MetLife Europe Limited

Directors' Report and Audited Financial Statements
For the financial year ended 31 December 2015

Registration number: 415123

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MetLife Europe Limited
Directors and Other Information
For the financial year ended 31 December 2015

Directors	Sarah Alicia Celso	(Chairman)
	Nicolas Hayter	(Chief Finance Officer)
	Dirk Ostijn	(Chief Executive Officer)
	Lukas Ziewer	(Chief Risk Officer)
	Alan Cook	(Independent Non-Executive Director)
	Brenda Dunne	(Independent Non-Executive Director)
	Éilish Finan	(Independent Non-Executive Director)
	Mario Valdes	
	Michael Hatzidimitriou	
Registered Office	20 on Hatch Lower Hatch Street Dublin 2	
Appointed Actuary	Mark Wharton	
Independent Auditors	Deloitte Chartered Accountants and Statutory Audit Firm Deloitte & Touche House Earlsfort Terrace Dublin 2	
Company Secretary	MetLife Europe Services Limited 20 on Hatch Lower Hatch Street Dublin 2	
Bankers	HSBC Bank plc 62-76 Park Street London SE1 SE1 9DZ	Citibank Europe plc 1 North Wall Quay Dublin 1
Solicitors	McCann Fitzgerald Riverside One Sir John Rogerson's Quay Dublin 2	

MetLife Europe Limited
Directors' Report
For the financial year ended 31 December 2015

The directors submit their report together with the audited financial statements for the financial year ended 31 December 2015.

Principal activities

MetLife Europe Limited (the Company) is an Irish incorporated entity domiciled in Ireland and was initially authorised by the Central Bank of Ireland to transact life assurance business in Life Classes I, III and IV under the European Communities (Life Assurance) Framework Regulations, 1994. In 2012 authorisation was extended to Life Class VI and Non-Life Classes 1 and 2.

The Company has a wholly owned subsidiary in the UK, MetLife Pension Trustees Limited.

Review of business

MetLife Inc. operates within Europe through various subsidiaries. To achieve an efficient business architecture that enables MetLife Inc. to leverage the options provided by the European Insurance Directives to 'passport' throughout the EU from a single base, the Company is participating in a significant restructuring of MetLife Inc.'s European operations. This restructuring programme 'Project Evolution' also aligns to the Solvency II implementation strategy.

The Company established a branch in the UK in 2006. In 2012 and 2013 as part of the Project Evolution programme it established branches in Italy, Spain, Portugal and France. In 2015 the Company continued its strategy with the establishment of branches in Bulgaria, Slovakia, Czech Republic and Hungary (see note 46).

The Company also operates in Poland, Greece, Norway, Spain, Germany, Austria, Netherlands, Russia, Czech Republic, Turkey, Singapore, Malaysia, Thailand, Indonesia and Hungary.

The financial statements of the Company are presented in United States Dollar (USD) and the Company's principal performance indicators in 2015 are as follows:

	2015	**2014**
	$ million	**$ million**
Total premium	**1,835**	1,901
Fee income	**248**	201
Assets under management	**13,330**	10,575
Profit for the year	**54**	15

Total premium includes unit-linked and non unit-linked premium (see note 6) and has decreased from $1,901million in 2014 to $1,835 million in 2015. This is due to lower UK unit-linked premium partially offset by the premium in the new branches established in 2015.

Fee income has increased from $201million in 2014 to $248million in 2015 and assets under management have increased from $10,575million in 2014 to $13,330million in 2015. This is driven by the UK unit-linked business which continues to mature and the new branches. Net income has increased from a profit of $15million in 2014 to a profit of $54million in 2015 mainly arising from the new branches established in 2015.

The on-going expansion of the businesses will continue to diversify the product and geographical mix and enhance the profitability of the Company.

The Company's immediate parent company is MetLife EU Holding Company Limited and its ultimate parent company is MetLife Inc.

Dividends and capital

No dividends were declared during the financial year (2014: nil).

The Company received no capital contributions during the financial year (2014: $150million).

The Company issued 1,519,721 shares during the financial year (2014: nil).

Events after the Statement of Financial Position

On 1 January 2016 the Company completed a portfolio transfer with American Life Insurance Company (CY) Limited (Alico Cyprus). The carrying value of the assets transferred at date of transfer was $3million.

On 1 January 2016, the Company completed the recapture of the UK fixed term annuity business reinsured with MetLife Reinsurance Company of Bermuda Limited (MetLife Bermuda). The Company received an amount equal to the net reinsured liabilities of $283million from MetLife Bermuda in consideration for the recapture.

Solvency II

The Solvency II regulatory framework was fully implemented on 1 January 2016. The Company has implemented the required changes to policies and processes, data and systems, and people and organisational structures to comply with the new regulations.The Company will change the financial statements presentational currency to Euro in 2016 to align with Solvency II reporting. The Company has been designated as a 'high impact' firm by the Central Bank of Ireland's (CBI) risk based supervisory framework.

Throughout 2015 the Company submitted quarterly Twin Peaks Solvency reporting to the CBI. No additional capital was required in any of the submissions as a result of the valuation of the solvency position using the Solvency II valuation principles which was agreed with the CBI.The Company also submitted third quarter 2015 interim reporting to the CBI in accordance with the preparatory phase included in the European Insurance and Occupational Pensions Authority (EIOPA) guidelines. In addition, the Company submitted the 2015 Own Risk and Solvency Assessment (ORSA) to the CBI. The Directors are confident that the Company has adequate resources under the Solvency II regime to continue in operational existence for the foreseeable future (see note 3).

Future developments

The Company will seek to continue to expand its customer base through new distribution channels throughout Europe, leveraging the expanded distribution network and relationship of the wider MetLife Inc. Group. In September 2015 the Company launched a new unit-linked with guarantee product 'Horizon' in the UK. This replaces the UK variable annuity product and is central to the Company's wealth management strategy in the UK. Horizon allows customers flexibility and certainty in their financial planning through a range of income and capital guarantees and allows them to take advantage of the 2015 UK pension freedom reforms.

It is also anticipated that the portfolio transfer and merger with Metropolitan Life Asigurai S.A (MetLife Romania) will take place in 2016 as part of the restructuring programme.

In 2016 MetLife Europe Limited will re-register as a 'designated activity company' as a result of the requirements of the Companies Act 2014.

Risks and uncertainties

The key categories of risk faced by the Company are credit risk, market risk, liquidity risk, insurance risk and operational risk (see note 27.3). The Company has documented a risk management framework to ensure risk is managed in line with the Company's stated risk appetite. This framework is subject to at least annual review and approval by the Board of Directors to ensure its on-going appropriateness, in line with the CBI's Corporate Governance Code for Credit Institutions and Insurance Undertakings (2010).

Compliance with 2010 Corporate Governance Code

The Corporate Governance Code for Credit Institutions and Insurance Undertakings (the 'Code') imposes minimum core standards upon all undertakings licensed or authorised by the CBI, which include the Company. It also sets out additional requirements on entities which are designated as 'major' institutions to reflect the risk and nature of those institutions. The Company has been designated as a major institution.

Board Committees

The Board has established five Committees to assist it in the execution of its responsibilities.
These are:

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

Each of the Committees has written terms of reference which are approved by the Board and set out the Committees' powers, responsibilities and obligations. The terms of reference are reviewed at least annually by the relevant Committee and updated by the Board where necessary.

Directors

The following directors served during 2015 and to date:

Sarah Alicia Celso	
Alan Cook	
Brenda Dunne	
Éilish Finan	Appointed 1 January 2016
Michael Hatzidimitriou	Appointed 1 April 2015
Nicolas Hayter	
Roy Keenan	Resigned 1 January 2016
Dirk Ostijn	
Mario Valdes	Appointed 1 April 2015
Lukas Ziewer	

Directors' interest

The interests of the directors, all of which are beneficially held, in the ordinary share capital of MetLife Inc. at 31 December 2015 are less than 1 per cent in nominal value of the issued share capital of MetLife Inc.

Adequate accounting records

The measures which the directors have taken to secure compliance with the requirements of Section 281 to Section 285 of the Companies Act, 2014 with regard to the keeping of accounting records include the adoption of suitable policies for recording transactions, assets and liabilities, the employment of appropriately qualified staff and the use of computer and documentary systems. The Company's books of accounts are kept at 20 on Hatch, Lower Hatch Street, Dublin 2.

Statement on relevant audit information

The directors of the Company confirm that all relevant information has been disclosed to the auditor in accordance with the provisions of Section 330 of the Companies Act, 2014.

Political donations

The Company made no political donations during the financial year (2014: nil).

Auditors

The auditors, Deloitte, Chartered Accountants and Statutory Audit Firm have signified their willingness to continue in office in accordance with the provisions of Section 383(2) of the Companies Act, 2014.

On behalf of the board

Dirk Ostijn
Director
Date 19 April 2016

Nicolas Hayter
Director
Date 19 April 2016

MetLife Europe Limited
Directors' Responsibility Statement
For the financial year ended 31 December 2015

The directors are responsible for preparing the directors' report and the financial statements in accordance with the Companies Act 2014 and the applicable regulations.

Irish company law requires the directors to prepare financial statements for each financial year. Under the law, the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union ("relevant financial reporting framework"). Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the assets, liabilities and financial position of the Company as at the financial year end date and of the profit or loss of the Company for the financial year and otherwise comply with the Companies Act 2014.

In preparing those financial statements, the directors are required to:

- select suitable accounting policies for the Company's financial statements and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business; and
- state whether the financial statements have been prepared in accordance with applicable accounting standards, identify those standards, and note the effect and the reasons for any material departure from those standards.

The directors are responsible for ensuring that the Company keeps or causes to be kept adequate accounting records which correctly explain and record the transactions of the Company, enable at any time the assets, liabilities, financial position and profit or loss of the Company to be determined with reasonable accuracy, enable them to ensure that the financial statements and directors report comply with the Companies Act 2014 and enable the financial statements to be audited.

They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Deloitte.

Deloitte
Chartered Accountants &
Statutory Audit Firm

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF METLIFE EUROPE LIMITED

We have audited the financial statements of MetLife Europe Limited for the financial year ended 31 December 2015 which comprise Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and the related notes 1 to 47. The relevant financial reporting framework that has been applied in their preparation is the Companies Act 2014 and International Financial Reporting Standards (IFRS) as adopted by the European Union ("relevant financial reporting framework").

This report is made solely to the company's members, as a body, in accordance with Section 391 of the Companies Act 2014. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors
As explained more fully in the Directors' Responsibility Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view and otherwise comply with the Companies Act 2014. Our responsibility is to audit and express an opinion on the financial statements in accordance with the Companies Act 2014 and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Director's report and audited financial statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements
In our opinion, the financial statements:

- give a true and fair view of the assets, liabilities and financial position of the company as at 31 December 2015 and of the profit for the financial year then ended; and
- have been properly prepared in accordance with the relevant financial reporting framework and, in particular, with the requirements of the Companies Act 2014.

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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF METLIFE EUROPE LIMITED

Matters on which we are required to report by the Companies Act 2014

- We have obtained all the information and explanations which we consider necessary for the purposes of our audit.
- In our opinion the accounting records of the company were sufficient to permit the financial statements to be readily and properly audited.
- The financial statements are in agreement with the accounting records.
- In our opinion the information given in the directors' report is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the provisions in the Companies Act 2014 which require us to report to you if, in our opinion, the disclosures of directors' remuneration and transactions specified by law are not made.

Glenn Gillard
For and on behalf of Deloitte
Chartered Accountants and Statutory Audit Firm
Dublin

Date: 19 April 2016

MetLife Europe Limited
Statement of Comprehensive Income
For the financial year ended 31 December 2015

	Note	2015 $'000	2014 $'000
Income			
Earned premium	6	**796,244**	749,033
Reinsurance ceded premium	7	**(297,780)**	(307,487)
Fee income	8	**247,850**	200,597
Net investment income	9	**132,853**	691,381
Net investment gain	10	**—**	—
Net foreign exchange gain	11	**17,671**	3,844
Total income		**896,838**	1,337,368
Expenses			
Claims & benefits paid, net of reinsurance	12	**(258,362)**	(138,966)
Change in insurance contract liabilities, net of ceded reinsurance	13	**(53,311)**	(566,909)
Change in investment contract liabilities		**8,370**	(72,101)
Commissions, net of ceded reinsurance	14	**(168,296)**	(184,243)
Other expenses	15	**(364,468)**	(358,127)
Net deferred acquisition costs	19	**17,207**	32,544
Total expenses		**(818,860)**	(1,287,802)
Profit before tax		**77,978**	49,566
Taxation	20	**(23,993)**	(35,039)
Profit for the financial year		**53,985**	14,527
Other comprehensive income			
Currency translation movement	21	**(269,002)**	(163,061)
Investment revaluation reserve movement	22	**137,946**	55,856
Tax on unrealised gains through other comprehensive income	22	**(47,187)**	(1,059)
Other comprehensive income for the financial year		**(178,243)**	(108,264)
Total comprehensive income for the financial year		**(124,258)**	(93,737)

The accompanying notes form an integral part of the Statement of Comprehensive Income.

MetLife Europe Limited
Statement of Financial Position
For the financial year ended 31 December 2015

	Note	2015 $'000	2014 $'000
Assets			
Investment in subsidiaries	23	**1,939**	1,939
Property and equipment	24	**14,793**	16,104
Intangible assets	25	**10,286**	6,156
Deferred acquisition costs	19	**526,259**	389,835
Deferred cost of reinsurance	26	**12,411**	25,877
Deferred tax asset	20	**10,550**	11,570
Unit-linked assets	27	**8,092,951**	8,024,477
Fixed interest securities	27	**3,345,157**	2,338,939
Asset held with credit institutions	27	**3,251**	—
Derivative assets	27	**103,896**	57,832
Mortgage loans	28	**48,626**	—
Reinsurance assets	29	**535,158**	652,467
Receivables and other assets	30	**419,963**	333,534
Cash and cash equivalents	31	**316,878**	275,215
Total assets		**13,442,118**	12,133,945
Equity			
Called up share capital presented as equity	32	**5,059**	3,336
Capital contribution	33	**—**	—
Share premium	34	**1,270,205**	754,022
Merger reserve	34	**—**	—
Retained earnings	35	**730,117**	761,004
Foreign currency translation reserve	21	**(459,983)**	(190,981)
Investment revaluation reserve	22	**192,700**	101,941
Total equity		**1,738,098**	1,429,322
Liabilities			
Liability for insurance contracts and other liabilities	36	**10,246,618**	9,356,378
Liability for investment contracts	36	**535,504**	640,673
Liability for guarantees	36	**(47,204)**	(37,618)
Derivative liabilities	27	**36,137**	1,877
Trade and other payables	37	**623,406**	591,870
Provisions	38	**5,898**	6,932
Deferred revenue liability	36	**191,622**	118,196
Deferred tax liability	20	**112,039**	26,315
Total liabilities		**11,704,020**	10,704,623
Total equity and liabilities		**13,442,118**	12,133,945

The accompanying notes form an integral part of the Statement of Financial Position.

On behalf of the board

Dirk Ostijn
Director
Date 19 April 2016

Nicolas Hayter
Director
Date 19 April 2016

MetLife Europe Limited
Statement of Changes in Equity
For the financial year ended 31 December 2015

	Called up share capital presented as equity	Capital contribution	Share premium	Merger reserve	Retained earnings	Foreign currency translation reserve	Investment revaluation reserve	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 January 2015	3,336	—	754,022	—	761,004	(190,981)	101,941	1,429,322
Shares issued	1,723	—	—	—	—	—	—	1,723
Shares premium	—	—	516,183	—	—	—	—	516,183
Portfolio Transfer and cross border merger	—	—	—	(84,872)	—	(127,596)	182,571	(29,897)
Profit/ (Loss) for the financial year	—	—	—	—	53,985	(141,406)	(91,812)	(179,233)
Transfer to/ from merger reserve	—	—	—	84,872	(84,872)	—	—	—
Balance at 31 December 2015	5,059	—	1,270,205	—	730,117	(459,983)	192,700	1,738,098

	Called up share capital presented as equity	Capital contribution	Share premium	Merger reserve	Retained earnings	Foreign currency translation reserve	Investment revaluation reserve	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 January 2014	3,336	1,151,817	754,022	(237,915)	(317,212)	(27,920)	47,636	1,373,764
Portfolio Transfer	—	149,787	—	—	—	—	(492)	149,295
Profit/ (Loss) for the financial year	—	—	—	—	14,527	(163,061)	54,797	(93,737)
Transfer from capital contribution	—	(1,301,604)	—	237,915	1,063,689	—	—	—
Balance at 31 December 2014	3,336	—	754,022	—	761,004	(190,981)	101,941	1,429,322

MetLife Europe Limited
Statement of Cash Flows
For the financial year ended 31 December 2015

	2015	2014
	$'000	$'000
Profit for year	**53,985**	14,527
Deferred tax recognised	**86,744**	2,063
Depreciation	**3,255**	4,617
	143,984	21,207
Cash flow from operating activities		
(Decrease)/increase in trade and other payables	**(92,249)**	91,154
(Increase)/decrease in receivables and other assets	**(46,634)**	1,769
(Decrease) in deferred revenue liability	**(5,074)**	(4,466)
Decrease in deferred cost of reinsurance	**13,466**	17,859
Decrease in deferred acquisitions costs	**10,149**	1,145
Decrease in reinsurance asset	**119,892**	162,747
(Decrease) in net derivatives	**(11,804)**	(55,639)
(Decrease)/increase in liability for guarantees	**(9,586)**	53,106
(Increase) in intangible assets	**(4,130)**	(2,909)
(Increase) in non linked insurance and investment contracts	**(126,517)**	(113,182)
Net cash flows from operating activities	**(8,503)**	172,791
Cash flows from investing activities		
Payments to acquire financial assets	**(161,741)**	(631,739)
Proceeds from unit-linked customers	**988,573**	1,106,137
Payments to unit-linked customers	**(944,746)**	(837,378)
Dividends and rebates on financial assets	**144,333**	151,698
Payments for equipment	**(1,601)**	(9,730)
Proceeds from disposal of equipment	**1,303**	4,421
Realised gains on financial assets	**208,333**	172,969
Cash transferred in portfolio transfers and cross border mergers	**47,207**	44,447
Net cash flows from investing activities	**281,661**	825
Cash flows from financing activities		
Proceeds from issue of share capital	**1,723**	—
Net cash flows from financing activities	**1,723**	—
Net increase in cash and cash equivalents	**274,881**	173,616
Cash and cash equivalents at beginning of the financial year	**275,215**	208,946
Effect of foreign exchange rates and investment revaluation reserve changes	**(233,218)**	(107,347)
Cash and cash equivalents at end of the financial year	**316,878**	275,215

1. General Information

MetLife Europe Limited (the Company) is an Irish incorporated entity domiciled in Ireland and was initially authorised by the Central Bank of Ireland to transact life assurance business in Life Classes I, III and IV under the European Communities (Life Assurance) Framework Regulations, 1994. In 2012 authorisation was extended to Life Class VI and Non Life Classes 1 and 2.

The Company at the financial year end has branches in the UK, Italy, Spain, Portugal, France, Bulgaria, Slovakia, Czech Republic and Hungary. The Company also operates in Poland, Greece, Norway, Spain, Germany, Austria, Netherlands, Russia, Czech Republic, Turkey, Singapore, Malaysia, Thailand, Indonesia and Hungary, all under the Freedom to Provide Services Directive.

2. Application of new and revised International Financial Reporting Standards (IFRS)

2.1 New and revised IFRSs applied with no material effect on the financial statements

No new or revised IFRSs have materially affected amounts reported in the current financial year (and/or prior financial years) or have affected presentation or disclosure.

2.2 New and revised IFRSs in issue but not yet effective

The Company has not applied the following relevant new and revised IFRSs that have been issued but are not yet effective:

IFRS 9 - Financial instruments	*Effective for annual periods beginning on or after 1 January 2018. This standard has not yet been endorsed for use in the EU.*
IFRS 15 - Revenue from contracts with customers	*Effective for annual periods beginning on or after 1 January 2017. This standard has not yet been endorsed for use in the EU.*
IAS 16 Property plant and equipment (revised)	*Amendments regarding the clarification of acceptable methods of depreciation and amortisation. Effective for annual periods beginning on or after 1 January 2016. This standard has not yet been endorsed for use in the EU.*
IAS 38 Intangible assets (revised)	*Amendments regarding the clarification of acceptable methods of depreciation and amortisation. Effective for annual periods beginning on or after 1 January 2016. This standard has not yet been endorsed for use in the EU.*

The impact of the IFRSs to be adopted in future financial years is considered on an ongoing basis. The adoption of IFRS 9 and IFRS 15 will impact both the measurement and disclosure of financial instruments and fee income respectively. The other IFRSs noted above are not expected to have a material impact. The Company actively reviews the adoption of IFRSs and will ensure all required changes are put in place to meet future reporting requirements.

3. Going concern

The Directors are confident that the Company has adequate resources under the Solvency II regime to continue in operational existence for the foreseeable future. As a result they continue to adopt the going concern basis of accounting in preparing the financial statements. In forming this view, the Directors have reviewed the Company's plan for 2016, forecasts for 2017 and the ORSA which take account of reasonably foreseeable changes in trading performance, the key risks facing the business and the medium term plans approved by the Board in its review of the Company's corporate strategy.

4. Significant accounting policies

4.1 Basis of accounting

The financial statements have been prepared in accordance with the provisions of the Companies Act, 2014, and International Financial Reporting Standards (IFRSs), as adopted by the European Union (EU). Where IFRS does not contain clear guidance governing the accounting treatment of certain transactions including those that are specific to insurance products, IFRS permits reference to another comprehensive body of accounting principles that uses a similar conceptual framework.

In these cases, the Company typically refers to accounting principles generally accepted in the United States of America (US GAAP) for guidance.

The financial statements have been prepared on the historical costs basis, except for those financial instruments which are measured at fair value (note 4.8) and the insurance liabilities which are measured using actuarial valuation models. Items of property, plant and equipment are measured at historical costs less accumulated depreciation. The financial statements have been prepared using the accruals basis of accounting. The principal accounting policies adopted are set out below.

4.2 Consolidation

Consolidated accounts have not been prepared for the financial year ended 31 December 2015. The Company meets all the requirements under IFRS 10 necessary to avail of the exemption from preparing consolidated accounts. The accounts of MetLife Inc. are prepared in accordance with US GAAP and have been prepared in a manner equivalent to consolidated accounts drawn up in accordance with the provisions of the Seventh Directive (83/349 EEC). Consequently, the accounts of MetLife Europe Limited present information about the Company as an individual undertaking and not about its group. Details of the subsidiary undertaking are included in note 23 of the accounts.

4.3 Foreign currencies

The Company's functional currency is Great British Pound (GBP) for the UK branch, Bulgaria Lev (BGN) for the Bulgarian branch, Czech Koruna (CZK) for the Czech Republic branch, Hungarian Forint (HUF) for the Hungarian branch and Euro (EUR) for head office and all other branches.

In preparing the financial statements of the Company, transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing at the dates of the transactions or average monthly rates of exchange. At each Statement of Financial Position date, monetary items denominated in foreign currencies are revalued at the rates prevailing at the Statement of Financial Position date. Non-monetary items carried at fair value that are denominated in foreign currencies are revalued at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not revalued. Exchange differences are recognised in the Statement of Comprehensive Income in the period in which they arise except when they relate to items for which gains and losses are recognised in equity.

The financial statements of the Company are presented in USD, which is the functional currency of the ultimate parent of the Group, MetLife Inc. The revalued functional currency transactions in the Statement of Comprehensive Income are translated to USD at the average monthly rates of exchange. At each Statement of Financial Position date, the revalued functional currency balances are translated to USD at the rates prevailing at the Statement of Financial Position date. All exchange differences are recognised in the currency translation reserve in the Statement of Financial Position.

4.4 Insurance and investment contracts

Classification

The Company's products are classified at inception, for accounting purposes, as either insurance contracts or investment contracts. A contract that is classified as an insurance contract remains an insurance contract until all rights and obligations are extinguished or expire. Investment contracts can be reclassified as insurance contracts after inception if insurance risk becomes significant.

Insurance contracts are those contracts that transfer significant insurance risk from the insured to the insurer. Insurance risk exists if and only if, an insured event could cause an insurer to incur a significant loss from the contract. Such contracts may also transfer financial risk. Investment contracts are contracts that carry financial risk with no significant insurance risk.

The Company issues non unit-linked contracts relating to group life and pensions, credit life, individual protection (ordinary life, term assurance, personal accident) and fixed term annuities. These are classified as insurance contracts. The Company also issues non unit-linked contracts relating to investment, whole life and fixed annuities which are classified as investment contracts.

The Company issues unit-linked contracts which are classified as either investment or insurance depending on whether the contract includes significant insurance risk or not.

In addition to issuing insurance and investment contracts, the Company assumes reinsurance business in relation to life and personal accident products. Inward reinsurance is presented in the Statement of Comprehensive Income in earned premium.

Reinsurance

The Company cedes reinsurance in the normal course of business. Reinsurance assets principally include ceded insurance reserves and guarantee liabilities. Amounts recoverable from reinsurers are disclosed in receivables and other assets. Amounts recoverable or due under reinsurance contracts are recognised in a manner consistent with the reinsured risks and in accordance with the terms of the reinsurance contract. Reinsurance is presented in the Statement of Financial Position and Statement of Comprehensive Income on a gross basis unless a right of offset exists.

Reinsurance assets are assessed for impairment on a regular basis and any impairment loss is recognised in the Statement of Comprehensive Income and the carrying amount reduced accordingly.

The primary drivers of reinsurance assets and liabilities are business volumes, movements in interest rates and equity market levels and volatilities.

Deferred cost of reinsurance

The deferred cost of reinsurance is the difference between the reinsurance premium paid and the liabilities reinsured as part of the Company's Reinsurance Agreement for the fixed term annuity business with MetLife Bermuda. The net cost of reinsurance to the Company is deferred and amortised to the Statement of Comprehensive Income over the life of the reinsured contracts.

Investment contracts

The Company issues unit-linked investment contracts, which entitles the policyholder to the returns generated on the assets invested on their behalf. The Company receives a fee for the services provided under the contract. The Company determines the unit-linked investment contract liabilities by reference to the underlying assets, less the fees earned.

The related assets held under unit-linked investment contracts are classified as designated at fair value through the Statement of Comprehensive Income. Changes in fair value of assets and liabilities are recorded in income. The fees charged for policy administration and investment management services, and surrender and other charges are included in fee income.

Investment contracts may contain embedded derivatives which are bifurcated and measured separately at fair value and recorded as guarantee liabilities. These embedded derivatives are reinsured through a reinsurance contract, and valued consistently with the value of the embedded derivative, and are included in reinsurance assets.

The liability is derecognised when the contract expires, is discharged or is cancelled.

Insurance contracts

Liabilities for insurance contracts

The Company issues unit-linked insurance contracts, which includes significant insurance risk to the Company. The liabilities for such contracts are recorded at an amount equal to the consideration or premiums received plus investment gains and losses, less fees charged and withdrawals.

Insurance contracts may contain certain guarantees in respect of guaranteed minimum death benefits (GMDB), guaranteed minimum accumulation benefits (GMAB) and guaranteed minimum withdrawal benefits (GMWB).

The liabilities in respect of certain portions of guarantees are considered to be embedded derivatives and are separated and measured at fair value and recorded under guarantee liabilities. Certain other portions of guarantees measured in accordance with relevant US GAAP standards as permitted under IFRS, are accrued in proportion to the receipt of the contracted revenues, and recorded under liabilities for insurance contracts.

The liability is derecognised when the contract expires, is discharged or is cancelled.

The Company also issues non unit-linked insurance contracts and the liabilities are calculated using the methods set out in note 36.

Portfolio transfers from companies under common control

The Company records the assets and liabilities at the carrying value of the predecessor entity, including any intangible assets that relate to the value of the underlying contracts received. Following initial recognition the Company remeasures the assets and liabilities received in accordance with its stated accounting policy.

Liabilities transferred to the Company as a result of the restructuring programme are net of Value of Business Acquired (VOBA) as at the transfer date where applicable.

Liability adequacy tests

Liability adequacy testing is performed on insurance liabilities at each reporting date. Liability adequacy tests are performed for each portfolio of insurance contracts. Net unearned premiums are tested to determine whether they are sufficient to cover related expected claims, commissions, amortisations and maintenance expenses using current assumptions. If a premium deficiency is identified, the deferred acquisition cost (DAC) asset is written down by the amount of the deficiency. If, after writing down the DAC asset to nil for the book of business, a premium deficiency still exists, then a premium deficiency reserve is recorded to provide for the deficiency in excess of the DAC asset written down.

Shadow loss recognition testing is performed on insurance liabilities at each reporting date. This compares booked liabilities against best estimates of future liabilities, after allowing for unrealised gains and losses. Booked liabilities are adjusted for any shortfall arising. This 'shadow adjustment' is recognised in the Investment revaluation reserve in Other Comprehensive Income so as to match against the unrealised gains and losses of the related assets backing the liabilities.

Revenue from contracts with customers

Amounts collected as premiums from unit-linked contracts are reported as deposits. Revenue from such contracts consists of fees for cost of insurance and guarantees, administration and surrenders during the financial year.

Amounts collected as premiums from non unit-linked contracts are reported in the Statement of Comprehensive Income under earned premium and are on a 'receivable' basis.

Unit-linked deferred revenue

Front-end fees from unit-linked contracts are deferred and amortised over the expected life of the book of contracts. For unit-linked contracts amortisation is at a constant rate based on the present value of the estimated gross profit amounts expected to be realised over the life of the book of contracts. Assumptions used to estimate the future value of expected gross margins and profits are evaluated regularly and adjusted if estimates change.

Revenue from inward reinsurance

Inward reinsurance premiums are accounted for in accordance with the contract terms when due, reflecting the period in which the risk is transferred.

Reinsurance commission and deferred fee income

Reinsurance commission income is commissions received from the reinsurer that are not reimbursements of the Company's direct commissions. Reinsurance commission income is reported in the Statement of Comprehensive Income on an accruals basis.

The above reinsurance commissions are deferred. Subsequent to initial recognition, deferred fee income is amortised over the expected life of the book of contracts. Amortisation is at a constant rate based on the premiums expected to be earned over the life of the contracts. Deferred fee income is reported in the Statement of Financial Position under deferred revenue liability.

Deferred acquisition costs (DAC)

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.

Subsequent to initial recognition, DAC is amortised over the expected life of the book of contracts. For unit-linked contracts amortisation is at a constant rate based on the present value of the estimated gross profit amounts expected to be realised over the life of the book of contracts. Assumptions used to estimate the future value of expected gross margins and profits are evaluated regularly and adjusted if estimates change. Deviations of actual results from estimated experience are reflected in income.

For non unit-linked contracts, amortisation is at a constant rate based on the present value of premiums expected to be received over the life of the contracts.

Loss recognition tests are conducted annually to ensure the DAC remains recoverable.

4.5 Net Investment Income

Investment income comprises dividends, interest receivable, realised gains and losses and unrealised gains and losses on fair value assets (as defined in note 4.8). Interest income is accounted for on an accruals basis. Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

The realised gain or loss on disposal of an investment is the difference between the proceeds received, net of transaction costs, and its original cost or amortised cost as appropriate. Unrealised gains and losses represent the difference between the carrying value at the financial year end and the carrying value at the previous financial year end or purchase value during the financial year, less the reversal of previously recognised unrealised gains and losses in respect of disposals made during the financial year.

4.6 Property plant and equipment

Equipment includes computer equipment, office equipment and computer software. Equipment is stated at cost less accumulated depreciation and amortisation. Computer software includes both purchased software and internally developed software. Depreciation and amortisation are charged to the Statement of Comprehensive Income on a straight-line basis over the estimated useful lives of the assets. The estimated useful lives are as follows:

Property	10 years
Equipment	2-10 years

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income.

The Company carries out an annual review of the residual value, useful life and depreciation method used. Impairment reviews are also carried out if any impairment indicators are identified.

4.7 Intangible assets

Intangible assets are stated at cost less accumulated depreciation. Intangible assets are recognised if the undiscounted future cashflows exceed the initial cost of the asset. Intangible assets include those payments made to third party distributors for exclusive distribution rights obtained by the Company. Intangible assets are amortised over its useful life.

Amortisation methods are either proportional to expected profits or expected premiums. The annual amortisation rates range from 8 years to 31 years and are reviewed annually.

The Company routinely reviews intangible assets to determine if there are indications of impairment. If such an indication is present, the Company would apply its policy for impairment testing of financial assets.

4.8 Financial Instruments

Financial assets and liabilities are recognised in the Company's Statement of Financial Position when the Company becomes a party to the contractual provisions of the instrument. All financial instruments reported at fair value are measured based on an exit price.

Financial assets

Investments are recognised and derecognised on trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets at fair value through profit or loss (FVTPL), available-for-sale (AFS) financial investments and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial assets at FVTPL

Financial assets are classified as FVTPL where the financial asset is either held for trading or it is designated as FVTPL at inception. A financial asset is classified as held for trading if:

- It has been acquired principally for the purpose of selling in the near future; or
- It is a part of an identified portfolio of financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- It is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as FVTPL upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- The financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- It forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as FVTPL.

Financial assets at FVTPL are stated at fair value, with any resultant gain or loss recognised in the Statement of Comprehensive Income. The net gain or loss recognised in the Statement of Comprehensive Income incorporates any dividend or interest earned on the financial asset.

Financial assets at available for sale (AFS)

AFS assets are stated at fair value at the end of each reporting period. The difference between cost and maturity value is amortised over the period to maturity and recognised in net investment income. The movement from amortised cost to fair value is recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accounted for in the investments revaluation reserve is reclassified to the Statement of Comprehensive Income.

Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

Non-cash collateral is not derecognised unless the Company defaults on its obligations under the relevant International Swaps and Derivatives Association (ISDA) Master agreements. It therefore continues to be recognised in the Statement of Financial Position.

Receivables and other assets

Receivables and other assets comprise short-term receivables which are recorded at cost less any irrecoverable amounts and are an approximation of the fair value of these assets.

Trade and other payables

Trade and other payables comprise short-term payables which are recorded at cost and are an approximation of the fair value of these liabilities.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each Statement of Financial Position date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the asset have been impacted. The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets.

With the exception of AFS equity instruments, if in a subsequent period the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the Statement of Comprehensive Income to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. The carrying value of these assets approximates to fair value.

Mortgage loans

Mortgage loans held-for-investment are stated at unpaid principal balance, adjusted for any deferred fees. Interest income and prepayment fees are recognized when earned. Interest income is recognized using an effective yield method giving effect to amortization of premiums and accretion of discounts.

Derivative instruments

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. Changes in the fair value are recognised immediately in the Statement of Comprehensive Income. Certain fair values are obtained from quoted market prices in active markets. The critical estimates and judgements in pricing over the counter (OTC) derivatives at fair value are set out in note 27.9. 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 in the financial statements at the instrument's exit value.

The Company currently receives and posts collateral in the form of cash and securities, in respect of derivative contracts held, in order to reduce the credit risk. The amount and type of collateral required depends on an assessment of the credit risk of the counterparty.

Collateral received in the form of cash is recognised as an asset in the Statement of Financial Position with a corresponding liability for the repayment in financial liabilities. Non-cash collateral is not recognised in the Statement of Financial Position unless the Company sells or re-collateralises these assets in the absence of default, at which point the obligation to return this collateral is recognised as a liability.

Current assets

Assets are classified as current when the following criteria are met:

- The Company expects to realise the asset or intends to sell or consume it in the normal operating cycle;
- The Company holds the asset primarily for the purpose of trading;
- The Company expects to realise the asset within 12 months after the reporting period; and
- The asset is cash or cash equivalent, unless the asset is restricted from being exchanged or used to settle liabilities for at least 12 months after the reporting date.

All other assets are classified as non-current assets.

Current liabilities

Liabilities are classified as current when the following criteria are met:

- The Company expects to settle the liability in the normal operating cycle;
- The Company holds the liability primarily for the purpose of trading;
- The Company expects to settle the liability within 12 months after the reporting period; and
- The Company does not have an unconditional right to defer settlement beyond 12 months after the reporting date.

All other liabilities are classified as non-current liabilities.

4.9 Provisions

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the Statement of Financial Position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

4.10 Employee benefits

Defined contribution pension plans

A portion of pension costs are allocated from MetLife Services European Economic Interest Group (MetLife Services EEIG), MetLife Europe Services Limited (MESL) and MetLife Slovakia s.r.o (MetLife Services Slovakia) and are not directly paid for by the Company. These allocations are recognised as an expense in the Statement of Comprehensive Income as incurred. 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 vested in independent trustees for the benefit of the employees and their dependants.

The Company makes other payment directly towards pension plans for employees remunerated at branch level. Contributions towards these plans are recognised as an expense in the Statement of Comprehensive Income as incurred.

Life assurance

A portion of life assurance costs are allocated from MetLife Services European Economic Interest Group (MetLife Services EEIG), MetLife Europe Services Limited (MESL) and MetLife Slovakia s.r.o (MetLife Services Slovakia) and are not directly paid for by the Company. These allocations are recognised as an expense in the Statement of Comprehensive Income as incurred. MetLife Services EEIG makes payments at agreed rates of the employee's gross salary for each individual's pension fund, the assets of which are vested in independent trustees for the benefit of the employees and their dependents.

The Company makes other payments towards life assurance and permanent health insurance for each eligible employee remunerated directly at branch level. Contributions towards these plans are recognised as an expense in the Statement of Comprehensive Income as incurred.

4.11 Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the financial year. Taxable profit differs from profit as reported in the Statement of Comprehensive Income because it excludes items of income or expense that are taxable or deductible in other financial years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the Statement of Financial Position date.

Deferred tax

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax base used in the computation of taxable profit, and is accounted for using the Statement of Financial Position liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised.

The carrying amount of the deferred tax asset is reviewed at each Statement of Financial Position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are 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 tax rates (and tax laws) that have been enacted or substantively enacted by the Statement of Financial Position date.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the financial year

Current and deferred tax are recognised as an expense or income in the Statement of Comprehensive Income, except when they relate to items credited or debited directly to equity, in which case the tax is also recognised directly in equity, or where they arise from the initial accounting for a business combination.

Merger reserve

The calculation of share premium on the issuance of shares for a reorganisation is based on fair values. Investments in subsidiaries and assets/liabilities transferred to the Company are recorded at carrying value. The difference between the fair value recorded in equity and the carrying value recognised in net assets results in a merger reserve in equity. The merger reserve is not considered to represent a realised or unrealised loss.

In 2015 the Company has elected to transfer $85million from retained earnings to eliminate the merger reserve that arose from the cross border mergers with Alico Bulgaria (Metlife Bulgaria), MetLife Amslico Slovakia (Metlife Slovakia), MetLife pojist'ovna a.s (Metlife Czech Republic) and Metlife Hungary.

4.12 Italian tax reserve and corporation tax prepayment

Under Italian law, policyholders pay an exit tax on the gain under the policy on surrender or maturity. In 2003 the substitute tax regime was introduced by the Italian Government in order to advance the payment of future exit tax from policyholders. The payments are based on a percentage of the mathematical reserves held at the financial year end. The current levels of payments are 0.45% (2014: 0.45%) of the mathematical reserves. The Italian Government currently allows companies to recover the prepayments through the following mechanisms (and in the following order):

- Against future policyholder exit tax on gains on maturity or surrender from two years after the financial year end to which the first prepayment relates;
- Against future prepayments if the prepayment tranche has not been recovered at the end of year five;
- Against Italian taxes payable including payroll taxes, corporation tax and capital gains tax (after year five); and
- Directly from Italian Revenue if no other means exist.

The Company plans to recover its Italian prepaid policyholder reserve tax asset over a number of financial years (against Italian taxes payable including payroll taxes, VAT and withholding tax as well as future policyholder exit tax on maturities and surrenders).

The value placed on this asset in the financial statements and Irish regulatory returns is based on a discounted value of the projected future recoveries, net of the present value of the future expected tax recoveries, that arise from both policyholder exit tax and the other recovery mechanisms available to the Company (as listed above). The discount rates used are based on the Irish Reserve Discount Rate as at 31 December 2015, with duration of equal length to the expected date of recovery.

5. Critical accounting judgments and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 4, the directors are required 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 an on-going basis. Revisions to accounting estimates are 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. The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Product classification and contract liabilities

The Company's contracts comprise of investment and insurance contracts. Contracts classified as investment contracts without discretionary participation features (DPF) are accounted for under the requirements of IAS 39. Note 4.4 provides further information on product classification.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the Statement of Financial Position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Derivatives

The valuation for derivatives is set out in note 27.9.

Deferred tax

The valuation for deferred tax is set out in note 20.

Valuation of liabilities of investment and insurance contracts

The liability for unit-linked investment contracts and the deposit component of the unit-linked insurance contracts are measured at fair value.

Such contracts, being unit-linked contracts are measured at fair value and the fair value liability is determined by reference to the assets backing the liabilities. The carrying amount of the liabilities of investment contracts and deposit components of the insurance contracts at the Statement of Financial Position date are $536million and $10,247million respectively (2014: $641million and $9,356million respectively).

The liabilities for guarantees on the investment and insurance contracts are based on certain assumptions including mortality, longevity, persistency, surrenders, expense variations and investment returns. The carrying amount of such guarantee liabilities at the Statement of Financial Position date is $(47)million (2014:$(38)million). The guarantee liabilities of the unit-linked contracts are fully reinsured. The valuation of liabilities for non unit-linked insurance contracts is set out in note 36.

Deferred acquisition costs (DAC)

The DAC asset is recognised in respect of net acquisition costs and is amortised over the contract term, in accordance with the accounting policy stated in note 4.4. The DAC asset at the Statement of Financial Position date is $526million (2014: $390million).

6. Earned premium

	2015 $'000	2014 $'000
Gross written premium	**806,179**	740,198
Reinsurance premium assumed	**29,261**	46,808
Change in unearned premium	**(39,196)**	(37,973)
Total earned premium	**796,244**	749,033

7. Reinsurance ceded premium

	2015 $'000	2014 $'000
Reinsurance premium ceded during the financial year	**(337,983)**	(347,253)
Change in unearned premium	**40,203**	39,766
Total reinsurance ceded premium	**(297,780)**	(307,487)

8. Fee income

	2015 $'000	2014 $'000
Fees for insurance contracts	**212,268**	186,703
Other fee income	**18,055**	5,415
Net change in deferred revenue liability	**10,515**	1,502
Reinsurance commission income	**7,789**	7,801
Fees for investment contracts	**1,820**	2,568
Net change in deferred reinsurance commission income	**(2,597)**	(3,392)
Total contract and other fee income	**247,850**	200,597

9. Net investment income	2015 $'000	2014 $'000
Net realised gains	**207,229**	172,966
Dividend income	**143,323**	142,161
Net unrealised (losses)/gains	**(313,954)**	298,963
Gain on financial assets at FVTPL	**36,598**	614,090
Rebates	**1,010**	9,537
Net income from financial assets at FVTPL	**37,608**	623,627
Net income from financial assets at AFS	**93,083**	64,977
Mortgage loan income	**1,104**	—
Deposit interest	**537**	1,813
Net gains from derivatives	**434**	824
Bank interest	**87**	89
Rental income	**—**	51
Total net investment income	**132,853**	691,381

Net income from derivatives includes funds withheld $0.6million (2014: $0.9million) attributable to unit linked derivatives. Funds withheld is offset against the fair value movement of its related derivatives. The net impact of which is $(0.2)million (2014: (0.1)million).

10. Net investment gain/(loss)	2015 $'000	2014 $'000
Change in guarantee liability	**804**	(48,732)
Change in guarantee liability recoverable from reinsurer	**(804)**	48,732
Total net investment gain	**—**	—

11. Net foreign exchange gain/(loss)

The transactions and cash flows have been revalued into functional currency and translated into USD at a monthly average rate for each month during the financial year or the prevailing transaction date rate. Assets and liabilities have been revalued and translated at the financial year end rate.

Total foreign currency revaluation movements during 2015 resulted in a net gain of $17.7million (2014: net gain $3.8million) recognised in the Statement of Comprehensive Income.

12. Claims and benefits paid, net of ceded reinsurance	2015 $'000	2014 $'000
Gross claims and benefits paid	**472,141**	443,382
Ceded claims and benefits paid	**(213,779)**	(304,416)
Total claims and benefits paid, net of ceded reinsurance	**258,362**	138,966

13. Change in insurance contract liabilities, net of ceded reinsurance	2015 $'000	2014 $'000
Gross change in insurance liabilities	(56,592)	375,450
Ceded change in insurance liabilities	109,903	191,459
Total change in insurance liabilities, net of ceded reinsurance	53,311	566,909

14. Commissions, net of ceded reinsurance	2015 $'000	2014 $'000
Gross commissions	218,230	263,334
Ceded commissions	(49,934)	(79,091)
Total commissions, net of ceded reinsurance	168,296	184,243

15. Other expenses	2015 $'000	2014 $'000
Operating expenses	229,940	227,877
Staff costs	120,434	113,256
Amortisation of deferred cost of reinsurance	13,433	16,180
Amortisation of intangible asset	661	814
Total other expenses	364,468	358,127

A significant portion of the on-going operating expenses and staff costs are incurred by MetLife Europe Services Limited, EEIG and MetLife Services Slovakia and are recharged to the Company. Details of related party transactions are disclosed in note 40.

Comparative figures have been reclassified, where necessary, to conform to current year presentation.

16. Directors' fees

	2015 $'000	2014 $'000
Aggregate emoluments paid to or receivable by directors in respect of qualifying services	**1,357**	1,301
Aggregate amount of money or value or other assets, including shares but excluding share options, paid to or receivable by the directors under long term incentive schemes in respect of qualifying services	**253**	305
Aggregate Contributions paid, treated as paid or payable during the financial year to a retirement benefit scheme in respect of qualifying services of directors		
- Defined contribution schemes	**45**	42
	1,655	1,648
Number of directors to whom retirement benefits are arising under this section		
- Defined contribution schemes	**3**	2
- Defined benefit schemes	**—**	—

No compensation has been paid or is payable to past directors for loss of office during the financial year (2014: nil).

17. Auditors' remuneration

In accordance with Statutory Instrument No. 220 of 2010 enacting the EC directive on statutory audits into Irish law, the following is a description of the audit fee for the Company as at 31 December:

	2015 $'000	2014 $'000
Audit of individual accounts	**1,190**	1,108
Other non-audit services	**33**	86
Other assurance services	**—**	—
Tax advisory services	**—**	—
Total audit remuneration	**1,223**	1,194

18. Staff costs

	2015	2014
The average monthly number of employees, including executive directors is:		
Sales and Operations	**837**	632
Finance	**151**	114
Administration	**18**	14
Total	**1,006**	760

A significant proportion of the on-going operating expenses and staff costs of the Company are incurred by MetLife Europe Services Limited, EEIG and MetLife Services Slovakia and recharged to the Company and other companies within the Group.

The total remuneration for staff costs including those recharged to the Company for the financial year is as follows:

	2015 $'000	2014 $'000
Salaries and wages	**90,819**	84,521
Social security costs	**21,119**	21,764
Other retirement benefit costs	**5,599**	4,786
Other compensation costs	**2,897**	2,185
Total staff costs	**120,434**	113,256
Salaries and wages are split as follows:		
Amount expensed in current financial year	**90,819**	84,521
Amount capitalised	**—**	—
Total salaries and wages	**90,819**	84,521

Other compensation costs are made up of employee reimbursements $1.2m (2014: $0.9m), education and training $0.4m (2014: $0.2m) and long term incentives $1.2m (2014: $1m).

Comparative figures have been reclassified, where necessary, to conform to current year presentation.

19. Deferred acquisition costs	2015 $'000	2014 $'000
Opening balance 1 January	**389,835**	382,695
Transferred as part of the portfolio transfers and cross border mergers	**146,573**	8,285
Commission expense capitalised	**109,224**	120,779
Other acquisition costs capitalised	**4,702**	7,326
Total	**650,334**	519,085
Interest	**15,537**	11,494
Amortised during the financial year	**(112,256)**	(107,055)
Foreign currency translation	**(27,356)**	(33,689)
Closing balance 31 December	**526,259**	389,835

DAC is reported net of reinsurance. The DAC expense of $17.2million (2014: $32.5million) in the Statement of Comprehensive Income comprises of commission expense $109.2million (2014: $120.8million), other acquisition costs $4.7million (2014: $7.3million), interest $15.5million (2014: $11.5million) and amortised during the year $(112.3)million (2014: $(107.1)million).

20. Taxation	2015 $'000	2014 $'000
20.1 Income tax recognised in profit		
20.1.1 Current tax		
Current tax benefit/(expense) in respect of the prior financial year	**6,532**	(3,538)
Current tax expense in respect of the current financial year	**(20,606)**	(33,573)
Total current tax	**(14,074)**	(37,111)
20.1.2 Deferred tax		
Deferred tax charge in respect of the prior financial year	**(11,425)**	8,908
Deferred tax charge in respect of the current financial year	**1,506**	(6,836)
Total deferred tax	**(9,919)**	2,072
Total tax charge recognised in current tax financial year	**(23,993)**	(35,039)

20.1.3 The total tax charge recognised in current tax year can be reconciled to the accounting loss as follows:	**2015**	2014
	$'000	$'000
Profit before tax	**77,978**	49,566
Taxation calculated at standard rate of 12.5% (2014:12.5%)	**(9,747)**	(6,196)
Effect of permanent expenses that are not deductible in determining taxable profit	**9,504**	(7,379)
Effect on deferred tax balances due to the change in income tax rates	**—**	814
Adjustments recognised in the current financial year in relation to the tax of prior financial years	**(4,893)**	5,371
Temporary adjustments	**(5,971)**	(2,424)
Effect of different tax rates of branches operating in other jurisdictions	**(12,886)**	(25,225)
Total tax charge recognised in current tax year	**(23,993)**	(35,039)

20.2 Income tax recognised in other comprehensive income		
Deferred tax arising on income and expenses recognised in other comprehensive income	**(47,187)**	(1,059)
Total deferred tax recognised in other comprehensive income	**(47,187)**	(1,059)

20.3 Reconciliation of change in deferred tax assets and liabilities

20.3.1 Deferred tax asset

	2015 $'000	2014 $'000
Opening balance 1 January	**11,570**	5,921
Transferred as part of portfolio transfers and cross border mergers	**(89)**	—
Adjustments recognised in the current financial year in relation to the deferred tax of prior financial years	**4,636**	6,863
Deferred tax credit/(expense) for the period	**78**	(552)
Deferred tax movement through other comprehensive income	**(4,134)**	—
Foreign exchange movements	**(1,511)**	(662)
Total deferred tax asset	**10,550**	11,570

20.3.2 Deferred tax liability

Opening balance 1 January	**(26,315)**	(18,228)
Transferred as part of portfolio transfers and cross border mergers	**(70,747)**	(375)
Deferred tax credit/(expense) for the period	**1,428**	(7,099)
Effect on due to the change in income tax rates in branch jurisdictions	**—**	814
Deferred tax movement through other comprehensive income	**(1,372)**	(1,059)
Adjustments recognised in the current year in relation to the deferred tax of prior years	**(16,061)**	2,046
Foreign exchange movements	**1,028**	(2,414)
Total deferred tax liability	**(112,039)**	(26,315)

20.4 Deferred tax assets and liabilities	2015 $'000	2014 $'000
20.4.1 Deferred tax asset		
Local deferred items		
Unearned income	**5,469**	—
Unrealised gains	**4,851**	—
Deferred and uncollected premium	**2,082**	—
Losses carried forward	**1,541**	1,018
Provision for future expenses	**1,045**	—
Deferred compensation	**15**	1,278
Commission fees allowable in future years	**—**	11,069
Premium reserves for claims for non-life insurance contracts	**—**	2,386
Bad debts	**(1,400)**	—
Other local deferred items	**(2,566)**	2,829
Other non-insurance reserves	**(3,243)**	1,121
Unearned premiums	**(6,212)**	—
	1,582	19,701
Differences between local and IFRS balance sheet		
Actuarial and other	**22,424**	(8,131)
Deferred acquisition costs	**(4,559)**	—
Investments	**(4,804)**	—
	13,061	(8,131)
Other comprehensive income	**(4,093)**	—
Total deferred tax asset	**10,550**	11,570

Comparative figures have been reclassified, where necessary, to conform to current year presentation.

20.4.2 Deferred tax liability	2015 $'000	2014 $'000
Local deferred items		
Other local deferred items	**11,752**	(7,338)
Commission fees allowable in future years	**5,066**	—
Losses carried forward	**4,128**	1,989
Property, plant and equipment	**3,408**	3,118
Premium reserves for claims for non-life insurance contracts	**1,908**	—
Unearned income	**—**	5,923
Deferred and uncollected premium	**—**	4,490
Unearned premiums	**—**	(4,035)
Bad debts	**—**	(1,637)
Capital gains tax still deferred	**(11,518)**	(16,553)
	14,744	(14,043)
Differences between local and IFRS balance sheet		
Actuarial and other	**170,740**	(11,112)
Value of business acquired	**(15,950)**	—
Deferred acquisition costs	**(97,000)**	—
Investments	**(141,113)**	—
	(83,323)	(11,112)
Other comprehensive income	**(43,460)**	(1,160)
Total deferred tax liability	**(112,039)**	(26,315)

The Company established new branches in 2015, in Czech Republic, Slovakia, Hungary and Bulgaria, by way of portfolio transfers/ cross border mergers with local existing MetLife entities. These transfers resulted in the inclusion of a deferred tax liability balance of $72million. The Company has a net deferred tax liability of $101million, which includes a deferred tax liability of $112million and a deferred tax asset of $11million.

The Company is satisfied that the current evidence is sufficient to allow it to recognise a deferred tax asset of $11million that relates to Spain, Portugal and Bulgaria. These branches were profitable in 2015 and are expected to continue as such. The Company is satisfied it can gain full value for these differences as it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. As a result of the above, there is a full recognition of these deferred tax assets.

The Company has unrecognised deferred tax assets at the end of the financial year totalling $88million (2014: $95million) these relate mainly to the deferred tax assets for the losses incurred historically in Head office ($61million) and UK branch ($27million) businesses.

Comparative figures have been reclassified, where necessary, to conform to current year presentation.

21. Foreign currency translation reserve

	2015 $'000	2014 $'000
Opening balance 1 January	**(190,981)**	(27,920)
Transferred as part of portfolio transfers and cross border mergers	**(127,596)**	—
Current financial year movement	**(141,406)**	(163,061)
Closing balance 31 December	**(459,983)**	(190,981)

The foreign currency exchange rates as at 31 December are as follows:

	2015	2014
GBP/USD	0.67847	0.64133
EUR/USD	0.92055	0.82641

Total foreign currency translation movements during 2015 resulted in a net loss recognised in other comprehensive income of $269.0million (2014: $163.1million). The translation movement resulted primarily from the appreciation of the USD against the EUR during the financial year.

22. Investment revaluation reserve

	2015 $'000	2014 $'000
Opening balance 1 January	**101,941**	47,636
Transferred as part of portfolio transfers and cross border mergers:		
Investment revaluation reserve	**224,252**	(492)
Tax on Unrealised gain	**(41,681)**	—
	182,571	(492)
Current year movements:		
Investment revaluation reserve	**(86,306)**	55,856
Tax on unrealised gain through other comprehensive income	**(5,506)**	(1,059)
	(91,812)	54,797
Closing balance 31 December	**192,700**	101,941

The investment revaluation reserve reflects the accumulation of the movement from amortised costs to fair value on available for sale financial assets and also reflects the related adjustments to insurance liabilities.

The movement in the investment revaluation reserve through other comprehensive income of $137.9million (2014: $55.8million) comprises of amounts transferred as part of portfolio transfers and cross border merger $224.3million (2014: $(0.5)million) and current year movement of $(86.3)million (2014: 55.9million).

The movement in the tax on unrealised gains through other comprehensive income of $(47.2)million (2014: $1.0million) comprises of amounts transferred as part of portfolio transfers and cross border merger $(41.7)million (2014: nil) and current year movement of $(5.5)million (2014: $(1.1)million).

23. Investment in subsidiaries

Details of the Company's subsidiaries are as follows:

Name	Principal activity	Place of incorporation and operation	Proportion of ownership interest	Proportion of voting power held
MetLife Pension Trustees Limited	Trustee and administrator of personal pension schemes	UK	100%	100%

	2015 $'000	2014 $'000
Cost of investment	1,939	1,939

Investment in subsidiaries is measured on an historic cost basis.

The Company meets all the requirements under IFRS 10 necessary to avail of the exemption from preparing consolidated accounts.

24. Property and equipment	Property 2015 $'000	Equipment 2015 $'000	Total 2015 $'000
Cost			
Opening balance 1 January	10,891	10,785	21,676
Transferred as part of portfolio transfers and cross border mergers	855	5,368	6,223
Additions	—	3,358	3,358
Disposals	—	(1,303)	(1,303)
Effect of foreign exchange translation	(1,294)	(1,013)	(2,307)
Closing balance 31 December	10,452	17,195	27,647
Accumulated depreciation			
Opening balance 1 January	(2)	(5,570)	(5,572)
Transferred as part of portfolio transfers and cross border mergers	(854)	(3,723)	(4,577)
Charge for period	(12)	(3,243)	(3,255)
Effect of foreign exchange translation	104	446	550
Closing balance at 31 December	(764)	(12,090)	(12,854)
Total at 31 December	9,688	5,105	14,793

	Property 2014 $'000	Equipment 2014 $'000	Total 2014 $'000
Cost			
Opening balance 1 January	12,420	6,232	18,652
Additions	—	9,730	9,730
Disposals	(27)	(4,394)	(4,421)
Effect of foreign exchange translation	(1,502)	(783)	(2,285)
Closing balance 31 December	10,891	10,785	21,676
Accumulated depreciation			
Opening balance 1 January	(395)	(944)	(1,339)
Charge for period	315	(4,931)	(4,616)
Effect of foreign exchange translation	78	305	383
Closing balance at 31 December	(2)	(5,570)	(5,572)
Total at 31 December	10,889	5,215	16,104

The Company assumed ownership of property and equipment as part of the merger with MetLife Bulgaria on 1 January 2015, MetLife Slovakia and MetLife Czech Republic on 1 April 2015 and MetLife Hungary on 1 November 2015.

25. Intangible assets	2015 $'000	2014 $'000
Opening balance 1 January	**6,156**	3,247
Additions	**5,253**	4,050
Charge for the period	**(661)**	(745)
	10,748	6,552
Foreign currency translation	**(462)**	(396)
Closing balance 31 December	**10,286**	6,156

Intangible assets have finite useful lives and relate to payments made to third party distributors in UK, Spain and Italy for exclusive distribution rights obtained by the Company. Amortisation methods are either proportional to expected profits or expected premiums. The annual amortisation rates range from 8 years to 31 years and are reviewed annually.

The Company reviews the carrying amounts of the intangible assets at each statement of financial position date to determine whether there is any indication that those assets have suffered an impairment loss. No such impairment loss has occurred in the financial year.

Amortisation of the intangible asset is included in the Statement of Comprehensive Income in note 15 Other expenses.

26. Deferred cost of reinsurance	2015 $'000	2014 $'000
Opening balance 1 January	**25,877**	43,736
Amortisation during the financial year	**(13,433)**	(16,180)
Foreign currency translation	**(33)**	(1,679)
Closing balance 31 December	**12,411**	25,877

As at 31 December 2015, the Company had a deferred cost of reinsurance asset of $12.4 million (2014: $25.9million). The deferred cost of reinsurance is the difference between the reinsurance premium paid and the liabilities reinsured under the Company's Reinsurance Agreement for the UK fixed term annuity business. On 1 January 2016, the recapture of this business took place. MetLife Bermuda paid the Company an amount equal to the net reinsured liabilities $283million in consideration for the recapture.

27. Financial Instruments

27.1 Categories of financial instruments

	FVPL	AFS	Loans & Receivables /Other Liabilities	Total
	2015	2015	2015	2015
	$'000	$'000	$'000	$'000
Unit-linked cash and cash equivalents	94,934	—	—	94,934
Unit-linked fixed interest securities	158,207	—	—	158,207
Unit-linked mutual funds	7,839,810	—	—	7,839,810
Total unit-linked assets	8,092,951	—	—	8,092,951
Fixed interest securities	—	3,345,157	—	3,345,157
Mortgage loans	—	—	48,626	48,626
Reinsurance assets	(47,204)	—	582,362	535,158
Receivables and other assets	—	—	419,963	419,963
Cash and cash equivalents	—	—	316,878	316,878
Assets held with credit institutions	—	3,251	—	3,251
Derivative assets	103,896	—	—	103,896
Total financial assets	8,149,643	3,348,408	1,367,829	12,865,880
Liability for insurance contracts (unit-linked)	7,793,254	—	—	7,793,254
Other insurance liabilities		—	2,453,364	2,453,364
Trade and other payables	—	—	623,406	623,406
Provisions	—	—	5,898	5,898
Other investment contract liabilities	—	—	230,614	230,614
Liability for investment contracts (unit-linked)	304,890	—	—	304,890
Liability for guarantees	(47,204)	—	—	(47,204)
Derivative liabilities	36,137	—	—	36,137
Total financial liabilities	8,087,077	—	3,313,282	11,400,359

	FVPL	AFS	Loans & Receivables /Other Liabilities	Total
	2014	2014	2014	2014
	$'000	$'000	$'000	$'000
Unit-linked cash and cash equivalents	87,466	—	—	87,466
Unit-linked fixed interest securities	224,940	—	—	224,940
Unit-linked mutual funds	7,712,071	—	—	7,712,071
Total unit-linked assets	8,024,477	—	—	8,024,477
Fixed interest securities	—	2,338,939	—	2,338,939
Reinsurance assets	(45,589)	—	698,056	652,467
Receivables and other assets	—	—	333,534	333,534
Cash and cash equivalents	—	—	275,215	275,215
Derivative assets	57,832	—	—	57,832
Total financial assets	8,036,720	2,338,939	1,306,805	11,682,464
Liability for insurance contracts (unit-linked)	7,662,321	—	—	7,662,321
Other insurance liabilities	1,694,057	—	—	1,694,057
Trade and other payables	—	—	591,870	591,870
Provisions	—	—	6,932	6,932
Other investment contract liabilities	—	—	263,485	263,485
Liability for investment contracts (unit-linked)	377,188	—	—	377,188
Liability for guarantees	(37,618)	—	—	(37,618)
Derivative liabilities	1,877	—	—	1,877
Total financial liabilities	9,697,825	—	862,287	10,560,112

Assets held with credit institutions are AFS fixed interest securities which have been transferred to third parties as collateral in accordance with the Company's privately negotiated International Swaps and Derivatives Association (ISDA) Master Agreements (see note 27.10).

The Company uses English law version of the Credit Support Annex to the ISDA Master Agreement under which legal title to any collateral is held by the secured party.

27.2 Financial assets measured at fair value

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the assets or liability that are not based on observable market data (unobservable inputs).

27.2.1 Financial assets measured at fair value

	Level 1 2015 $'000	Level 2 2015 $'000	Level 3 2015 $'000	Total 2015 $'000
Unit-linked cash and cash equivalents	**80,092**	**14,843**	**—**	**94,935**
Unit-linked fixed interest securities	**58,762**	**99,444**	**—**	**158,206**
Unit-linked mutual funds	**7,778,249**	**61,561**	**—**	**7,839,810**
Total unit-linked assets	**7,917,103**	**175,848**	**—**	**8,092,951**
Fixed interest securities	**4,417**	**3,340,740**	**—**	**3,345,157**
Assets held with credit institutions	**—**	**3,251**	**—**	**3,251**
Derivative instruments	**3,076**	**100,820**	**—**	**103,896**
Reinsurance assets	**—**	**(47,204)**	**—**	**(47,204)**
Total financial assets measured at fair value	**7,924,596**	**3,573,455**	**—**	**11,498,051**

	Level 1 2014 $'000	Level 2 2014 $'000	Level 3 2014 $'000	Total 2014 $'000
Unit-linked cash and cash equivalents	21,060	66,405	—	87,465
Unit-linked fixed interest securities	59,261	165,679	—	224,940
Unit-linked mutual funds	7,615,541	96,531	—	7,712,072
Unit-linked assets	7,695,862	328,615	—	8,024,477
Fixed interest securities	6,293	2,332,646	—	2,338,939
Derivative instruments	—	57,832	—	57,832
Reinsurance assets	—	(45,589)	—	(45,589)
Total financial assets measured at fair value	7,702,155	2,673,504	—	10,375,659

The Company has transferred unit-linked assets from level 2 to level 1 of $382.4million (2014:$14million). The Company has transferred unit-linked assets from level 1 to level 2 of $3.7million (2014: nil).

Overall, transfers between levels occur when there are changes in the observability of inputs and market activity. Transfers into or out of any level are assumed to occur at the beginning of the period.

Subsequent to initial recognition, fair values are based on unadjusted quoted prices for identical assets or liabilities in active markets that are readily and regularly obtainable. When such quoted prices are not available, fair values are based on quoted prices in markets that are not active, quoted prices for similar but not identical assets or liabilities, or other observable inputs. If these inputs are not available, or observable inputs are not determinable, unobservable inputs and/or adjustments to observable inputs requiring management judgement are used to determine the estimated fair value of assets and liabilities.

As at 31 December 2015, fixed interest securities and assets held with credit institutions due within one year amounted to $330million (2014: $214million) and those due after one year amounted to $3,018million (2014: $2,125million).

27.2.2 Financial liabilities measured at fair value

	Level 1 2015 $'000	**Level 2 2015 $'000**	**Level 3 2015 $'000**	**Total 2015 $'000**
Derivative liabilities	**3,844**	**32,293**	**—**	**36,137**
Liability for insurance contracts (unit-linked)	**7,778,084**	**3,207**	**(54,230)**	**7,727,061**
Liability for investment contracts (unit-linked)	**304,378**	**—**	**(603)**	**303,775**
Liability for guarantees	**—**	**(47,204)**	**—**	**(47,204)**
Total financial liabilities measured at fair value	**8,086,306**	**(11,704)**	**(54,833)**	**8,019,769**

	Level 1 2014 $'000	Level 2 2014 $'000	Level 3 2014 $'000	Total 2014 $'000
Derivative liabilities	137	1,740	—	1,877
Liability for insurance contracts (unit-linked)	7,656,605	—	—	7,656,605
Liability for investment contracts (unit-linked)	376,083	—	—	376,083
Liability for guarantees	—	(45,589)	—	(45,589)
Total financial liabilities measured at fair value	8,032,825	(43,849)	—	7,988,976

There were no transfers between Level 1 and Level 2 in the year.

27.3 Risk management framework

The key categories of risk faced by the Company are credit risk, market risk, liquidity risk, insurance risk and operational risk.

The Company has documented a risk management framework to ensure risk is managed in line with the Company's stated risk appetite. This framework is subject to at least annual review and approval by the Board of Directors and continuous review by the Executive Risk Committee, to ensure its on-going appropriateness, in line with the Central Bank of Ireland's Corporate Governance Code for Credit Institutions and Insurance Undertakings (2010).

The Company's risk management framework currently comprises the following elements:

- Company risk strategy and appetite;
- Company corporate governance framework;
- Company risk policy suite;
- Organisational relationships and accountabilities (including committees); and
- Company risk management process.

In addition, the Company proactively identifies risk events, assesses their impact on the business and plans the management of their outcomes. The Company considers these activities as being core to meeting the needs of its shareholder. Consequently, the risk management framework is underpinned by the Company's principles for the effective identification, measurement, management, monitoring and reporting of risk.

Under Solvency II, the key risks faced by the Company are quantified as part of the Solvency Capital Requirement (SCR). The main risk modules in the SCR are market risk, counterparty default risk, underwriting risk and operational risk, as offset by diversification benefits and the loss absorbing capacity of deferred tax. Based on projections and Twin Peaks submissions, the Company has sufficient surplus assets to cover the SCR and meet its risk appetite target.

27.4 Credit risk

Credit risk is the risk of loss arising from a debtor failing to make those payments to the Company that it is obligated to make. The most significant sources of credit risk borne by the Company are from investments in debt instruments held in its investment portfolio and reinsurance. Credit related losses could also arise from treasury activities (money market transactions) and derivatives.

The Company's appetite for credit risk is articulated in terms of investment and counterparty credit as detailed below:

Investment credit risk

By investing the non unit-linked assets, the Company consciously seeks to take on well-diversified credit risk for appropriate reward, subject to its articulated risk appetite.

The Company limits its aggregate exposure to extreme credit losses in its investment portfolio through economic capital limits. The Company further controls its exposure to rating classes and single issuers through the limits set out in the Investment Guidelines, and incorporate the International Subsidiary Exposure Program Limits (ISEPs), which are also approved and monitored as part of MetLife's global credit-risk management.

On linked business without fund-level guarantees, credit risk is borne entirely by the policyholder, and the policyholder is made aware (via policy literature, terms and conditions, key features documentation) of the risk.

The Company invests predominately in high quality government and corporate debt. There is a need to match liabilities by currency and as a result of the new branches established in Hungary and Czech Republic, the Company has additional amounts of $113.8million of Hungarian Forint (HUF) and $22.1million of Czech Koruna (CZK) of below investment grade (BIG) rated Hungarian government debt and AA rated Czech government debt. The assets that transferred over represent 4% of the total fixed interest securities.

Any decisions made by the Company that result in a policyholder taking credit risk on an entity is aligned with local business conduct requirements, including the selection of appropriate funds to offer the policyholder.

Counterparty credit risk

The Company seeks to incur only minimal counterparty exposure as required by its insurance business, financial risk mitigation programmes and treasury operations. These are discussed in the following sections. Each potentially material counterparty is individually approved, and exposure limits and collateral requirements put in place to mitigate the risk. The relevant limits are set as appropriate in the reinsurance risk policy, the derivative use policy, the risk management guidelines for derivatives and treasury procedures.

On linked business with fund-level guarantees, counterparty default risk on unit-linked assets may be borne by the Company in line with product policy terms and conditions.

Credit ratings of fixed income securities held by the Company:

Standard and Poors Equivalent Ratings	2015 $'000	2014 $'000
AAA	**385,710**	259,450
AA	**997,609**	701,797
A	**1,124,342**	922,315
BBB	**595,459**	417,506
Below investment grade	**242,037**	37,871
Total	**3,345,157**	2,338,939

Credit ratings of cash and cash equivalents held by the Company:

Standard and Poors Equivalent Ratings	2015 $'000
AAA	**75,241**
AA	**23,257**
A	**147,806**
BBB	**64,309**
Below investment grade	**6,263**
Total	**316,876**

27.4.1 Credit risk on mortgage loans

The Company's investments in mortgage loans of $48.6m as at 31 December 2015 face default risk and 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.

27.4.2 Credit risk on derivatives

The Company enters into derivatives in accordance with its derivatives use policy and risk management guidelines for derivatives. These derivatives expose the Company to credit risk. The derivatives use policy requires that credit risk from over-the-counter derivatives is mitigated through collateral arrangements. Collateralisation operates through improving the recovery rate in a post-default situation and thus decreases the loss given default; leading to lower expected losses in a collateralised portfolio than would otherwise be observed. The Company also holds exchange traded derivatives (see note 27.9). The Company's derivatives use policy details of the regulated markets on which these can be traded.

27.4.3 Credit risk on prepayments

The Company is exposed to credit risk from approved third party administrators where payment for future services is extended.

27.4.4 Credit risk concentration

The Company routinely monitors and limits credit exposures at counterparty and aggregate level. There were no limit breaches at 31 December 2015 (2014: nil). The Company has prescribed internal issuer limits broken down by rating and asset class as identified in the investment guidelines. Bank limits and derivative counterparty exposures are set out and monitored by global risk management. Concentration is determined using book value of assets. Issuer concentration is rating and asset class, as determined in asset liability management guidelines. Concentrations are coded into group systems and tested by compliance.

27.4.5 Credit risk relating to reinsurance assets

The Company uses reinsurance to mitigate certain insurance risk and market risk. The various reinsurance arrangements that are in place expose the Company to credit risk. This credit risk is managed through placing limits on exposures and requiring adherence to stated guidelines. The reinsurance asset valuation at 31 December 2015 is $535million (2014: $652million) and predominantly relates to reinsurance treaties with MetLife Bermuda. These treaties relates to unit-linked guarantees, a block of UK fixed term annuity business and a lapse swap treaty on certain savings products in Spain, Portugal and France.

The CBI has been informed of these treaties and they attract full reserve relief under the solvency regulations. The unit-linked and fixed term annuity treaties generate significant fair value exposures to MetLife Bermuda that are fully covered by robust collateral arrangements whereas the lapse swap treaty generates an expected payable, on a fair value basis from the Company to MetLife Bermuda and is not collateralised. The fixed term annuity treaty is collateralised by matching a portfolio of investment grade fixed interest investments whose value exceeds the liability. The unit-linked treaty has a more complex structure that has been subject to Board and CBI approvals following substantial due diligence.

27.5 Market risk

The Company accepts market-risk exposure as it arises from its insurance business:

- Future fee income based on linked fund values - this risk is accepted;
- Linked guarantees - the risks must be either re-insured or hedged, in which case specific limits need to be set as to the acceptable levels of hedge inefficiencies;
- Box positions - arise from discretionary shareholder exposures to unit-linked funds designed to facilitate the liquidity management of such funds. The risks are acceptable if necessary to facilitate the management of unit-linked funds. Box positions are taken in accordance with the Company's Box Management Policy. Compliance with which is monitored by the unit-linked sub-committee and investment committee;
- Timing mismatches between asset and liability cash flows, in particular where profits are shared with the policyholder - this risk is controlled by managing the investments against targets as set out in the investment guidelines that match liability requirements;
- Currency mismatches between assets and liabilities - currencies must be closely matched within the quantitative limits documented in the MetLife risk appetite and strategy;
- Surplus assets - the net interest rate risk of the balance sheet is controlled by the economic capital limit as documented in the MetLife risk appetite and strategy; surplus is measured in EUR and may be exposed to EUR GBP and EUR USD exchange rate movements. This includes any currency mismatch arising from GBP capital held for regulatory reasons in the UK.

Derivatives must be used only to hedge market risks in accordance with an approved derivatives use policy.

Market risk is broken down into the following categories for measurement and management purposes:

- Interest rate risk - see note 27.5.1.
- Equity pricing risk- see note 27.5.2.
- Foreign exchange risk - see note 27.5.3.

27.5.1 Interest rate risk

Interest rate risk is the risk of loss arising from changes in the level of real or nominal interest rate prices, credit spreads, or market implied interest rate volatility levels.

The estimated impact on other comprehensive income of a one percentage point increase in yield curves is a decrease of $156.5million (2014: $102.3million).

27.5.2 Equity pricing risk

Equity pricing risk is the risk of loss arising from changes in equity prices (including equity index prices), or market implied equity market volatility levels.

The Company does not invest directly in equities on its own account. The key exposure to equity risk arises from the exposure of policy charges which are primarily structured as a percentage of unit funds under management.

27.5.3 Foreign exchange risk

Foreign exchange risk is the risk of loss arising from changes in foreign exchange rates or market implied foreign exchange volatility levels.

All policyholder liabilities on an Irish Solvency I basis are at least 100% matched by currency, leading to a nil foreign exchange solvency reserve (2014: nil). Exposure is limited to changes in surplus shareholder assets held in currencies other than EUR which is the Company's regulatory reporting currency. The estimated impact of a 10% movement of other currencies against the EUR on the regulatory solvency position is €16million (2014: €29million). This is covered by the excess of available assets over the regulatory capital requirement of €343million (2014: €361million).

Under Solvency II, currency risk is calculated as part of the SCR within the market risk module. This relates to the loss of fee income on the unit linked business resulting from a fall in unit prices (due to movements in exchange rates), and the extent to which own funds are exposed to exchange movements against the EUR.

27.6 Liquidity risk

Liquidity risk is the risk that the Company, although solvent, is unable, without incurring a premium cost, to make available sufficient resources to meet its financial obligations as they fall due Management of liquidity risk to ensure that the Company can, at all times, meet its liabilities as they become due, forms a key part of the Company achieving its business objectives and meeting its regulatory requirements. Proper management of liquidity risk is mirrored in the Company's management of credit risk and market risk, which significantly reduce the risk of contagion from credit risk and market risk. The containment of liquidity risk is achieved through the application of limit structures throughout all the Company's investment portfolios. In addition, the Company projects forward its asset and liability cashflows and adjusts the assets it holds to ensure that liquidity is protected at each future point.

The Company accepts liquidity risk arising from the following:

- Actual cashflows differing from predicted cashflows;
- Policyholder behaviour;
- Catastrophic events;
- Non-marketability of assets; and
- Funding of cash collateral for derivative positions.

The Company specifies quantitative and qualitative limits on its liquidity risk exposures, including specific aspects of the above risks that the Company is not willing to accept.

The Company's derivative liability amounts are perfectly matched to the funds withheld facility, with a net impact of all contractual settlements netting to zero.

The Company is a highly liquid entity and based on its business profile monitors its liquidity exposures on an annual basis. The key points are detailed below:

Unit-Linked business

- The unit-linked assets are predominantly invested in large liquid external funds and the Company reserves the right to defer settlement should there be delays in receiving redemptions from the external funds.
- The unit-linked guarantees are reinsured with MetLife Bermuda and the Company's counterparty exposure is mitigated by robust collateral arrangements.

Liquidity and quality of assets

The projected liability cashflows are derived from Solvency II best estimate liabilities which form part of the asset liability management process.

Projected liability cashflows by currency by duration as at 31 December 2015

	EUR denominated	GBP denominated	BGN denominated	CZK denominated	HUF denominated
	€'000	€'000	€'000	€'000	€'000
Duration					
Not later than one month	**800**	**698**	**(1)**	**202**	**45**
Later than one month and not later than three months	**4,023**	**1,708**	**—**	**337**	**145**
Later than three months and not later than one year	**8,948**	**8,379**	**—**	**1,634**	**662**
Later than one year and not later than five years	**21,323**	**11,001**	**176**	**10,043**	**2,820**

Projected liability cashflows by currency by duration as at 31 December 2014

	EUR denominated	GBP denominated	BGN denominated	CZK denominated	HUF denominated
	€'000	€'000	€'000	€'000	€'000
Duration					
Not later than one month	(465)	(500)	—	—	—
Later than one month and not later than three months	1,154	642	—	—	—
Later than three months and not later than one year	6,126	540	—	—	—
Later than one year and not later than five years	7,334	1,943	—	—	—

The Company has a highly diversified, high quality portfolio of liquid fixed interest investments. Total fair value of liquid investments and cash as at 31 December 2015 is $3,393million (2014: $2,567million).

27.7 Insurance risk

Insurance risk refers to fluctuations in the timing, frequency and severity of insured events relative to the expectations of the Company at the time of underwriting, arising as a consequence of writing business where financial outgo depends upon some or all of mortality, morbidity, longevity, and lapse experience, or upon the exercise of policy options. This also includes the potential for expense overrun relative to pricing assumptions, and includes the consequences of writing new business in volumes or mix different to those anticipated.
The Company consciously seeks to take on insurance risk for appropriate reward by virtue of its strategic objective to maintain consistent profitable growth, subject to:

- The Company's risk appetite for insurance risk and the desire to limit fluctuations in bottom line results. This will be achieved, inter alia, through reinsuring high face amounts, purchasing catastrophe insurance where appropriate and limiting coverages. The extent of the Company's risk appetite with regards to these considerations will be articulated through limit structures that will be documented in the insurance risk policy.
- No new types of insurance cover being underwritten (i.e. above and beyond existing coverages) without prior approval by the Company's board.

This risk is controlled through limits and guidelines, which are monitored quarterly by the Product Management Committee.

The Company underwrites a very diversified portfolio and regularly reviews the emergence of any potential concentration. The team responsible for the monitoring is independent of the underwriting and sales functions. The Company has certain geographic concentrations that are monitored and managed as appropriate with catastrophe reinsurance.

Under Solvency II, life, health & health similar to life (SLT) underwriting risks are calculated as part of the SCR. The key life underwriting exposures are mortality, catastrophe, lapse and expense risk. The main health SLT risks are lapse and disability.

27.8 Operational risk

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. The Company accepts some operational risk loss events will happen and has set a yearly tolerance for operational risk losses.

The Company manages operational risk to an acceptable level, through a combination of sound corporate and risk governance, strong systems and controls, strong resource management and where appropriate limit and tolerance structures. The Company has a robust system in place which includes written procedures, risk limits and the controls required to implement, measure, monitor, maintain and report on all material operations

27.9 Derivatives held for hedging purposes

The Company utilises derivatives for hedging purposes. The Company holds derivatives with a total fair value at 31 December 2015 of $68 million. The Company's exposure under derivative contracts is closely monitored as part of the Company's risk strategy. The Company holds a portion of these derivatives within a funds withheld arrangement to reduce balance sheet volatility and enhance the Company's credit risk profile.

The Company holds put options relating to the MetLife Protected Growth Funds. Constant Proportion Portfolio Insurance (CPPI) requires constant re-balancing of holdings between risky assets and reserve assets in order to meet the protection goals. The CPPI mechanism will provide the required protection in all but the most extreme circumstances. In those circumstances where the CPPI mechanism fails to provide the required protection, the Company uses its own assets to ensure the protected unit price is not breached. The Company hedges 100% of this guarantee by purchasing put options.

The Company also holds a CPPI derivative in respect of a Micro (Individualised) CPPI which launched in September 2015.

The Company has a robust system in place which includes written procedures, risk limits and the controls required to implement, measure, monitor, maintain and report on derivatives. The Company ensures every procedure, from high level strategy to each individual trading decision, is within the scope of the derivative use policy and risk management guidelines for derivatives.

The derivative types utilised by the Company include but are not limited to:

- FX Forwards;
- FX Futures;
- Equity Options;
- Equity Swaps;
- Equity Futures;
- Variance Swaps;
- Interest Rate Swaps;
- Bond Futures;
- Equity/Interest Rate Hybrid Options; and
- CPPI Derivatives.

The Company uses the following critical estimates and judgements in pricing its derivatives:

Interest Rate Swaps

The Company uses standard techniques to value its interest rate swaps positions, discounting these with reference to the LIBOR swap curve.

Equity Futures

The Company uses industry standard techniques to value its Equity Futures.

Equity Options

The Company uses standard techniques to value its FX Forward Contracts

The notional amount is the specified amount on which cashflows are calculated. It indicates the size of derivatives outstanding but does not indicate either market risk or credit risk.

	Asset fair value	**Liability fair value**	**Notional Amount**	Asset fair value	Liability fair value	Notional Amount
	2015	**2015**	**2015**	2014	2014	2014
	$'000	**$'000**	**$'000**	$'000	$'000	$'000
OTC Options	**50,559**	**12,750**	**1,457,292**	14,465	(1,740)	1,089,507
OTC Swaps	**49,712**	**11,950**	**615,487**	43,366	—	209,864
Exchange Traded Futures	**549**	**7,593**	**225,212**	—	(129)	8,526
Exchange Traded Options	**3,076**	**3,844**	**1,156,009**	1	(8)	201
	103,896	**36,137**	**3,454,000**	57,832	(1,877)	1,308,098

27.9.1 Derivatives held for hedging purposes

The Company may use derivatives to reduce risk exposure, for example

- To reduce the risk of economic loss due to a change in the value of assets or liabilities (including any group or portfolio of assets or liabilities) which the Company has acquired or incurred or anticipates acquiring or incurring; or
- To reduce the risk of economic loss due to a change in a currency exchange as to any assets or liabilities (including a group or portfolio thereof) which the Company has acquired or incurred or anticipates acquiring or incurring; or
- As an integral part of the Company's asset/liability management strategy, to improve the match between the Company's assets and liabilities, including the assets and liabilities relating to any portfolio or account.

Derivatives entered into by the Company, which provide economic hedges, but do not meet the hedge accounting criteria, are treated as "derivatives held for trading purposes".

27.10 Offsetting financial assets and financial liabilities

Assets	2015 $'000	2014 $'000
Derivatives subject to ISDA master netting arrangement		
Total gross estimated fair value of derivatives	**105,020**	58,754
Amounts offset in the statement of financial position	**—**	—
Estimated fair value of derivatives	**105,020**	58,754
Gross amounts not offset		
Gross estimated fair value of derivatives	**(28,780)**	(1,741)
Cash collateral	**(64,217)**	(49,384)
Net amount after application of ISDA master netting agreements and cash collateral	**12,023**	7,629
Securities collateral	**(6,363)**	(5,179)
Net amount after application of ISDA master netting agreements and collateral	**5,660**	2,450

Liabilities	2015 $'000	2014 $'000
Derivatives subject to ISDA master netting arrangement		
Total gross estimated fair value of derivatives	**36,233**	1,877
Amounts offset in the statement of financial position	**—**	—
Estimated fair value of derivatives	**36,233**	1,877
Gross amounts not offset		
Gross estimated fair value of derivatives	**(28,780)**	(1,741)
Cash collateral	**(4,159)**	(86)
Net amount after application of ISDA master netting agreements and cash collateral	**3,294**	50
Securities collateral	**—**	—
Net amount after application of ISDA master netting agreements and collateral	**3,294**	50

The Company's OTC-bilateral derivatives are transacted under ISDA Master Agreements which provide for legally enforceable set-off and close out netting.

The Company manages its credit risk related to derivatives by entering into transactions with creditworthy counterparties and establishing and monitoring exposure limits. The Company's OTC bilateral derivative transactions are generally governed by ISDA Master Agreements which provide for legally enforceable set-off and close-out netting of exposures to specific counterparties in the event of early termination of a transaction, which includes, but is not limited to, events of default and bankruptcy. In the event of an early termination, the Company is permitted to set-off receivables from the counterparty against payables to the same counterparty arising out of all included transactions.

Substantially all of the Company's ISDA Master Agreements also include Credit Support Annex provisions which require both the pledging and accepting of collateral in connection with its OTC-bilateral derivatives.

The Company's OTC-cleared derivatives are affected through central clearing counterparties and its exchange-traded derivatives are affected through regulated exchanges. Such positions are marked to market and margined on a daily basis (both initial margin and variation margin), and the Company has minimal exposure to credit-related losses in the event of nonperformance by counterparties to such derivatives.

The amount of securities collateral offset in the table above is limited to the net estimated fair value of derivatives after application of netting agreements and cash collateral.

28. Mortgage loans

	2015 $'000	2014 $'000
Opening balance 1 January	—	—
Loans advanced	**49,032**	—
Fees amortised	**32**	—
Effect of foreign exchange translation	**(17)**	—
Fees deferred	**(421)**	—
Closing balance 31 December	**48,626**	—

29. Reinsurance assets and liabilities

29.1 Summary

	2015 $'000	2014 $'000
Reinsurance assets		
Non unit-linked insurance and investment contracts	**582,362**	690,085
Unit-linked guarantees	**(47,204)**	(37,618)
Total reinsurance assets	**535,158**	652,467

The unit-linked liabilities contain embedded guarantees, which are fully reinsured to Metlife Bermuda. The embedded liability for guarantees and related reinsured asset are reported at fair value. The liability for guarantees represents the present value of claims less the present value of income and is sensitive to capital market movements. This sensitivity results in volatility and the fair value of the liability for guarantees and the related reinsured asset can vary in value. The value of the unit-linked guarantee reinsurance asset is a liability of $(47)million (2014: $(38)million). The reinsured unit-linked guarantees are fully offset by a liability for guarantees per note 36.1.

Of the total reinsurance assets, $252million (2014: $387million) is affiliated with subsidiaries of MetLife Inc.

29.2 Reconciliation of changes in reinsurance assets	2015 $'000	2014 $'000
Opening balance 1 January	**652,467**	815,214
Transferred as part of portfolio transfers and cross border mergers	**2,583**	—
Foreign currency translation	**(49,388)**	(59,786)
Reinsurance ceded during the financial year	**(70,504)**	(102,961)
Closing balance 31 December	**535,158**	652,467

30. Receivables and other assets	2015 $'000	2014 $'000
Other receivables	**110,525**	41,640
Premium receivable	**70,538**	69,311
Recoverable from reinsurers	**70,255**	74,779
Accrued interest	**58,747**	44,513
Withholding tax from unit-linked funds	**32,261**	26,585
Italian prepaid taxes	**28,323**	24,882
Receivables from affiliates	**20,239**	20,389
Unearned commission asset	**19,831**	—
Prepaid current tax	**7,736**	9,727
Shareholder receivables from unit-linked funds	**1,508**	21,708
Total receivables and other assets	**419,963**	333,534

As outlined in note 4.12, the Company has prepaid policyholder exit tax to the Italian Revenue for policies written which were transferred as part of the cross border merger with ALIL and Alico Italia. The asset valuation as at 31 December 2015 is $15.3million (2014: $17.2million). The Company plans to recover this advance exit tax as outlined per note 4.12 of the financial statements. The remainder of the prepaid taxes balance of $13.0million (2014: $7.6million) relates to Italian prepaid corporation tax and the Company plans to recover this by offsetting against other Italian taxes or through a refund from the Italian Revenue authority.

A portion of the DAC asset held for UK Individual Protection business is allocated to an Unearned Commission Asset (UCA) to reflect the clawback arrangement in place for associated commission payments. As commission is earned it is moved to DAC. The UCA value as at 31 December 2015 is $19.8million (2014: nil).

As at 31 December 2015, receivables and other assets due within one year amounted to $406.8million (2014: $318.8million) and those due after one year amounted to $13.1million (2014: $14.6million). None of these assets had been past due or impaired at the end of the reporting period.

31. Cash and cash equivalents	2015 $'000	2014 $'000
Cash at bank	**204,833**	115,057
Cash equivalents		
Liquidity funds	**75,241**	72,321
Treasury bill	**22,108**	74,638
Bank deposit	**14,696**	3,519
Certificate of deposit	**—**	9,680
Total cash equivalents	**112,045**	160,158
Total cash and cash equivalents	**316,878**	275,215

Included within cash and cash equivalents is cash received for collateral on derivative assets of $60.6million (2014: $50.3million).

32. Authorised and issued share capital	2015 $'000	2014 $'000
Authorised share capital:		
100,000,000 shares of $1.31406 (€1) each	**131,406**	131,406
Allocated, called up and fully paid:		
Opening balance 1 January 2012		
635,000 shares of $1.31406 (€1) each	**834**	834
Issued during the financial year 2012 and fully paid:		
1,690,300 shares of $1.293711 (€1) each	**2,187**	2,187
Issued during the financial year 2013 and fully paid:		
175,023 shares of $1.323960 (€1) each	**232**	232
60,000 shares of $1.381464 (€1) each	**83**	83
Issued during the financial year 2015 and fully paid:		
1,365,547 shares of $1.075800 (€1) each	**1,469**	—
182,022 shares of $1.103450 (€1) each	**201**	—
44,152 shares of $1.203051 (€1) each	**53**	—
	5,059	3,336
Amount presented as:		
Called up share capital presented as equity	**5,059**	3,336
Called up share capital presented as a liability	**—**	—
Closing balance at 31 December	**5,059**	3,336

33. Capital contribution

	2015 $'000	2014 $'000
Opening balance 1 January	—	1,151,817
Capital contribution received	—	149,787
Transfer to merger reserve	—	(237,915)
Transfer to retained earnings	—	(1,063,689)
Closing balance 31 December	**—**	**—**

The Company received no capital contributions during the financial year (2014: $150million).

In 2014 the Company elected to transfer $238million from capital contribution to the merger reserve account to eliminate the negative merger reserve that arose from the 2012 cross border mergers with Alico Italia S.p.A., Alico Life International Limited, and the 2013 cross border mergers with Alico Spain, Alico Portugal and MetLife France S.A.

In 2014 the Company also elected to transfer the remaining capital contributions received to retained earnings.

34. Merger reserve, shares issued and share premium

	2015 $'000	2014 $'000
34.1 Merger reserve		
Opening balance 1 January	—	(237,915)
Current financial year movement	**(84,872)**	—
Transfer from capital contribution	—	237,915
Transfer from retained earnings	**84,872**	—
Closing balance 31 December	**—**	**—**

In 2015 the Company has elected to transfer $85million from retained earnings to eliminate the merger reserve that arose from the cross border mergers with Metlife Bulgaria, Metlife Slovakia, Metlife Czech Republic and Metlife Hungary.

In 2014 the Company elected to eliminate the negative merger reserve by transferring $238million from the capital contribution account to the merger reserve.

34.2 Share premium		
Opening balance 1 January	**754,022**	754,022
Current financial year movement	**516,183**	—
Closing balance 31 December	**1,270,205**	754,022

On 1 January 2015 the Company issued shares as consideration for the transfer of ownership of Metlife Bulgaria to the Company. On 1 April 2015 the Company issued shares as consideration for the transfer of ownership of MetLife Slovakia and MetLife Czech Republic to the Company. On 1 November 2015 the Company issued shares as consideration for the transfer of ownership of MetLife Hungary to the Company.

The difference between the nominal amount of the shares and the fair value of the businesses acquired (MetLife Bulgaria, MetLife Slovakia, MetLife Czech Republic and MetLife Hungary) is recognised in share premium.

The difference between the fair value and the carrying value (book value) of the assets and liabilities transferred is taken to the merger reserve. The amounts are as follows:

	Number of shares issued	Nominal value per share	Nominal value of shares issued	Fair value	Share premium	Carrying value	Merger reserve
		$	$'000	$'000	$'000	$'000	$'000
MetLife Bulgaria	**44,152**	**1.20305**	**53**	**20,226**	**20,173**	**(15,905)**	**(4,321)**
MetLife Slovakia	**851,496**	**1.07580**	**916**	**284,381**	**283,465**	**(215,057)**	**(69,324)**
MetLife Czech Republic	**514,051**	**1.07580**	**553**	**152,038**	**151,485**	**(133,454)**	**(18,584)**
MetLife Hungary	**182,022**	**1.10345**	**201**	**61,261**	**61,060**	**(68,618)**	**7,357**
	1,591,721		**1,723**	**517,906**	**516,183**	**(433,034)**	**(84,872)**

35. Retained earnings

	2015 $'000	2014 $'000
Opening balance 1 January	**761,004**	(317,212)
Profit for the financial year	**53,985**	14,527
Transfer from capital contribution	**—**	1,063,689
Transfer to merger reserve	**(84,872)**	—
Closing balance 31 December	**730,117**	761,004

In 2015 the Company has elected to transfer $85million from retained earnings to eliminate the merger reserve that arose from the cross border mergers with Bulgaria, Slovakia, Czech Republic and Hungary.

36. Actuarial assumptions

36.1 Determination of actuarial reserves and related items requiring actuarial assumptions:

	2015 $'000	2014 $'000
Liabilities for insurance contracts and other liabilities	**10,246,618**	9,356,378
Liabilities for investment contracts	**535,504**	640,673
Deferred acquisition costs	**526,259**	389,835
Deferred revenue liability	**191,622**	118,196
Receivables (unearned commission asset)	**19,831**	—
Receivables (sales inducement asset)	**1,721**	1,631
Liability for guarantees	**(47,204)**	(37,618)

The liabilities for guarantees on unit-linked contracts and fixed term annuity contracts are fully reinsured to MetLife Bermuda. The guaranteed liabilities are predominately embedded derivatives reported at fair value as per note 4.4. The guaranteed liability represents the present value of claims less the present value of income and is sensitive to capital market movements.

This sensitivity results in volatility and the fair value of the guaranteed liability can vary in value. The value of this guaranteed liability is in an asset position of $(47)million (2015: $(38)million). This is fully offset by a guaranteed asset in a liability position as per note 29.1.

Key methodology:

(a) Unit-linked contracts

Unit reserves

Liabilities for insurance and investment contracts include unit reserves at fair value, unallocated premiums and sales inducement liability. The unit reserves are equal to the number of policyholder units multiplied by the relevant unit price (at bid price i.e. with fair value adjustment). Unallocated premiums are premiums that have been issued but not yet allocated to units. The sales inducement liability relates to the accruing cost of loyalty bonuses and is based on assumptions set out below, that are common to the other items. The deferred items, relating to acquisition costs, revenues and sales inducements, are based on amortisation patterns of expected gross profits in accordance with the product classification and subject to recoverability and loss recognition (adequacy) tests.

Guarantee reserves

The liabilities for guarantees are a combination of fair value and accrued cost determined under the Company's bifurcation policy as mentioned in note 4.4.

(b) Non unit-linked contracts

Unearned premium reserves (UPR)

Group life and income protection, credit life and personal accident - the main reserve for these products is the unearned premium reserve. This takes into account the period covered by the unexpired part of the previous premium paid before the valuation date. There are also actuarial reserves for claims "in payment" and claims 'incurred but not reported' (IBNR).

Discounted cash flow reserves (DCF)

Individual protection, fixed term annuity, pensions - 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 net premiums. They are estimated using the assumptions in (i) below. These assumptions are locked-in for existing business under the Company's accounting policy but are subject to loss recognition testing.

The actuarial reserves and related items have been reviewed by a qualified actuary, Mark Wharton FSAI, having due regard to the actuarial principles pertaining to the Company's accounting policies.

(i) Key assumptions used in calculating the actuarial reserves and related items are:

- Investment return representing the expected long term unit-linked gross return;
- Discount rate being equal to the net return;
- Direct per policy maintenance expenses and associated inflation;
- Mortality rates based on selected published actuarial mortality tables; and
- Lapse rates based on expected surrender experience.

Capital market parameters (swap rates and implied volatilities) as at the valuation date are also used to determine the fair value of those guarantee liabilities that qualify as embedded derivatives.

For non-linked DCF reserves on existing business, the assumptions are locked-in under the Company's accounting policies, subject to loss recognition testing.

The actuarial reserves and related items include balances classified under the Company's accounting policy as VOBA, in respect of the business acquired by MetLife Inc. from Alico in 2010. These items are amortised as this business runs off, based on initial values set in 2010 using assumptions locked-in at that time.

(ii) Sensitivity of assumptions to changes:

Liabilities for insurance contracts by line of business are as follows:

	2015 $'000
Unit-linked	**7,793,254**
Accident and Health	**14,325**
Group Life	**81,382**
Credit Life	**379,246**
Individual Fixed Annuities	**561,568**
Individual whole and term life	**1,152,641**
Pensions	**264,202**
Total	**10,246,618**

The non unit-linked reserves and related items are sensitive to the above key assumptions and changes to the assumptions and/or to how experience affects earnings. Changes to the unit-linked reserves affect earnings via second order impact on expected future fee income.

The assumptions used in the calculation of the actuarial reserves reflect the risks the Company faces across its various lines of business. The impact of these risks are detailed below:

Interest rate risk

The Company is exposed to a downward movement in interest rates driven largely by the unit-linked business. Lower interest rates result in an increase in the value of claims and expenses, however the present value of charges do not increase to the same extent.

Equity risk

Equity risk relates to the loss of fee income on the unit-linked business resulting from a fall in unit fund prices following a severe downturn in equity markets. The new branches, in particular Hungary and the Czech Republic have increased equity risk compared to prior year.

Spread risk

Spread risk relates to the exposure to the spread widening on corporate bonds and the associated loss of fee income on the unit-linked business. Corporate bonds are an important element of the Company's investment strategy in non-unit-linked assets.

Mortality risk

Mortality risk is predominantly caused by the term life business in France where there are large sums assured payable on the death of certain individual policyholders. Additional exposure to mortality arises in the credit life and group life businesses across the branches.

Longevity risk

Exposure to longevity risk arises predominantly in the unit-linked and excess interest benefit businesses.

Disability risk

Exposure to disability risk arises in the credit life, group life and accident and health businesses.

Lapse risk

Lower lapse rates in the long term on the unit-linked business would currently increase insurance liabilities compared to lapses increasing over the longer term or a once off mass lapse event. In France a mass lapse event would cause a loss due to the high future profits that have been capitalised on the statement of financial position in respect of the term life business.

Catastrophe risk

Exposure to life catastrophe risk arises predominantly on term life business written in France, group employee benefits business written in the UK Branch and, to a lesser extent risk business (group life, credit life and accident and health businesses) written in Italy, Spain and Portugal.

Expense risk

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 predominantly relates to the unit-linked business due to the relatively high level of per-policy expenses.

The Company's management of these risks is set out in the risk management framework detailed in note 27.3.

(iii) Impacts of change in assumptions from prior financial year:

The impact of the change in assumptions from the prior financial year is not significant.

(iv) Analysis of contract liabilities maturities:

Unit-linked contracts have open-ended maturities. Certain contracts bear guarantees that mature over durations in excess of 5 years from contract issue.

Fixed term annuity contracts have terms between 3 and 25 years with the average contract being 5.5 years.

Group life contracts have a term of 2 years and individual protection has variable terms all at least with a duration of 5 years.

Credit protection contracts have a term which varies depending on the type and duration of the loan underlying the insurance cover, ranging from less than 1 year (credit cards and small personal loans business) to more than 20 years (mortgage creditor business).

(v) Liability adequacy test:

The write down required as a result of the liability adequacy testing as set out in note 4.4 is nil (2014: nil).

36.2 Reconciliation of changes in liabilities for insurance contracts	**2015**	2014
	$'000	$'000
Opening balance 1 January	**9,356,378**	9,424,268
Transferred as part of portfolio transfers and cross border mergers	**1,623,870**	28,400
Foreign currency translation	**(532,182)**	(690,519)
	10,448,066	8,762,149
Movement in unit-linked liabilities		
Premiums received	**988,510**	1,106,070
Net investment income	**29,358**	581,721
Fees deducted from account balance	**(212,268)**	(186,703)
Payment on death, surrenders and other termination benefits	**(893,130)**	(739,274)
	(87,530)	761,814
Movement in non unit-linked liabilities	**(113,918)**	(167,585)
Closing balance 31 December	**10,246,618**	9,356,378

36.3 Reconciliation of changes in liabilities for investment contracts	**2015**	2014
	$'000	$'000
Opening balance 1 January	**640,673**	481,300
Transferred as part of portfolio transfers and cross border mergers	**5,769**	248,327
Foreign currency translation	**(49,195)**	(59,161)
	597,247	670,466
Movement in unit-linked liabilities		
Premiums received	**63**	67
Net investment income	**4,229**	16,409
Fees deducted from account balance	**(1,820)**	(2,568)
Payment on death, surrenders and other termination benefits	**(51,616)**	(98,104)
	(49,144)	(84,196)
Movement in non unit-linked liabilities	**(12,599)**	54,403
Closing balance 31 December	**535,504**	640,673

36.4 Deferred revenue liability	2015 $'000	2014 $'000
Opening balance 1 January	**118,196**	122,661
Transferred as part of portfolio transfers and cross border mergers	**78,500**	—
Current financial year deferred fees liability (unit-linked):		
Capitalised	**59,996**	23,575
Amortised	**(20,255)**	(32,679)
Interest and adjustments	**(42,998)**	7,602
Total current financial year deferred fees liability (unit-linked)	**(3,257)**	(1,502)
Current financial year deferred reinsurance commission income (non unit-linked):		
Capitalised	**7,789**	7,801
Amortised	**(5,191)**	(4,409)
Total current financial year deferred reinsurance commission income	**2,598**	3,392
Foreign currency translation	**(4,415)**	(6,355)
Closing balance 31 December	**191,622**	118,196

37. Trade and other payables	2015 $'000	2014 $'000
Amounts due to policyholder	**203,405**	189,855
Amounts due to reinsurers, brokers and agents	**191,431**	187,124
Collateral payable	**67,603**	50,340
Funds Withheld	**67,016**	57,013
Other payables and accrued expenses	**49,390**	34,673
Payables to affiliates	**27,473**	30,729
Corporation tax payable	**12,659**	18,297
Other taxes	**2,921**	2,131
Amounts due to shareholder from unit-linked funds	**1,508**	21,708
Total trade and other payables	**623,406**	591,870

38. Provisions	2015 $'000	2014 $'000
Opening balance	**6,932**	4,843
Current year movement	**(1,034)**	2,089
Closing balance	**5,898**	6,932

The provisions of $5.9million comprise of the illiquid funds solution provision $1.5million (2014: $1.9million), an indemnity provision of $0.5million (2014: $0.6million) and a German legal and non legal provision $3.9million (2014: $4.4million).

The illiquid funds solution provision arose from the balances transferred as part of the cross border merger with ALIL. Under the illiquid funds solution, the Company shall provide the liquidation value of suspended internal funds to policyholders and make a bonus offer linked to the performance of relevant benchmarks. This settlement was agreed with the policyholders who had invested in a number of the ALIL's internal funds, which were suspended in 2008 and 2009 due to a lack of liquidity in their underlying assets. These prolonged periods of illiquidity were outside the Company's control. The illiquid funds solution provision at 31 December 2015 is $1.5million (2014: $1.9million).

Prior to the merger with MEL, France SA completed the sale of a block of business to a third party. Under this agreement the buyer has an indemnity with the Company capped at $8.1million (2014: $12.1million), to cover any unexpected liabilities emerging from the sale. The fair value of the indemnity is $0.5million (2014: $0.6million). Further detail is disclosed in note 42.

As at 31 December 2015, the Company has a provision of $3.9million (2014: $4.4million) in respect of potential claims arising from a ruling by the European Court of Justice, which has been applied by the Federal Court of Germany. This ruling impacts a closed block of unit-linked business previously sold by ALIL. The provision is based on an estimate of the total amount at risk and includes administration costs.

39. Events after the Statement of Financial Position

A portfolio transfer Alico Cyprus took place on 1 January 2016. The carrying value of the assets transferred at date of transfer is $3million.

On 1 January 2016, the recapture of the UK fixed term annuity business reinsured with MetLife Bermuda took place. MetLife Bermuda paid the Company an amount equal to the net reinsured liabilities $283million in consideration for the recapture.

40. Related party transactions

40.1 Balances with companies that are subsidiaries of its ultimate parent

The related party transactions are disclosed in the relevant notes and the Company has balances with the following companies that are subsidiaries of its ultimate parent, MetLife Inc.:

	2015	2014
	$'000	$'000
MetLife Europe Insurance Limited	**7,711**	4,500
MetLife EU Holdings Company Limited	**6,198**	73
Delaware Life Insurance	**2,512**	851
Alico Solutions SAS	**857**	(139)
MetLife Services Spain	**11**	(13)
Alico Cyprus	**7**	—
MetLife Romania	**2**	(11)
Amplico Services SP	**(6)**	(3)
Alico Funds Central Europe	**(43)**	—
Alico Greece	**(119)**	—
ML USA International Reinsurance	**(122)**	—
MetLife Australia	**(147)**	(155)
MetLife International Holdings Inc	**(180)**	257
Metropolitan Life Insurance Company	**(193)**	—
MetLife Investments Limited	**(236)**	42
MetLife Insurance Company of Connecticut	**(647)**	(3,141)
Alico US	**(699)**	836
Agenvita	**(1,016)**	(501)
Missouri Re	**(3,260)**	(1,275)
MetLife Services EEIG	**(3,446)**	(4,522)
MetLife Europe Services Limited	**(6,515)**	(9,890)
MetLife Services Slovakia	**(10,369)**	—
MetLife Reinsurance Company of Bermuda Limited	**(73,091)**	(64,357)

40.2 Compensation of key management personnel

Key management personnel are those personnel having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly. Key management personnel costs include non-executive directors paid directly by the Company. All other key personnel are paid by one or more affiliated companies and partly recharged to the Company. The compensation costs for key management personnel for direct and recharged costs for the financial year are as follows:

	2015	2014
	$'000	$'000
Short-term benefits	**818**	870
Share based benefits	**233**	121
Post-employment benefits	**44**	42
Total compensation of key management personnel	**1,095**	1,033

41. Capital risk management

The Company manages its capital to ensure that it can continue as a going concern. The capital structure of the Company consists of short term investments and equity attributable to equity holders of the parent, comprising issued capital, capital contributions and retained earnings as disclosed in notes 32, 33 and 35 respectively. The Directors are confident that the Company has adequate resources under the Solvency II regime to continue in operational existence for the foreseeable future (see note 3).

The operations of the Company are subject to regulatory requirements, which prescribe the type, quality and concentration of investments and the level of assets to be maintained in local currency to meet liabilities. These requirements ensure that risk levels are maintained at acceptable levels. At 31 December 2015, the required minimum regulatory solvency margin for the Company was $399million (2014: $337million) and the assets of the Company available to meet the required minimum regulatory solvency margin amounted to $772million (2014: $774million).

The Company has continued to submit quarterly Twin Peak Solvency reporting to the CBI. No additional capital is required in any of the submissions as a result of the valuation of the solvency position using the Solvency II method as agreed with the CBI.

The Company is committed to managing its capital so as to maximise returns to shareholders while maintaining an adequate regulatory solvency position. The board of directors reviews the capital structure frequently to determine the appropriate level of capital required to pursue the Company's growth plans while maintaining an adequate solvency position under the Solvency II regime.

The Company at all times maintains assets in excess of the minimum required capital to manage the business having regard for the basis of calculating liabilities and the insurance and operational risks inherent in the underlying products under the Solvency II regime.

The solvency I cover for the Company at 31 December 2015 is 1.9 times (2014: 2.21 times). This is summarised below:

Shareholders' funds	**2015 $'000**	2014 $'000
Total available capital resources	**771,783**	774,510
Regulatory capital requirement	**399,089**	337,244
Analysis of policyholders liabilities:		
Non unit-linked	**2,737,837**	1,609,164
Unit-linked	**8,105,358**	8,029,329
Total technical liabilities	**10,843,195**	9,638,493

42. Contingent Liability

Prior to the merger with the Company, France SA completed the sale of a unit-linked block of business to a third party. The buyer has an indemnity with the Company capped at $8.1million, to cover any unexpected liabilities emerging from the sale. In order to provide additional security to the buyer (to mitigate its credit risk exposure to the Company), the buyer has a warranty up to $2.7million with a bank, that requires the Company to pledge assets up to $2.7million to the bank. The fair value of the indemnity is $0.5million, which is included within Provisions in note 38.

43. Commitments

The Company had no capital commitments at 31 December 2015 (2014: nil).

44. Immediate parent undertaking

The Company's immediate parent Company is MetLife EU Holding Company Limited and its ultimate parent Company is MetLife Inc, a company domiciled in the U.S.A. The Company's financial statements and results are consolidated by MetLife Inc. The registered address of MetLife Inc. is 200 Park Avenue, New York, NY 10166-0188.

45. Reconciliation of results to US GAAP

	2015 $'000	2014 $'000
Reconciliation of shareholders' funds		
Reported shareholders' funds per IFRS	**1,738,098**	1,429,322
Intangible assets not permitted	**271,113**	272,049
Timing differences	**(2,164)**	1,472
Actuarial adjustments	**(6,175)**	1,040
Deferred and prepaid tax	**6,304**	(41,093)
	2,007,176	1,662,790
Reconciliation of profit for the financial year		
Reported profit per IFRS	**53,985**	14,527
Actuarial adjustments	**(3,032)**	1,125
Timing differences	**5,946**	(582)
Foreign exchange	**(6,933)**	(5,290)
Intangible assets amortisation	**(3,650)**	(7,689)
Deferred and prepaid tax	**13,946**	(9,303)
	60,262	(7,212)

46. Portfolio transfers and cross border mergers in 2015

On 1 January 2015, the Company completed a portfolio transfer and cross border merger with Metlife Bulgaria. On 1 April 2015 the Company completed a portfolio transfer and cross border merger with MetLife Slovakia and MetLife Czech Republic. On 1 November 2015 the Company completed a portfolio transfer and cross border merger with MetLife Hungary.

The assets and liabilities transferred were recognised by the Company at their current book value in the predecessor entities and adjusted for any changes in accounting policies. The Company issued shares as consideration for the fair value of the business transferred. Details on shares issued are set out in note 34.

	Alico Bulgaria 2015 $'000	MetLife Slovakia 2015 $'000	MetLife Czech Republic 2015 $'000	MetLife Hungary 2015 $'000	Total 2015 $'000
Property and equipment	—	986	393	267	1,646
Deferred acquisition costs	2,212	67,884	47,411	29,066	146,573
Financial investments	62,546	934,027	661,185	398,358	2,056,116
Reinsurance assets	34	1,602	774	173	2,583
Receivables and other assets	1,099	22,324	8,769	7,603	39,795
Accrued interest	1,255	8,870	7,580	5,551	23,256
Cash and cash equivalents	1,886	14,677	17,882	14,485	48,930
Foreign currency translation reserve	3,653	55,119	51,268	17,556	127,596
Investment revaluation reserve	(6,000)	(120,711)	(44,823)	(11,037)	(182,571)
Liability for insurance contracts	(48,518)	(658,967)	(547,655)	(368,730)	(1,623,870)
Liability for investment contracts	26	(3,687)	(2,108)	—	(5,769)
Deferred revenue liability	—	(41,474)	(27,838)	(9,188)	(78,500)
Trade and other payables and deferred tax	(2,288)	(65,593)	(39,384)	(15,486)	(122,751)
Total net assets transferred	15,905	215,057	133,454	68,618	433,034

47. Approval of financial statements

The directors approved the financial statements on 19 April 2016.