balance sheet)	**—**	—
Forseeable dividends, distributions and charges	**—**	—
Other basic own funds items	**(29)**	(20)
Adjustment for restricted own fund items of Matching Adjustment Portfolios (MAPs) and Ring Fenced Funds (RFFs)	**—**	—
Reconciliation reserve before deduction for participations	**1,189**	1,362

E.1.8 Transitional arrangements

The Undertaking has not reported transitional arrangements.

E.1.9 Ancillary own funds

The Undertaking does not have ancillary own funds.

E.1.10 Restrictions and deductions from own funds

The Undertaking has no restrictions or deductions from own funds.

E.1.11 Own funds - Ring Fenced Funds (RFFs)

The Undertaking does not have RFFs.

E.1.12 Own funds - Planning and management

The Undertaking's capital projection does not include any repayment of its capital items over the current and projected planning horizon or any plan to raise additional own funds.

E.1.13 Own funds - Forecast

The Undertaking projects its capital requirements over the three year planning horizon used within the ORSA process.

E.2 Solvency Capital Requirement (SCR) and Minimum Capital Requirement (MCR)

E.2.1 Approach to SCR and MCR

Calibration of stresses

For the purpose of this section, the Undertaking has adopted the Standard Formula (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 Undertaking.

Use of matching adjustments

This is not applicable to the Undertaking.

Use of volatility adjustment

The volatility adjustment is applicable to all Euro-denominated branches within the Undertaking (namely Cyprus, France, Italy, Portugal, Slovakia and Spain) and Euro liabilities from one non-Euro denominated country (Bulgaria), comprising together 99% of the Undertaking's Euro liabilities. The application of the volatility adjustment was approved by the CBI for first use at 31 December 2020.

E.2.2 Overview of SCR SF calculation

This section details the capital requirements for the Undertaking.

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:

$SCR = BSCR - Adj + SCR_{op}$

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
- SCR_{op} = The Capital Charge for Operational Risk.

Here, the "delta-Net Asset Value" (ΔNAV) approach is used for capturing the impact of the underlying risk module. Note that the expression ΔNAV has a sign convention whereby positive values signify a loss.

In order to calculate ΔNAV, the base scenario as well as the stressed assets and liabilities need to be calculated. The cashflows for each of these scenarios are 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 ΔNAV.

The ΔNAV is based on the Solvency II balance sheet that excludes the risk margin component of the technical provisions (i.e. uses only the BEL component of the technical provisions). Furthermore when calculating ΔNAV the following are allowed for:

- Risk mitigation techniques
- Adverse changes in the option take-up behaviour of policyholders.
- 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 Undertaking 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 includes the SCR components.

	31-Dec-22	31-Dec-21
	€'m	€'m
SCR market risk	**172**	185
SCR health risk	**191**	226
SCR counterparty default risk	**48**	42
SCR life underwriting risk	**457**	473
Aggregation (diversification effect)	**(238)**	(257)
Basic SCR	**630**	669
Operational risk SCR	**66**	65
Adjustment for the loss absorbing capacity of future discretionary benefits	**—**	—
Adjustment for the loss absorbing capacity of deferred taxation (LACDT)	**(80)**	(30)
Diversified SCR, excluding capital add-on	**616**	704
Capital add-on	**—**	—
SCR	**616**	704

The figures above correspond to the sensitivities shown for each risk category in Section C, with additional allowance for diversification as per the Solvency II SF.

SCR Movement in €'m

Item	2022 Amount €'m	
Opening balance		**704**
Changes due to:		
Scheduled management actions	**(4)**	
Model or process updates	**8**	
Methodology	(8)	
Other modelling updates	3	
Assumption updates	13	
Business & capital market movements	**(92)**	
Closing balance		**616**

The SCR decreased by €88m from €704m in 2021 to €616m in 2022. The key drivers of this change were the following:

- Scheduled Management Actions: Scheduled management actions which occurred throughout the year caused a €4m reduction in the overall SCR, primarily driven by dividend payments and changes to the Undertaking's derivatives and FX exposures.
- Model or process updates increased the SCR by €8m due to assumption updates, methodology changes and changes to the adjustments. For 2022, the increase was mainly due to
    - Assumption changes increased the SCR by €13m, primarily due to demographic and expense assumption changes during 2022.
    - Change in methodology for Health CAT Solvency capital for Cyprus medical expense business which decreased the SCR by €8m.
    - Valuation of rider benefits for the Liberamente Term business in Q4'22 increased the SCR by €4m.
- Business & Capital Market Movements reflect the impacts due to organic changes in relation to new business, actual experience and market movements (e.g., interest rates, foreign exchange rates). For 2022, the decrease was mainly due to
    - The rise in interest rates since the previous year-end which increased the LACDT and reduced the Life Underwriting.
    - Purchases of short duration assets and sales of longer duration assets decreasing the Market risk.
    - Negative market performance and a decrease in the equity shocks decreasing the Equity Risk.
    - Run-off and new business growth which reduced the Health Underwriting Risks.

MCR

	31-Dec-22 €'m	31-Dec-21 €'m
MCR	**277**	317

The upper MCR cap (45%) bites for MetLife Europe and this has been the case since YE 2018. 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 Undertaking is not currently subject to any capital add-on based on instructions from the supervisor.

E.2.4 Loss absorbing capacity of deferred tax

The Loss Absorbing Capacity of Deferred Tax (LACDT) is as follows:

	31-Dec-22 €'m	31-Dec-21 €'m	Movement €'m
France	**33**	8	25
Slovakia	**14**	5	9
Romania	**4**	4	—
Portugal	**7**	1	6
Spain	**7**	6	1
Italy	**15**	6	9
Total LACDT	**80**	30	50

LACDT is calculated in line with EIOPA guidelines and is capped at the lower of:

i. SCR multiplied by the local statutory tax rate.
ii. Drop in DTL between base and stress case cash flows calculated using the Present Value of Future Profits (PVFP)
iii. Balance Sheet DTL (if DTA, then no LACDT).

The LACDT for France, Slovakia and Romania is based on SCR at the local tax rate while the LACDT for Portugal, Spain and Italy is capped by the net DTL recognised on the Balance Sheet in based scenario. The underlying assumptions used for calculating the PVFP are follows:

- There is no allowance for new business sales.
- Business is calculated on a ‘going concern’ basis.
- Euro asset returns are projected and Euro cashflows discounted using the risk-free curve and volatility adjustment.
- Non-Euro asset returns are projected and Non-Euro cashflows discounted using the risk-free rate.
- All demographic and economic assumptions are the current best estimate assumptions (in line with the BEL).

E.2.5 Treatment of participating business

The Undertaking 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 RFFs 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.2.6 Risk mitigation techniques and future management actions

Treatment of risk mitigation techniques
Risk mitigation techniques for the Undertaking 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
The Undertaking 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, the Undertaking would be able to reduce expenses by 20%. This action affects the SCR.

- The management of future overhead expenses on the significant UK unit-linked business following the Undertaking's decision to close this to new business in 2017. This action recognises that the overhead costs do not run off as quickly as the policies run off, and identifies 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.

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

This is not applicable to the Undertaking.

E.4 Differences between the SF and any internal model used

This is not applicable to the Undertaking.

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

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

E.6 Any other information

All information has been disclosed in the preceding sections.

Glossary of terms

Undertaking	MetLife Europe d.a.c.
Board	The Board of Directors of the Undertaking
Business Unit	The Undertaking's branches and any business conducted under Freedom to Provide Services
Solvency II Directive	European Commission Directive 2009/138/EC on the taking-up and pursuit of the business of Insurance and Reinsurance
AC	Audit Committee
ALM	Asset Liability Management
BCP	Business Continuity Plan
BEC	Branch Executive Committee
BEL	Best Estimate Liability
BLAGAB	Basic Life Assurance and General Annuity Business
BRC	Board Risk Committee
BSCR	Basic Solvency Capital Requirement
CB	Contract Boundary
CBI	Central Bank of Ireland (the Irish Regulatory Authority)
CEO	Chief Executive Officer
CF	Controlled Function
CFO	Chief Finance Officer
CPPI	Constant Proportion Portfolio Insurance
CRM	Compliance Risk Management
CRO	Chief Risk Officer
CSA	Credit Support Annex
CZK	Czech Koruna
DAC	Deferred Acquisition Costs
d.a.c.	Designated Activity Company
DOA	Designations of Authority
DTA	Deferred Tax Asset
DTL	Deferred Tax Liability
DR	Disaster Recovery
EEA	European Economic Area
EIB	Excess Interest Benefit
EIOPA	European Insurance and Occupational Pensions Authority (the European Regulatory Authority)
EMC	Executive Management Committee
EPIFP	Expected Profit included in Future Premiums
ERC	Executive Risk Committee
ESG	Economic Scenario Generator
EU	European Union
EUC	End User Computing
FOS	Freedom of Service
FRS	Financial Reporting Standard
FTC	Foreign Tax Credits
FX	Foreign Exchange
GAAP	Generally Accepted Accounting Principles
GBP	Pound Sterling

GIP	Group Income Protection
HO	Head Office
HR	Human Resources
HRG	Homogeneous Risk Group
IA	Internal Audit
IC	Investment Committee
IDD	Insurance Distribution Directive
IFRS	International Financial Reporting Standards
IIA	Institute of Internal Auditors
IT	Information Technology
LACDT	Loss Absorbing Capacity of Deferred Tax
LTI	Long Term Incentive
MA	Modelled Adjustments
MAP	Matching Adjustment Portfolio
MCR	Minimum Capital Requirement
MESL	MetLife Europe Services Limited
MRB	MetLife Reinsurance Company of Bermuda Limited
NAV	Net Asset Value
NFRA	Non-Financial Risk Assessment
NomCo	Nomination Committee
ORSA	Own Risk and Solvency Assessment
PAD	Provision for Adverse Deviations
PADQF	Policy Administration Data Quality Forum
PCF	Pre-Approval Controlled Function
PMC	Product Management Committee
PVFP	Present Value of future profits
QRT	Quantitative Reporting Template
RACC	Risk, Audit and Compliance Committee
RBNS	Reported But Not Settled
RCSA	Risk and Control Self Assessment
RFF	Ring Fenced Fund
RSR	Regular Supervisory Report
SCR	Solvency Capital Requirement
SF	Solvency II Standard Formula
SFCR	Solvency and Financial Condition Report
SLT	Similar to Life Techniques
TPA	Third Party Administrator
TVOG	Time Value of Guarantees
UA	Un-modelled Adjustments
UCA	Unearned Commission Asset
UK	United Kingdom
ULSC	Unit Linked Sub-Committee
USA	United States of America
USPs	Undertaking Specific Parameters
VAH	Variable Annuity Holdings

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S.02.01 Balance Sheet

		Solvency II value
Assets		
Goodwill	R0010	
Deferred acquisition costs	R0020	
Intangible assets	R0030	0
Deferred tax assets	R0040	24,411,744
Pension benefit surplus	R0050	
Property, plant & equipment held for own use	R0060	52,182,023
contracts)	**R0070**	**1,868,262,808**
Property (other than for own use)	R0080	1,061,458
Holdings in related undertakings, including participations	R0090	2,301,889
Equities	*R0100*	*33,543*
Equities - listed	R0110	
Equities - unlisted	R0120	33,543
Bonds	*R0130*	*1,853,690,540*
Government Bonds	R0140	1,007,050,362
Corporate Bonds	R0150	846,640,178
Structured notes	R0160	
Collateralised securities	R0170	
Collective Investments Undertakings	R0180	1,187,248
Derivatives	R0190	6,151,848
Deposits other than cash equivalents	R0200	3,836,282
Other investments	R0210	0
Assets held for index-linked and unit-linked contracts	R0220	3,848,565,428
Loans and mortgages	**R0230**	**165,928,971**
Loans on policies	R0240	10,878,428
Loans and mortgages to individuals	R0250	
Other loans and mortgages	R0260	155,050,543
Reinsurance recoverables from:	**R0270**	**3,006,456,052**
Non-life and health similar to non-life	R0280	5,403,507
Non-life excluding health	R0290	
Health similar to non-life	R0300	5,403,507
linked	R0310	224,120,424
Health similar to life	R0320	61,333,036
Life excluding health and index-linked and unit-linked	R0330	162,787,388
Life index-linked and unit-linked	R0340	2,776,932,120
Deposits to cedants	R0350	
Insurance and intermediaries receivables	R0360	95,786,412
Reinsurance receivables	R0370	28,581,036
Receivables (trade, not insurance)	R0380	73,351,328
Own shares (held directly)	R0390	
paid in	R0400	
Cash and cash equivalents	R0410	192,934,610
Any other assets, not elsewhere shown	R0420	
Total assets	**R0500**	**9,356,460,413**

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S.02.01 Balance Sheet

		Solvency II value
Liabilities		
Technical provisions - non-life	**R0510**	**9,523,355**
Technical provisions - non-life (excluding health)	**R0520**	
Technical provisions calculated as a whole	R0530	
Best Estimate	R0540	
Risk margin	R0550	
Technical provisions - health (similar to non-life)	**R0560**	**9,523,355**
Technical provisions calculated as a whole	R0570	
Best Estimate	R0580	-1,616,439
Risk margin	R0590	11,139,794
Technical provisions - life (excluding index-linked and unit-linked)	**R0600**	**1,256,871,211**
Technical provisions - health (similar to life)	**R0610**	**-112,172,993**
Technical provisions calculated as a whole	R0620	
Best estimate	R0630	-163,237,236
Risk margin	R0640	51,064,243
linked)	**R0650**	**1,369,044,204**
Technical provisions calculated as a whole	R0660	
Best Estimate	R0670	1,266,490,822
Risk margin	R0680	102,553,382
Technical provisions - index-linked and unit-linked	**R0690**	**3,622,277,308**
Technical provisions calculated as a whole	R0700	
Best Estimate	R0710	3,584,960,501
Risk margin	R0720	37,316,808
Other technical provisions	R0730	
Contingent liabilities	R0740	
Provisions other than technical provisions	R0750	9,104,574
Pension benefit obligations	R0760	
Deposits from reinsurers	R0770	2,713,531,664
Deferred tax liabilities	R0780	153,696,983
Derivatives	R0790	71,774,189
Debts owed to credit institutions	R0800	6,458,160
Financial liabilities other than debts owed to credit institutions	R0810	16,478,647
Insurance & intermediaries payables	R0820	149,323,252
Reinsurance payables	R0830	45,319,120
Payables (trade, not insurance)	R0840	84,096,108
Subordinated liabilities	**R0850**	
Subordinated liabilities not in Basic Own Funds	R0860	
Subordinated liabilities in Basic Own Funds	R0870	
Any other liabilities, not elsewhere shown	R0880	
Total liabilities	**R0900**	**8,138,454,571**

Excess of assets over liabilities	**R1000**	**1,218,005,842**

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Currency: Euro
MetLife Europe d.a.c.

S.05.01 Premiums, claims and expenses by line of business

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)												Line of Business for: accepted non-proportional reinsurance				Total
		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	Health	Casualty	Marine, aviation, transport	Property	
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0200
Premiums written																		
Gross - Direct Business	R0110	25,377,236	49,864,031	198,032														75,532,121
Gross - Proportional reinsurance accepted	R0120																	0
Gross - Non-proportional reinsurance accepted	R0130																	0
Reinsurers' share	R0140	2,076,488	2,695,701	254,248														5,026,438
Net	**R0200**	**23,300,748**	**47,268,330**	**-63,395**														**70,505,683**
Premiums earned																		
Gross - Direct Business	R0210	25,520,932	47,897,489	262,117														73,330,263
Gross - Proportional reinsurance accepted	R0220																	0
Gross - Non-proportional reinsurance accepted	R0230																	0
Reinsurers' share	R0240	2,115,985	2,695,701	263,350														5,075,035
Net	**R0300**	**23,404,607**	**44,911,792**	**-61,171**														**68,255,228**
Claims incurred																		
Gross - Direct Business	R0310	10,737,147	31,496,763	176,998														42,410,908
Gross - Proportional reinsurance accepted	R0320																	0
Gross - Non-proportional reinsurance accepted	R0330																	0
Reinsurers' share	R0340	1,156,512	1,760,867	200,282														3,117,661
Net	**R0400**	**9,580,635**	**29,735,895**	**-23,284**														**39,293,246**
Changes in other technical provisions																		
Gross - Direct Business	R0410		-955,917															-955,917
Gross - Proportional reinsurance accepted	R0420																	0
Gross - Non-proportional reinsurance accepted	R0430																	0
Reinsurers' share	R0440		-2,026															-2,026
Net	**R0500**		**-953,891**															**-953,891**
Expenses incurred	**R0550**	**3,833,830**	**16,398,085**	**21,457**														**20,253,373**
Other expenses	R1200																	
Total expenses	**R1300**																	**20,253,373**

		Line of Business for: life insurance obligations						Life reinsurance obligations		Total
		Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Health reinsurance	Life reinsurance	
		C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0300
Premiums written										
Gross	R1410	321,861,371	79,542,973	195,947,385	816,758,786			531,300	17,011,004	**1,430,852,818**
Reinsurers' share	R1420	32,191,122	4,070,020	57,812,051	190,408,175					**284,481,569**
Net	**R1500**	**288,870,249**	**75,472,953**	**138,135,334**	**626,350,411**			**531,300**	**17,011,004**	**1,146,371,249**
Premiums earned										
Gross	R1510	321,479,739	79,423,656	195,947,385	788,372,021			531,300	17,011,004	**1,402,765,075**
Reinsurers' share	R1520	32,234,182	4,056,137	57,812,051	189,689,446					**283,791,784**
Net	**R1600**	**289,245,558**	**75,367,519**	**138,135,334**	**598,682,577**			**531,300**	**17,011,004**	**1,118,973,291**
Claims incurred										
Gross	R1610	55,280,709	153,236,663	546,671,973	381,668,557			-872,106	591,825	**1,134,577,619**
Reinsurers' share	R1620	7,473,073	887,539	186,503	101,509,804					**110,056,919**
Net	**R1700**	**47,807,636**	**150,349,124**	**546,485,467**	**280,158,752**			**-872,106**	**591,825**	**1,024,520,700**
Changes in other technical provisions										
Gross	R1710	-939,656	26,584,189	570,273,599	2,593,087				0	**593,285,216**
Reinsurers' share	R1720	656	422,021	461,026,194	2,560,373					**457,838,366**
Net	**R1800**	**-940,132**	**27,166,220**	**109,253,477**	**-32,714**					**135,446,850**
Expenses incurred	**R1900**	**113,974,656**	**6,776,106**	**74,913,899**	**342,291,822**			**463,698**	**5,948,070**	**544,368,252**
Other expenses	**R2500**									**-415,785,680**
Total expenses	**R2600**									**128,582,572**

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S.05.02 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	C0030	C0040	C0050	C0060	C0070
	R0010		SK	CY	CZ			
		C0080	C0090	C0100	C0110	C0120	C0130	C0140
Premiums written								
Gross - Direct Business	R0110		31,168,746	19,517,330	18,210,644			68,896,720
Gross - Proportional reinsurance accepted	R0120							0
Gross - Non-proportional reinsurance accepted	R0130							0
Reinsurers' share	R0140		21,948	65,261	2,692,797			2,780,006
Net	**R0200**		**31,146,798**	**19,452,069**	**15,517,847**			**66,116,714**
Premiums earned								
Gross - Direct Business	R0210		31,168,746	19,594,761	18,161,168			68,924,676
Gross - Proportional reinsurance accepted	R0220							0
Gross - Non-proportional reinsurance accepted	R0230							0
Reinsurers' share	R0240		21,948	95,593	2,692,797			2,810,338
Net	**R0300**		**31,146,798**	**19,499,168**	**15,468,371**			**66,114,337**
Claims incurred								
Gross - Direct Business	R0310		6,640,866	9,190,875	24,551,748			40,383,488
Gross - Proportional reinsurance accepted	R0320			0				0
Gross - Non-proportional reinsurance accepted	R0330							0
Reinsurers' share	R0340		587,030	-4,052	1,173,840			1,756,819
Net	**R0400**		**6,053,836**	**9,194,926**	**23,377,907**			**38,626,669**
Changes in other technical provisions								
Gross - Direct Business	R0410				-955,917			-955,917
Gross - Proportional reinsurance accepted	R0420							0
Gross - Non-proportional reinsurance accepted	R0430							0
Reinsurers' share	R0440		82		-2,108			-2,026
Net	**R0500**		**-82**		**-953,809**			**-953,891**
Expenses incurred	**R0550**		12,820,432	2,880,436	5,802,952			21,503,820
Other expenses	**R1200**							
Total expenses								**21,503,820**

		Home Country	Top 5 countries (by amount of gross premiums written) - life obligations					Total Top 5 and home country
		C0150	C0160	C0170	C0180	C0190	C0200	C0210
	R01400		GB	IT	FR	ES	RO	
		C0220	C0230	C0240	C0250	C0260	C0270	C0280
Premiums written								
Gross	R1410	2,016,697	397,829,583	226,623,546	199,344,422	106,160,842	104,469,323	1,036,444,414
Reinsurers' share	R1420	2,324,168	153,447,164	83,633,674	17,118,732	12,602,737	3,720,583	272,847,058
Net	**R1500**	**-307,472**	**244,382,420**	**142,989,872**	**182,225,690**	**93,558,105**	**100,748,740**	**763,597,355**
Premiums earned								
Gross	R1510	2,076,389	391,005,727	224,060,601	199,346,696	105,021,177	86,946,389	1,008,456,980
Reinsurers' share	R1520	2,324,168	152,236,535	84,551,180	17,114,417	12,163,314	3,721,071	272,110,685
Net	**R1600**	**-247,779**	**238,769,192**	**139,509,421**	**182,232,279**	**92,857,863**	**83,225,318**	**736,346,295**
Claims incurred								
Gross	R1610	13,494,794	643,651,826	66,875,773	75,613,076	30,837,594	35,034,581	865,507,644
Reinsurers' share	R1620	69,873	69,284,885	27,796,938	7,466,647	1,962,228	475,821	107,056,393
Net	**R1700**	**13,424,921**	**574,366,941**	**39,078,834**	**68,146,428**	**28,875,366**	**34,558,760**	**758,451,252**
Changes in other technical provisions								
Gross	R1710	32,885,936	436,492,659	-5,763,680	-14,532,655	771,619	-719,938	449,133,942
Reinsurers' share	R1720	23,479,858	437,540,246	-2,591,925	-634,555		0	457,793,625
Net	**R1800**	**9,406,078**	**-1,047,587**	**-3,171,755**	**-13,898,100**	**771,619**	**-719,938**	**-8,659,682**
Expenses incurred	**R1900**	-5,589,634	57,253,942	119,961,450	81,511,996	66,646,393	45,082,743	364,866,890
Other expenses	**R2500**							-415,785,680
Total expenses								**-50,918,790**

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MetLife Europe d.a.c.

S.12.01 Life and Health SLT Technical Provisions

		Insurance with profit participation	Index-linked and unit-linked insurance			Other life insurance			Annuities stemming from non-life insurance contracts and relating to insurance obligation other than health insurance obligations	Accepted reinsurance	**Total (Life other than health insurance, including Unit-Linked)**	Health insurance (direct business)			Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Health reinsurance (reinsurance accepted)	**Total (Health similar to life insurance)**
				Contracts without options and guarantees	Contracts with options or guarantees		Contracts without options and guarantees	Contracts with options or guarantees					Contracts without options and guarantees	Contracts with options or guarantees			
		C0020	**C0030**	**C0040**	**C0050**	**C0060**	**C0070**	**C0080**	**C0090**	**C0100**	**C0150**	**C0160**	**C0170**	**C0180**	**C0190**	**C0200**	**C0210**
Technical provisions calculated as a whole	**R0010**										**0**						**0**
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole	R0020										**0**						**0**
Technical provisions calculated as a sum of BE and RM																	
Best Estimate																	
Gross Best Estimate	**R0030**	1,127,721,902		389,399,624	3,195,550,877		50,392,134	87,189,577		1,187,208	**4,851,451,322**		-184,285,900	19,516,460		1,532,204	**-163,237,236**
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0080	430,255			2,776,932,120		4,240,165	158,116,968			**2,939,719,508**		2,235,185	59,097,851			**61,333,036**
Best estimate minus recoverables from reinsurance/SPV and Finite Re - total	R0090	**1,127,291,647**		**389,399,624**	**418,628,757**		**46,151,969**	**-70,927,390**		**1,187,208**	**1,911,731,814**		**-186,521,085**	**-39,581,391**		**1,532,204**	**-224,570,272**
Risk Margin	**R0100**	25,393,042	37,316,808			**77,160,339**				**1**	**139,870,190**	51,064,242				1	**51,064,243**
Amount of the transitional on Technical Provisions																	
Technical Provisions calculated as a whole	R0110										**0**						**0**
Best estimate	R0120										**0**						**0**
Risk margin	R0130										**0**						**0**
Technical provisions - total	**R0200**	**1,153,114,944**	**3,622,277,308**			**214,742,051**				**1,187,209**	**4,991,321,512**	**-113,705,198**				**1,532,205**	**-112,172,993**

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Year: 2022
Currency: Euro
MetLife Europe d.a.c.

S.17.01 Non - Life Technical Provisions

		Direct business and accepted 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
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090
Technical provisions calculated as a whole	**R0010**								
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	**R0050**								
Technical Provisions calculated as a sum of BE and RM									
Best estimate									
Premium provisions									
Gross	R0060	**4,557,284**	**(28,339,392)**	**265,165**					
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140	(329,370)	115,353	227,185					
Net Best Estimate of Premium Provisions	R0150	**4,886,654**	**(28,454,745)**	**37,980**					
Claims provisions									
Gross	R0160	**5,234,235**	**16,084,568**	**581,701**					
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240	2,186,491	2,741,233	462,616					
Net Best Estimate of Claims Provisions	R0250	**3,047,744**	**13,343,335**	**119,085**					
Total Best estimate - gross	**R0260**	**9,791,518**	**(12,254,824)**	**846,866**					
Total Best estimate - net	**R0270**	**7,934,398**	**(15,111,410)**	**157,065**					
Risk margin	**R0280**	1,877,237	9,255,083	7,474					
Amount of the transitional on Technical Provisions									
Technical Provisions calculated as a whole	R0290								
Best estimate	R0300								
Risk margin	R0310								
Technical provisions - total									
Technical provisions - total	**R0320**	**11,668,755**	**(2,999,741)**	**854,341**					
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	**R0330**	**1,857,120**	**2,856,586**	**689,801**					
Technical provisions minus recoverables from reinsurance/SPV and Finite Re- total	**R0340**	**9,811,635**	**(5,856,326)**	**164,540**					

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Year: 2022
Currency: Euro
MetLife Europe d.a.c.

S.17.01 Non - Life Technical Provisions

				Accepted non-proportional reinsurance:☐				
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	Total Non-Life obligations
C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0170	C0180
								-
								-
								(23,516,943)
								13,168
								(23,530,111)
								21,900,504
								5,390,339
								16,510,164
								(1,616,439)
								(7,019,946)
								11,139,794
								-
								-
								-
								9,523,355
								5,403,507
								4,119,848

MetLife

Year: 2022
Currency: Euro
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S.19.01 Non-Life Insurance Claims Information

Gross Claims Paid (non-cumulative)

		Development year											In Current year	Sum of years (cumulative)
		0	1	2	3	4	5	6	7	8	9	10 & +		
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0170	C0180
Prior	R0100											20,688	20,688	20,688
2013	R0160	10,222,700	6,107,129	1,330,687	413,671	147,424	15,132	3,776	168	1,019	520		520	18,242,225
2014	R0170	12,453,034	6,142,938	1,411,642	360,195	167,899	39,984	2,920	636	2,149			2,149	20,581,398
2015	R0180	15,033,357	7,940,318	1,650,420	540,603	211,584	26,815	6,274	3,131				3,131	25,412,502
2016	R0190	16,235,064	7,954,532	1,852,865	628,572	303,153	19,389	34,569					34,569	27,028,144
2017	R0200	16,531,258	9,280,320	2,276,765	640,697	250,447	25,943						25,943	29,005,430
2018	R0210	17,918,747	12,034,700	3,131,292	776,363	290,203							290,203	34,151,306
2019	R0220	22,383,324	12,678,954	2,513,666	1,570,480								1,570,480	39,146,425
2020	R0230	20,107,385	9,351,154	2,582,206									2,582,206	32,040,745
2021	R0240	20,906,994	9,856,217										9,856,217	30,763,211
2022	R0250	24,752,484											24,752,484	24,752,484
Total	R0260												**39,138,591**	**281,144,557**

Gross undiscounted Best Estimate Claims Provisions

		Development year											Year end (discounted data)
		0	1	2	3	4	5	6	7	8	9	10 & +	
		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300	C0360
Prior	R0100											23,848	23,848
2013	R0160	0	0	0	109,211	331,441	36,271	29,163	54,628	14,636	2,580		2,580
2014	R0170	0	0	315,149	410,337	165,285	90,644	137,122	81,983	75,738			75,738
2015	R0180	0	1,833,349	528,697	289,457	126,972	161,555	52,607	26,465				26,465
2016	R0190	5,970,053	1,669,117	1,094,656	554,925	408,888	126,993	323,660					323,660
2017	R0200	7,423,799	3,212,980	931,443	421,455	441,756	74,847						74,847
2018	R0210	9,585,053	3,099,642	1,149,795	431,002	178,289							178,289
2019	R0220	10,369,555	3,641,875	884,690	717,987								717,987
2020	R0230	10,782,565	3,081,014	1,230,067									1,230,067
2021	R0240	12,424,967	5,182,698										5,182,698
2022	R0250	14,064,340											14,064,340
Total	R0260												**21,900,519**

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S.22.01 Impact of long term guarantees measures and transitionals

		Amount with Long Term Guarantee measures and transitionals	Impact of transitional on technical provisions	Impact of transitional on interest rate	Impact of volatility adjustment set to zero	Impact of matching adjustment set to zero
		C0010	C0030	C0050	C0070	C0090
Technical provisions	**R0010**	4,888,671,874	0		12,094,476	
Basic own funds	**R0020**	1,218,005,842	0		-12,057,833	
Eligible own funds to meet Solvency Capital Requirement	**R0050**	1,218,005,842	0		-12,057,833	
Solvency Capital Requirement	**R0090**	616,181,765	0		-204,166	
Eligible own funds to meet Minimum Capital Requirement	**R0100**	1,193,594,097	0		-12,057,833	
Minimum Capital Requirement	**R0110**	277,281,794			-91,875	

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Year: 2022
Currency: Euro
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S.23.01 Own Funds

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35						
Ordinary share capital (gross of own shares)	R0010	**4,379,124**	4,379,124			
Share premium account related to ordinary share capital	R0030					
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	R0040					
Subordinated mutual member accounts	R0050					
Surplus funds	R0070					
Preference shares	R0090					
Share premium account related to preference shares	R0110					
Reconciliation reserve	R0130	**1,189,214,973**	1,189,214,973			
Subordinated liabilities	R0140					
An amount equal to the value of net deferred tax assets	R0160	**24,411,745**				24,411,745
Other own fund items approved by the supervisory authority as basic own funds not specified above	R0180					
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds						
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	R0220					
Deductions						
Deductions for participations in financial and credit institutions	R0230					
Total basic own funds after deductions	**R0290**	**1,218,005,842**	**1,193,594,097**			**24,411,745**
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	R0300					
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	R0310					
Unpaid and uncalled preference shares callable on demand	R0320					
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330					
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340					
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350					
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360					
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370					
Other ancillary own funds	R0390					
Total ancillary own funds	**R0400**					
Available and eligible own funds						
Total available own funds to meet the SCR	**R0500**	**1,218,005,842**	**1,193,594,097**			**24,411,745**
Total available own funds to meet the MCR	**R0510**	**1,193,594,097**	**1,193,594,097**			
Total eligible own funds to meet the SCR	**R0540**	**1,218,005,842**	**1,193,594,097**			**24,411,745**
Total eligible own funds to meet the MCR	**R0550**	**1,193,594,097**	**1,193,594,097**			
SCR	**R0580**	**616,181,765**				
MCR	**R0600**	**277,281,794**				
Ratio of Eligible own funds to SCR	**R0620**	**197.67%**				
Ratio of Eligible own funds to MCR	**R0640**	**430.46%**				

		C0060
Reconciliation reserve		
Excess of assets over liabilities	R0700	**1,218,005,842**
Own shares (held directly and indirectly)	R0710	
Foreseeable dividends, distributions and charges	R0720	
Other basic own fund items	R0730	**28,790,869**
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	
Reconciliation reserve	**R0760**	**1,189,214,973**
Expected profits		
Expected profits included in future premiums (EPIFP) - Life Business	R0770	1,096,777,588
Expected profits included in future premiums (EPIFP) - Non- life business	R0780	33,447,216
Total Expected profits included in future premiums (EPIFP)	**R0790**	**1,130,224,804**

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Year: 2022
Currency: Euro
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S.25.01 Solvency Capital Requirement - for undertakings on Standard Formula

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0120
Market risk	R0010	170,837,432		
Counterparty default risk	R0020	47,980,035		
Life underwriting risk	R0030	457,497,938		
Health underwriting risk	R0040	191,364,672		
Non-life underwriting risk	R0050	22,986		
Diversification	R0060	-238,195,731		
Intangible asset risk	R0070	0		
Basic Solvency Capital Requirement	**R0100**	**629,507,331**		

Calculation of Solvency Capital Requirement

		C0100
Operational risk	R0130	66,406,375
Loss-absorbing capacity of technical provisions	R0140	
Loss-absorbing capacity of deferred taxes	R0150	-79,731,941
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	
Solvency capital requirement excluding capital add-on	R0200	616,181,765
Capital add-on already set	**R0210**	
Solvency capital requirement	R0220	616,181,765
Other information on SCR		
Capital requirement for duration-based equity risk sub-module	R0400	
Total amount of Notional Solvency Capital Requirements for remaining part	R0410	
Total amount of Notional Solvency Capital Requirements for ring fenced funds	R0420	
Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	R0430	
Diversification effects due to RFF nSCR aggregation for article 304	R0440	

Approach to tax rate

		Yes/No
		C0109
Approach based on average tax rate	R0590	2 - No

Calculation of loss absorbing capacity of deferred taxes

		LAC DT
		C0130
LAC DT	R0640	-79,731,941
LAC DT justified by reversion of deferred tax liabilities	R0650	-79,731,941
LAC DT justified by reference to probable future taxable economic profit	R0660	
LAC DT justified by carry back, current year	R0670	
LAC DT justified by carry back, future years	R0680	
Maximum LAC DT	R0690	-113,539,640

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Year: 2022
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S.28.02 Minimum Capital Requirement - Both life and non-life insurance activity

		Non-life activities	Life activities
		C0010	C0020
Linear formula component for non-life insurance and reinsurance obligations	**R0010**	5,548,158	

Linear formula component for non-life insurance and reinsurance obligations

MCR calculation Non Life		Non-life activities		Life activities	
		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months	Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0030	C0040	C0050	C0060
Medical expense insurance and proportional reinsurance	R0020	7,934,398	23,678,221		
Income protection insurance and proportional reinsurance	R0030		47,479,931		
Workers' compensation insurance and proportional reinsurance	R0040	157,065	0		
Motor vehicle liability insurance and proportional reinsurance	R0050				
Other motor insurance and proportional reinsurance	R0060				
Marine, aviation and transport insurance and proportional reinsurance	R0070				
Fire and other damage to property insurance and proportional reinsurance	R0080				
General liability insurance and proportional reinsurance	R0090				
Credit and suretyship insurance and proportional reinsurance	R0100				
Legal expenses insurance and proportional reinsurance	R0110				
Assistance and proportional reinsurance	R0120		114,884		
Miscellaneous financial loss insurance and proportional reinsurance	R0130				
Non-proportional health reinsurance	R0140				
Non-proportional casualty reinsurance	R0150				
Non-proportional marine, aviation and transport reinsurance	R0160				
Non-proportional property reinsurance	R0170				

Linear formula component for life insurance and reinsurance obligations

MCR calculation Life		Non-life activities		Life activities	
		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk	Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
		C0090	C0100	C0110	C0120
Obligations with profit participation - guaranteed benefits	R0210			1,109,469,635	
Obligations with profit participation - future discretionary benefits	R0220			17,821,981	
Index-linked and unit-linked insurance obligations	R0230			808,027,925	
Other life (re)insurance and health (re)insurance obligations	R0240			0	
Total capital at risk for all life (re)insurance obligations	R0250				476,760,805,195

		Non-life activities	Life activities
		C0070	C0080
Linear formula component for life insurance and reinsurance obligations	**R0200**		379,512,393

Overall MCR calculation

		C0130
Linear MCR	R0300	385,060,551
SCR	R0310	616,181,765
MCR cap	R0320	277,281,794
MCR floor	R0330	154,045,441
Combined MCR	R0340	277,281,794
Absolute floor of the MCR	R0350	6,700,000
Minimum Capital Requirement	**R0400**	**277,281,794**

Notional non-life and life MCR calculation

		Non-life activities	Life activities
		C0140	C0150
Notional linear MCR	R0500	5,548,158	379,512,393
Notional SCR excluding add-on (annual or latest calculation)	R0510	8,878,276	607,303,488
Notional MCR cap	R0520	3,995,224	273,286,570
Notional MCR floor	R0530	2,219,569	151,825,872
Notional Combined MCR	R0540	3,995,224	273,286,570
Absolute floor of the notional MCR	R0550	2,700,000	4,000,000
Notional MCR	R0560	3,995,224	273,286,570