Balance Re

Supervisory and Financial Conditions Report

FY 2022

Contents

Introduction and executive summary

This report is the Solvency and Financial Conditions Report ("**SFCR**") of Balance Re for the reporting period ended December 31, 2022.

The Company is authorised to operate life reinsurance since August 2021. It provides a new reinsurance offering to the German market to support insurance companies in optimising their capital management. Balance Re has not underwritten new business yet as of end of 2022 (see section 3).

In 2022, Balance Re has continued developing the infrastructure to operate business (see sections A.4 and B) and introducing its offer to the market.

Balance Re has assessed all material risks to which it is exposed (see section C). At end of 2022, market risk is the main driver of the Company's risk position. Balance Re has diversified away its financial risks by significantly reducing its counterparty risk compared to end of 2021. The Company calculates its solvency capital requirement using the standard model of Solvency II. At end of 2022, Balance Re's reported SCR is equal to the minimum amount of €3.900.000 set by the regulation, while the SCR equals to €421.953.

The Company's balance sheet is essentially composed of bonds of high quality and cash (see section D) and is little exposed to volatility of any risk driver. The ratio of the Company's own funds to its regulatory SCR was 125% as of 31 December 2022 (see section E), indicating that capital resources were in excess of the minimum regulatory requirements.

A. Business and performance

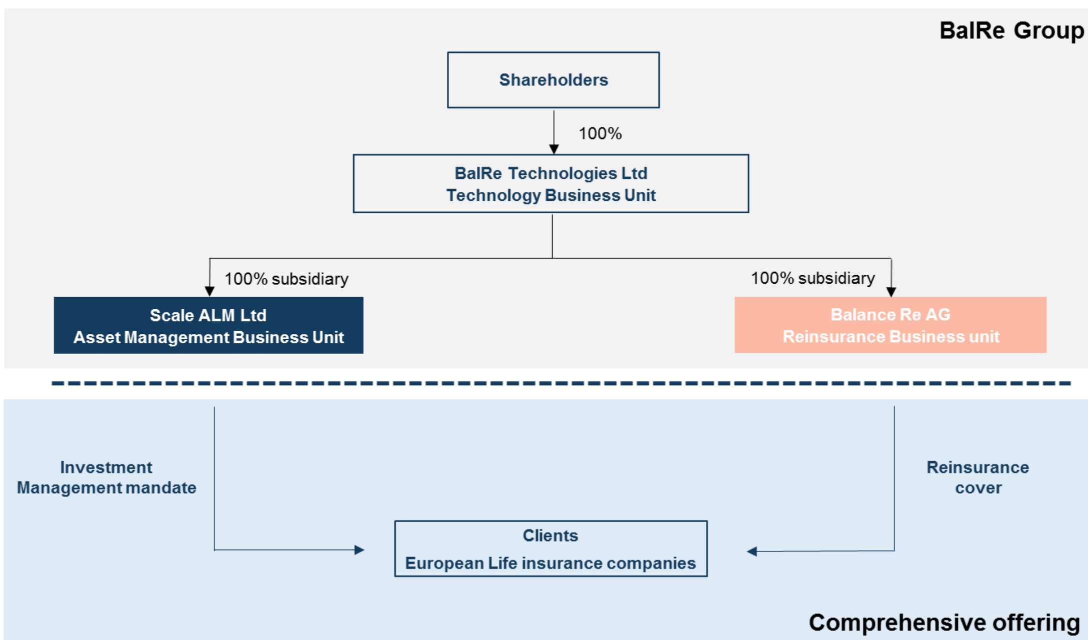
A.1. Business

A.1.1. General information

Balance Re was founded in Cologne on the 3rd December 2019 and its registration number is HRB 100334. The Company's registered address is Christophstraße 15-17, 50670 Cologne, Germany.

Balance Re is one of the three companies which forms the economic entity called the Balance Re Group (or BalRe Group), which organisation is presented in Figure 1.

Figure 1: BalRe Group's organisation



Balance Re Group proposes a comprehensive offering to life insurance companies in Europe composed of:

- A reinsurance cover managed by Balance Re, and
- An investment management mandate managed by Scale ALM Ltd.

The companies delivering the two components of the offering are wholly owned subsidiaries of BalRe, the company which has developed the proprietary IT system used by Balance Re and ScaleALM to operate their business. As BalRe is the sole shareholder of Balance Re and of ScaleALM, the ultimate ownership of the three companies is identical. BalRe also raises and allocates the Group’s capital between the three companies, of which the overwhelming part is injected into Balance Re.

A.1.2. Supervisory authority

Balance Re is regulated and supervised in Germany by

BaFin
Graurheindorfer Straße 108, 53117 Bonn
(Alternatively PO Box 1253, 53002 Bonn)

Contact details at BaFin

Phone	0228/4108-0
Fax	0228/4108-1550
Email	poststelle@bafin.de
De-Mail	poststelle@bafin.de-mail.de

The Company is authorised to operate as a life reinsurer since 11 August 2021 under BaFin reference number 6814.

A.1.3. External auditors

Balance Re’s external auditors are:

Mazars GmbH & Co. KG
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaftis
Bennigsen-Platz 1
40474 Düsseldorf

Mazars had been appointed for the financial year 2022 by the shareholders’ meeting on 14 July 2022.

A.1.4. Shareholders and ultimate beneficiary owners

BalRe Technologies Ltd (registered office at Unit 6 102 Camley Street, London, N1C 4PF, England) is the sole shareholder of Balance Re. The shareholders of BalRe Technologies Ltd with at least 10 per cent voting rights are:

- Michel Gauer with 17.4%
- Lucian Rautu with 17.0%
- Talabot Finance Limited (registered office at 35-38 New Bridge Street, EC4V 6BW, London, England) with 14.4%. Talabot Finance Limited is owned by Talabot Investments LLP (registered office at 35-38 New Bridge Street, EC4V 6BW, London, England). Talabot Investments LLP is controlled by Mr. Michel Peretie.

- Roland Berger Industries GmbH (registered office at Maximilianstraße 32, 80539, Munich, Germany) with 12.5%. Roland Berger Industries GmbH is controlled by Prof. Roland Berger.

- Anthemis Strategic Ventures LLP (registered office at 3rd Floor 25 Soho Square, W1D 3QR, London, England) with 10.5%. Anthemis Strategic Ventures LLP is controlled by Basler Versicherung AG, an insurance company registered in Switzerland (registered office at Aeschengraben 21, CH-4051 Basel, Switzerland). Basler Versicherung AG is controlled by Bâloise Holding AG (registered office at Aeschengraben 21, CH-4051 Basel, Switzerland)

- GB-VII Growth Fund Investment Limited Partnership (registered office at 10-11 Sakuragaokacho, Shibuya-ku, 150-0031, Tokyo, Japan) with 10.5%. Global Brain Corporation (registered office at 10-11 Sakuragaokacho, Shibuya-ku, 150-0031, Tokyo, Japan) is the general partner of GB-VII Growth Fund Investment Limited Partnership. Global Brain Corporation is controlled by Mr. Yasuhiko Yurimoto who is the CEO of Global Brain Corporation.

A.1.5. Evolution of the activity

As of 31 December 2022, Balance Re has not underwritten any business yet since being authorised in August 2021. In 2022, Balance Re continued developing the infrastructure to operate business and introduced its offer to the market.

In 2023, the focus of Balance Re will remain twofold: acquire its first clients and enhance the operational set up of the company.

A.2. Underwriting performance

All costs incurred by Balance Re in 2022 have been focused on setting up the infrastructure to operate business and on supporting the marketing activities. This is reflected into the higher costs incurred in 2022 compared to 2021.

Balance Re AG Statutory income statement before investment results			
in €k	Actuals 31/12/2021	Actuals 31/12/2022	2022 vs 2021
Gross revenues	0	0	0
Net technical margin	0	0	0
Expenses	1,064	1,597	533
Income statement before investments results	**-1,064**	**-1,597**	**-533**

A.3. Investment performance

During most of 2022, the equity capital, which was raised by Balance Re in 2021 in relation with reinsurance authorisation, was kept in cash in the current bank account. Although this generated negative interest rates up to August 2022, it provided the opportunity to Balance Re to invest the cash at the end of 2022 into higher yielding investments once interest rates significantly increased back to positive territories. Balance Re also raised €0.9m of equity capital at the end of 2022 to cover its business development needs and the increase of the absolute MCR floor (updated for inflation effect at end of 2022 from €3.6m to €3.9m).

Balance Re AG Investment results			
in €k	Actuals 31/12/2021	Actuals 31/12/2022	2022 vs 2021
Cash and cash equivalent	-34	-24	10
Bonds	0	1	1
Investments results	**-34**	**-23**	**11**

A.4. Performance of other activities

As of 31 December 2021, Balance Re has no other activities.

A.5. Any other information

There is no other information to disclose.

B. System of governance

B.1. General information on the system of governance

Balance Re has in place an effective system of governance which provides for sound and prudent management of Balance Re's business. The system of governance's key elements is described below:

B.1.1. The Supervisory Board

Performing its key duties, the Supervisory Board appoints the Management Board members, decides on their remuneration, and supervises their activities. The Supervisory Board also advises the Management Board on strategic and other issues. Certain decisions may only be made and implemented with the consent of the Supervisory Board.

Further details on tasks and responsibilities of the Supervisory Board are set by the respective company and insurance law, the articles of association of the Company, and the rules of procedures of the Supervisory Board.

As of 31 December 2022, the Supervisory Board is composed of four members and is chaired by Mr Peter Hagen.

The Supervisory Board set up an Audit Committee in April 2022. The Audit Committee's key role is to review annual financial statements, management report and external auditors' reports and to monitor the internal control system and risk topics. The Audit Committee reports to the Supervisory Board.

As of 31 December 2022, the Audit Committee is composed of the same members as the Supervisory Board.

B.1.2. The Management Board

The Management Board has overarching responsibility for running the business in a sound and prudent manner translating into a proper management of risks and control of the activities. It is also responsible for reviewing the business organisation on a regular basis

Beyond the joint accountability of all members of the Management Board, Balance Re utilises a function structure for its Management Board. Each board member holds specific accountability in relation to the function(s) which report(s) to him.

The assignment of responsibilities to individual Board members is governed by the rules of procedure of the Management Board. Balance Re's operating model is largely reflected in the function structure of the Management Board.

Further details on tasks and responsibilities of the Management Board are set by the respective corporate and insurance law, the articles of association of the Company, and the rules of procedures of the Management Board.

As of 31 December 2022, the Management Board is composed of three members:

- Mr Lucian Rautu, Chairman of the Management Board and responsible for product management, finance & operations and IT
- Mr Bernd Heistermann in charge of business origination, investments and HR
- Mr Frederic Puzenat, Chief Risk Officer, head of the Actuarial Function and head of the Compliance Function.

The management is supported by Mr Michel Gauer, general manager of Balance Re, on business origination and marketing matters.

On 28 February 2023, Mr Heistermann retired from his role at Balance Re. Mr Gauer was appointed to replace him in all his functions with effective date of 1st March 2023.

On 24th February 2023, the Management Board appointed Mr Martin Liebich as general manager of Balance Re.

B.1.3. The Key Functions

The four Key Functions required under Solvency II are Risk Management, compliance, actuarial and internal audit. They are ruled by risk guidelines, compliance guidelines, actuarial guidelines and internal audit guidelines respectively. Accounting is also considered a key task for the Company.

The key Functions are covered by fully dedicated resources (the case of Risk Management function and Actuarial function), are covered by shared resources seconded by external support (the case of Compliance) or are externalised (the case of Internal Audit). More details on external support can be found in section B.7 on outsourcing.

The Key Functions are operationally independent from the business as the Key Function holders do not fulfil any first line of business responsibility.

B.1.4. Committee framework

Certain matters may be delegated for monitoring and management to a dedicated body (committee). Such committees aim to facilitate business steering and to assist Balance Re's oversight function (hereby also supporting the Internal Control Framework) by ensuring a dedicated focus on matters of importance. The mandates and authorities of committees need to be clearly defined.

Initially, Balance Re has established one committee, the Risk Committee, which supports Risk Management for the definition and oversight of the risk management activities and acts as a transversal and advisory body for risk management matters within Balance Re. Its role is further detailed in the Risk Guidelines.

B.1.5. Other general governance elements

The Governance Framework is coordinated at the level of the Management Board ensuring that responsibilities are clearly defined and assigned at board and operational level.

To ensure the effectiveness of its system of governance, Balance Re uses an Internal Control Framework. Its objective is to manage the significant operational risks[1] through control activities on an ongoing basis and to ensure the effectiveness of key controls. The Internal Control Framework is defined in the Internal Control Guidelines.

Remuneration practice is also one key aspect of the governance framework. It allows Balance Re to attract, retain, reward, and motivate the talented, engaged and reliable individuals needed for a sustainable success. These goals are achieved by adopting clear, transparent, and explainable compensation elements, by having a competitive total reward structure incentivising prudent risk-taking and by aligning pay with performance.

The mix of fixed and variable remuneration is designed to ensure adequate consideration of risk and sustainability in remuneration decisions.

B.1.6. Guideline framework

Balance Re's steering and controlling is achieved by a set of guidelines ensuring a sound and prudent management of the Company. These documents cover all key elements related to:

- The corporate rules and overall governance of the Company,
- The management of risks and controls under Solvency II,

As of 31 December 2022, the system of governance is ruled by:

a) Company's own corporate rules
   - articles of association
   - supervisory board rules of procedure
   - management board rules of procedure

b) Governance
   - governance guidelines
   - fit & proper guidelines
   - remuneration guidelines

c) Key Functions
   - risk guidelines
   - compliance guidelines
   - internal audit guidelines
   - actuarial guidelines

d) Management of Risks and Control
   - risk strategy guidelines
   - outsourcing guidelines
   - internal control guidelines
   - ORSA guidelines

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[1] As per the Risk Guidelines, operational risk is defined as the risk of unexpected losses resulting from inadequate or failed internal processes and systems, from human misbehaviour or error, or from external events. Operational risk can also arise from failure to effectively mitigate risks from any of the other risk categories (e.g., ineffective management of credit risk or ineffective monitoring of solvency positions).

B.1.7. Review of the Governance Framework

The adequacy and effectiveness of Balance Re's system of governance are subject to a regular review.

The frequency of reviews considers Balance Re's risk profile. Ad hoc reviews are performed if extraordinary circumstances occur (e.g. substantial organisational or regulatory changes). Reviews of the Governance Framework should consider the findings that regular or ad hoc Internal Audit reviews identified or the findings of the other Key Functions when fulfilling their responsibilities.

B.2. Fit and proper requirements

The fit and proper guidelines facilitate the implementation of regulatory requirements and safeguard a high fitness and propriety standard across Balance Re for senior management and key persons. For these positions, the guidelines describe the core principles and processes to ensure enough knowledge, experience and professional qualifications as well as the necessary integrity and soundness of judgment.

As of 31 December 2022, the persons falling under the requirement of the fit and proper guidelines are the members of the Management Board and the Key Function Holders.

Sound processes during recruiting, appointing, regular and ad-hoc reviews as well as appropriate training are in place to ensure fitness and propriety. For each role falling under the requirement of the fit and proper guidelines, these guidelines describe what is required to prove fitness and propriety, who is in charge of running the assessment process and to which extent a training may be required.

The Company also ensures that relevant professional training is available (internally or via external providers) on an on-going basis to senior management and Key Function Holder to enable them to constantly meet the fitness requirements of their roles.

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

As a provider of reinsurance solutions for the life insurance sector, Balance Re considers risk management („Risk Management“) to be one of its core competencies. In practice the Company promotes a strong risk management culture supported by a robust risk governance structure. As such, the Risk Management is an integral part of its business processes.

A key element of Balance Re's risk management is the integration of risk considerations and capital requirements into the management and decision-making processes through the attribution of risk and allocation of capital to the various risk categories.

Balance Re's Risk Management framework is comprised of strategies, policies, tools, processes, reporting procedures and governance arrangements necessary to identify, assess, monitor, report and manage risks to which Balance Re is, or could be, exposed to.

B.3.1. Risk Management principles

Th Risk Management guidelines provide management with a framework for managing risk across Balance Re. In order to achieve the risk management goals, the following principles are to be followed across Balance Re:

Principle 1: The Management Board is responsible for the risk strategy. The ensuing risk strategy emanating from the business strategy must consider risk and return, by deliberately taking Balance Re from its current risk profile to a desired future risk profile and articulating its risk appetite in doing so.

Principle 2: Diversified capital requirement and use of its allocation per risk type as a key risk indicator through the effective management of exposures to remain within the Risk Appetite.

Principle 3: A clear definition of the organisational structure and risk processes. Balance Re's organisational structure is clearly defined and encompasses the roles and responsibilities of all persons involved in the risk management process for all risk categories. The structure shall be documented and communicated in a clear and transparent manner to all relevant parties.

Principle 4: Material existing or emerging risks must be actively identified, measured, managed, monitored and reported. Risk identification must be forward-looking to allow management to take proactive actions.

Principle 5: When deemed necessary to appropriately manage risks, Risk Appetite and Risk Strategy are transferred into operational limits. Such limit system is in place to ensure adherence to the Risk Appetite and is to be based on relevant risk measures where applicable.

Principle 6: Consistent and efficient monitoring. A clearly defined and strict limit breach reporting and escalation process ensures that risk tolerance limits are adhered to and that, as appropriate, remediation activities are taken in a timely manner if alerts are reached or immediately if limits are exceeded.

Principle 7: Appropriate risk mitigation techniques are employed to address instances where identified risks exceed the established risk limits. Where such cases occur, clear courses of action designed to resolve the breach are initiated.

Principle 8: Consistent risk reporting and risk communication. Balance Re's risk oversight function generates internal risk reports at both predefined regular intervals and on an ad hoc basis. These reports present in a clear and concise form relevant, risk-related information primarily sourced from operational systems.

Principle 9: Integration of risk management into business processes. Risk management processes are embedded wherever possible directly within business processes, including processes involving strategic and tactical decisions as well as day to day decisions impacting the risk profile. This approach ensures that risk management exists foremost as a forward-looking mechanism to steer risk and only secondarily as a reactive process.

Principle 10: Comprehensive and timely documentation. All business decisions with the potential to materially impact Balance Re's risk profile, including recurring decisions. ad hoc decisions and all decisions taken by the Management Board are documented in a timely manner that clearly reflects consideration of all material risk implications.

Principle 11: An appropriate governance structure must exist to ensure effective implementation of the Risk Management framework

Principle 12: Management shall seek to only accept risks that Balance Re has the appropriate skills, capability and resources to manage and shall seek to avoid concentrations of exposure.

B.3.2. Risk Management framework

The Risk Management framework ensures that all material risks are identified, measured, monitored, managed through response and control activities and reported. To achieve these goals, the following processes are part of Balance Re's Risk Management framework: once identified (risk identification process), appropriately assessed and measured (risk assessment and measurement process), risks are captured in a holistic way from a qualitative (risk strategy) and quantitative perspective (business and capital planning). Also, they are continuously managed as an integral part of the business (management of risks) while they are reported (risks reporting) and controlled (Internal Control) by the business risk owners and Risk Management.

B.3.2.1. Risk Identification

The risk identification process is a periodic analysis of all material quantifiable and non-quantifiable risks which could constitute material threats to the financial results, operational viability or the delivery of Balance Re's key strategic objectives. This process is one component of the ORSA and should cover all risk categories.

B.3.2.2. Risk assessment and measurement

The risk assessment and measurement process quantifies the impact of each material risk on the financial results and solvency position of Balance Re. This process forms an essential part of Solvency II Pilar 1, builds on the standard formula of Solvency II and is reported among others in the ORSA. It will be used for any process where a measurement of risks is required.

When measuring risk, it must be demonstrated that the model and assumptions used are robust, that they have been challenged appropriately and that stress-tests outputs have been considered.

B.3.2.3. Risk strategy

The objective of the risk strategy process is to articulate the risk preferences of Balance Re in line with its business strategy. The expression of Balance Re's risk preferences provides an indication of how it desires its overall risk profile to evolve over the business planning horizon. Balance Re differentiates between the following three risk preference categories: risk seeking, risk limiting and risk adverse.

As part of the risk strategy, Balance Re categorises its risk preferences to reflect its risk appetite. The risk appetite is the maximum amount of loss Balance Re is prepared to incur in pursuit of its business strategy in a given return period (e.g. one in a given number of years). The dimensions of the risk appetite include capital adequacy and liquidity. In other words, the risk appetite is the amount of risk related to its core businesses that Balance Re is willing to accept and tolerate in order to stay within regulatory requirements, achieve sustainable returns for the shareholders and meet other business objectives in a controlled manner.

The risk strategy guidelines describe in detail this core element of the Risk Management framework.

B.3.2.4. Business and capital planning

A key element of the risk strategy is the projection over the planning period of three years of:

- Solvency II balance sheet,
- Own funds,
- SCR and MCR (under the standard formula of Solvency II), and
- Annual financial results.

Reflecting Balance Re's business strategy, the projections are performed for the base case as well as under a range of adverse stress scenarios. The stress scenarios are specific to Balance Re in order to truly reflect the material risks to which the Company is exposed to.

B.3.2.5. Management of risks

The principal activities of Balance Re involve taking on and managing risks for profit. In this context, the management of risks is broader than simply limiting downside risk.

Thus, first line activities such as underwriting and investment functions play a key role in managing risks by embedding them into their decision-taking processes and day-to-day management. This is reflected into the governance of underwriting, investments, ALM and operational risks.

These functions are also responsible for identifying, implementing and managing mitigating actions if risks are increasing beyond the risk strategy, risk appetite or risk limits. Depending on its risk preferences (see section C) and risk appetite, Balance Re will seek for risk-mitigating techniques such as retrocession through per event death treaties for catastrophe risks, per head death treaties for concentration risks, facultative cover per head or longevity retrocession coverage.

The Company will incorporate the effects of such risk mitigation techniques into its risk reporting to measure their effectiveness.

B.3.2.6. Risk reporting

The risk reporting process documents in strong relation with the Risk Strategy the current and forward-looking overall risk position at least on a quarterly basis. The risk reporting must:

- Present an accurate, clear and timely picture of existing and emerging issues,

- Highlight threats to the achievement of business objectives by presenting risk exposures and risk management activities (including the outputs of stress-tests),
- Support the optimisation of performance by capturing all the material risks that Balance Re faces or may reasonably expect to face in the future,
- Provide demonstrable evidence to management, non-executives, regulators, investors and other stakeholders that Balance Re manages its risks adequately, and
- Support the Management Board in meeting their responsibilities by facilitating the escalation of matters in a timely manner.

The preparation and validation of the risk reporting are the responsibilities of Risk Management. The main recipients of the risk reporting are the Management Board and the Risk Committee.

The responsibility for ad hoc reporting of material risks lies with the risk owners. Once identified, these risks should be reported immediately to the Management Board, which is then responsible for informing the Supervisory Authority of any relevant matter on risks.

B.3.3. Risk Management governance

Under the monitoring and control of the Supervisory Board, the Management Board is ultimately responsible and accountable for taking and managing risk. Embedded in this governance framework are the Risk Management Function and the Risk Committee

The full Management Board has overall responsibility for the soundness of the business and the organisation. As such, the full Management Board is ultimately responsible for setting up the Risk Management framework.

The Risk Management Function is responsible for defining the Risk Management framework and overseeing its execution, after approval by the Management Board. The Risk Management Function is headed by the Risk Management Function Holder. He/she maintains an independent risk oversight over all short- and long-term risks that Balance Re is, or could be, exposed to.

The Risk Committee supports Risk Management in the definition and oversight of the risk management activities and acts as a transversal and advisory body for risk management matters. It ensures that such matters receive enough attention from all functions of the Company and are dealt with in a consistent manner throughout the company. It provides a risk focus which guarantees that enough attention is being paid on risk matters which require attention and a decision(s) from the Management Board.

B.3.4. Own Risk and Solvency Assessment

As part of its risk management system, Balance Re conducts its ORSA. The main purpose of the ORSA is to ensure that all relevant stakeholders engage in the process of assessing the risks inherent within their business and to determine the corresponding capital needs on a forward-looking basis.

To perform its ORSA, the company has defined and implemented:

- The processes and procedures in place to conduct the ORSA,

- The link between the risk profile, the Risk Appetite, the risk limits and the overall solvency needs,
- The methods and methodologies including information on:
  - How and how often stress tests, sensitivity analyses, reverse stress tests or other relevant analyses are performed,
  - Data quality standards,
  - The frequency of the assessment itself and the justification of its adequacy particularly considering the Company's risk profile and the volatility of its overall solvency needs relative to its capital position,
  - The timing for the performance of the ORSA and the circumstances which would trigger the need for an ORSA outside of the regular timeframe. For instance, it is expected that any transaction that Balance Re could underwrite and which may significantly change the Company's risk profile will trigger an ad hoc ORSA.

B.4. Internal control system

The objective of the Internal Control Framework is to manage on an ongoing basis the operational risks of Balance Re which are significant by controlling the activities generating such risks and ensuring the effectiveness of key controls. In compliance with legal and regulatory requirements, this approach is designed to ensure that the following criteria are met:

- The achievement of strategic business objectives is effectively supported and Balance Re's ability to conduct business is safeguarded,
- Governance elements and business operations are effective,
- Balance Re adheres to applicable laws and regulations as well as to Balance Re's own internal guidelines,
- Internal and external financial reporting and regulatory reporting processes produce complete and accurate information to support effective internal management decisions and to meet the expectations of external stakeholders.

As part of the Three-Lines-of-Defence, the Internal Control Framework fosters the collaboration and information sharing across Compliance, Risk Management and Actuarial key functions. The Internal Control's findings are stored as a primary source of information available to internal stakeholders.

In defining the Internal Control Framework, Balance Re relies on key principles serving as guidance for its implementation. Those principles include a control strategy, a focus on significant risks and key controls, an awareness on risks and controls, the effectiveness and documentation of controls. The Internal Control guidelines describing such framework are reviewed at least annually by the Management Board as it is the case for all guidelines.

B.4.1. Risk and control assessment programs

Risk and control assessment programs form the fundamental procedures to determine the operational risks that are in scope of the Internal Control Framework. These risk and control assessments focus on the significant risks to the objectives defined above. The programs provide individual views on the Balance Re risk and control landscape and complement each other. The control areas documented in the Actuarial Guidelines, the Compliance Guidelines, the Risk Guidelines and the Risk Strategy Guidelines are covered by the programs.

As a consistent methodology is applied, available results can be leveraged and overlapping assessments are largely avoided. A balanced combination of these programs ensures a comprehensive coverage through the Internal Control Framework while still being efficient and manageable.

Significant risks and key controls are identified and assessed at three levels:

- Management level,
- IT level,
- Process level.

Once significant risks are identified and evaluated, key controls are explicitly identified and assessed in terms of their appropriateness. Furthermore, the operating effectiveness of these key controls is assessed through control testing.

The Internal Control Framework will be assessed as being effective in each of the “Strategic business objectives”, “Governance elements and business operations”, “Financial and regulatory reporting” and “Compliance” categories, if the Management Board have reasonable assurance that the criteria mentioned above are met.

B.4.2. Core process

The core process of the Internal Control Framework focuses on key controls for significant risks, using a risk-based approach. It allows to make a statement regarding the effectiveness of the formalised Internal Control Framework, balancing efforts with adequate safety. The key steps of this process are described below.

First, a proper scoping is crucial to focus risk and control assessment efforts on the significant risks and associated key controls. The scoping is an annual process following a top-down approach, coordinated by the Risk Management Function and supported by the person accountable for each risk.

Second, a set of controls is designed for each of the risks included into the scoping, considering known (potential) weaknesses and allowing to effectively mitigate the underlying risk.

Third, a control testing is performed to demonstrate effectiveness of Balance Re’s Internal Control efforts to external stakeholders and to build and maintain the trust of stakeholders in the reliability of these efforts. Clear and up-to-date documentation of key controls forms the basis for efficient control testing.

Lastly, Risk Management monitors on an ongoing basis Internal Control activities, discusses results at the Risk Committee and reports them to the Management Board. At least on an annual basis, Risk Management prepares an Internal Control Report which is presented to the

Management Board for signing off the overall effectiveness of the Internal Control Framework including the system of governance.

B.4.3. Compliance Function

As part of the Internal Control Framework, the Compliance Function plays a key role to ensure that the Company complies with internal and external regulation and rules. For that, the Compliance Function performs a set of activities to establish and maintain an adequate and effective compliance management system, reflecting the risk exposure and the principle of proportionality:

- providing advice to Balance Re’s Management Board on compliance with external and internal rules and regulations and on the consequence of any material changes to the legal environment in due time to allow Balance Re to implement corresponding precautions and actions. This includes early warning of changes in the legal environment and their potential impact on Balance Re
- identifying and assessing compliance risks that can result from a failure to comply with external or internal rules and regulations,
- ensuring an adequate monitoring of compliance with applicable external rules and regulations, and
- reporting at least annually to the Management Board.

In 2022, Balance Re assigned Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft for support in definition and implementation of compliance services within the framework of a partial outsourcing.

B.5. Internal Audit function

The Internal Audit Function is a key function within the Internal Control Framework of Balance Re. Internal Audit is an independent, objective assurance and consulting activity designed to add value and improve the organisation’s operations. It helps the organisation to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, governance and operational processes. To do so, Internal Audit verifies that the organisation adheres in practice to all external and internal regulations and rules.

Therefore, Internal Audit activities are geared towards helping the company to identify, avoid and/or mitigate risks as well as further assist in strengthening the organisation’s governance processes and structures.

Internal Audit acts as third line of defence in a “Three-Lines-of-Defence” Framework.

The Internal Audit Function relies on key principles serving as guidance for its implementation. Those principles include a direct reporting line to the Management Board, the necessary independence from other functions of the Company, an unrestricted access to all critical information and the required fitness and propriety of people exercising the function.

The Internal Audit Function also relies on key activities and processes which cover the identification of an audit universe, the definition of an audit plan and the performance of audits which give rise to audit report and appropriate follow up of audit recommendation implementation.

As mentioned above, starting from 31 May 2021, Balance Re assigned Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft for implementation of internal audit services within the framework of a total outsourcing.

B.6. Actuarial function

The Actuarial Function is a Key Function which focuses on core actuarial tasks of the Company. The function deals with the coordination of the calculation of Technical Reserves and the provision of opinions on the underwriting policy and retrocession arrangements.

Balance Re Actuarial Function relies on key principles serving as guidance for its implementation. Those principles include a direct reporting line to the Management Board, the necessary independence from other functions of the Company, the required segregations of responsibilities from actuarial tasks performed by risk-taking functions, an unrestricted access to all critical information and the required fitness and propriety of people exercising the function.

On an annual basis, the Actuarial Function provides a report to the Management Board where all its activities and findings are detailed.

B.7. Outsourcing

Outsourcing of specific business functions can be used to reduce or control costs, to free internal resources and capital, and to utilise skills, expertise and resources not otherwise available to the Company. The outsourcing of specific business functions may also expose the Company to additional risks, and those risks must be identified and managed.

For that, Balance Re has set up a framework which allows to

- set consistent outsourcing standards in strict compliance with regulations,
- provide guidance on the identification and proper management of outsourcing risks,
- clarify outsourcing responsibilities.

Balance Re's clients are established insurance companies. The outsourcing of functions or services that are essential to the operation of Balance Re may affect their interests. In order to appropriately safeguard these interests, certain principles and processes must be observed in order to adequately assess, mitigate and control the risks associated with the outsourcing arrangements and to ensure business continuity in case of adverse events or termination. Such principles and processes are set out in outsourcing guidelines, thus establishing a sound standard for outsourcing and ensuring compliance with Solvency II regulatory requirements.

The outsourcing guidelines shall be implemented in a risk-based manner. Any deviation from the standards and requirements set out in these guidelines need to be made on reasonable grounds and documented by the business owner of the process being outsourced. Those deviations need prior written approval of the affected function and at least from one member of the Management Board.

The implementation of the outsourcing guidelines shall be guided by the principle of proportionality, considering the business model, size, complexity and risk profile of Balance Re and the nature of its clients.

For an arrangement to qualify as an Outsourcing within the meaning of the outsourcing guidelines, the function or the service must be critical. Without the outsourced function or service Balance Re would be unable to deliver its services to its clients. The criticality of the Outsourcing for a given arrangement are categorised by its materiality in scope (core process, significant shift of capacities in staff or necessary infrastructure from Balance Re to the provider etc.) and its materiality in time (a continuous or frequent use of the provider).

Outsourcing relies on key principles serving as guidance for its implementation. Those principles are as follows:

- Balance Re remains ultimately responsible for the proper execution of an outsourced function or service to ensure compliance with the guidelines as well as with all applicable laws and regulations.
- The implementation of the requirements of the guidelines should be calibrated considering the nature, scope, importance and complexity of the outsourced function or service.
- Intra-group outsourcing (Outsourcing where the provider and Balance Re are ultimately owned one by another or have the same majority shareholder) follows the same principals as external outsourcing. The principle of proportionality may however justify a more flexible implementation of certain requirements due to Balance Re's familiarity with the intra-group provider and its ability to control or influence it.
- Additional requirements are applicable when a Key Function is entirely outsourced.

Any outsourcing will follow the same process, which consists of four major phases, namely:

1) Decision phase (classification, business plan and risk assessment),
2) Implementation phase (provider due diligence and outsourcing agreement),
3) Operational phase (monitoring and steering), and
4) Exit phase (where relevant).

The key elements of the outsourcing process shall be properly documented, archived, and reviewed in case of substantial changes to the underlying rationale which led to outsourcing.

The services outsourced in 2022 are same as in 2021 and the outsourcing agreements have not known any changes. As of 31 December 2022, Balance Re has the following services being outsourced:

- the Internal Audit Function is fully outsourced to Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft.

- the Compliance Function is partially outsourced to Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft. The Compliance Function Holder is an employee of Balance Re,
- the accounting function is fully outsourced to Burggräf & Zultner Partnerschaft mdb.
- the provision as a service of the software used for business purposes by Balance Re is an intra-group outsourcing from BalRe Technologies Ltd, Balance Re's sole shareholder.

B.8. Any Other Information

There is no further material information to report in relation to the system of governance.

C. Risk profiles

Balance Re’s product offering consists of a life reinsurance cover (non-proportional reinsurance) which protects the ceding company from any loss on the overall technical and financial results of the reinsured portfolio arising from the reinsured risks. The reinsurance applies over the lifetime of the policies comprised in the portfolio being reinsured.

The reinsurance product offered by Balance Re protects the ceding company against adverse developments of:

- Life risks,
- Investment risks, and
- Their cross-risks.

It excludes, among others:

- Operational risks,
- Expenses risks, and
- Reputational and mis-selling risks.

To implement the business strategy linked to the product offering described above, Balance Re’s has defined its risk strategy comprised, among other things, of the risk preferences of the Company. The expression of Balance Re’s risk preferences provides an indication of how it desires its overall risk profile to evolve over the business planning horizon. Balance Re differentiates between the following three risk preference categories:

Risk preference category	**Description**
Risk Seeking	• Balance Re actively seeks out this risk which is considered core for the business. • Balance Re seeks to increase exposure via responsible risk taking in areas where Balance Re identifies that risk taking will be rewarded.
Risk Limiting	• Balance Re accepts limited exposure to these risks in support of business objectives. • Balance Re is tolerant of limited, controlled and managed exposures to these risks.
Risk Averse	• Balance Re seeks to avoid exposure to these risks considering several angles: compliance with laws and regulations, costs and benefits, protection of the reputation of Balance Re and other strategic objectives (e.g. the realisation of business opportunities). • An effective Internal Control Framework supports Balance Re in avoiding exposure to these risks.

The table below provides a summary of Balance Re's risk preferences across the different risk categories. The risk preference for a risk category is intended to represent the broad overall preference for that risk category. Variations in risk preferences may exist between more granular risk types.

Risk Category	Risk Preference
Longevity risk	Risk Limiting
Mortality risk	Risk Seeking
Lapse risk	Risk Limiting
Expense risk	Risk Averse
Interest Rate risk	Risk Seeking
Credit risk	Risk Seeking
Equity risk	Risk Limiting
Property risk	Risk Limiting
Liquidity risk	Risk Limiting
Counterparty risk	Risk Limiting
Operational risk	Risk Averse

C.1. Overall risk profile

Given that Balance Re has not underwritten any business yet as of 31 December 2022, its reported capital requirement is equal to the MCR absolute floor of €3.900k set by the regulations.

Balance Re uses the standard model of Solvency II to calculate its SCR. At end of 2022, the Company's SCR is equal to €422k compared to €324k at end of 2021. Balance Re has also performed its ORSA at end of 2022, which has confirmed that the SCR reported by the Company under the standard model is a prudent view of its capital requirements given its risk profile and is well below the MCR absolute floor.

Balance Re AG SCR in k€	Actual 31/12/2021	Actual 31/12/2022	2022 vs 2021
Life underwriting risk	**0**	**0**	**0**
Market risk	**2**	**346**	**344**
Interest rates risk	*0*	*78*	*78*
Equity risk	*0*	*0*	*0*
Property risk	*0*	*0*	*0*
Spread risk	*0*	*55*	*55*
Concentration	*0*	*307*	*307*
Currency risk	*2*	*97*	*95*
Market risk diversification	*0*	*-192*	*-192*

in k€	Actual 31/12/2021	Actual 31/12/2022	2022 vs 2021
Counterparty risk	323	199	-124
Diversification	-2	-105	-103
Basic Solvency Capital Requirement	324	440	116
Operational risk	0	0	0
SCR (before any minimum regulatory threshold)	324	440	116

The Company performed sensitivity calculations on own funds and SCR for the main risks described above through its ORSA. These calculations concluded to the absence of high sensitivity to any of the main risk drivers.

As prescribed in Article 297 paragraph 2 (a) of Delegated Regulation (EU) 2015/35, it is worth noting that the SCR disclosed in this section has not been reviewed by BaFin of the date of publication of the present report.

The following sections give some highlights on the different type of risks present on Balance Re's balance sheet as of 31 December 2022.

C.2. Underwriting risk

Underwriting risk for Balance Re is the risk associated with the contractual promises and obligations made under its reinsurance offer. It comprises mortality, longevity, disability, life expense, lapse and life catastrophe risks.

As of 31 December 2022, Balance Re has no underwriting risks.

C.3. Market risk

Market risk is defined as the unexpected negative change in value due to falling market prices of investments or parameters influencing such market prices, as well as the resultant risk from options and guarantees that are embedded in contracts or from changes to the net worth of assets and liabilities in related undertakings driven by market parameters. These include changes driven by equity prices, interest rates, real estate prices, exchange rates, credit spreads and implied volatilities. It also includes changes in market prices due to a worsening of market liquidity.

In the last part of 2022 and taking advantage of rising interest rates, Balance Re invested most of the cash backing the MCR of €3,900k into corporate bonds. The Company also exchanged part of its operating cash from EUR to GBP in order to fund future expenses incurred in this currency. As a consequence, all sub-market risk modules under the Solvency II standard formula but equity risk and property risk sub modules are applicable to Balance Re at end of 2022. The SCR for market risk is equal to €346k at end of 2022 compared to €2k at end of 2021.

The SCR for concentration risk at end of 2022 is equal to €307k and is the biggest component of the SCR for market risk. It arises from the limited number of corporate bonds that the Company invested into. To mitigate this risk, Balance Re opted for a prudent choice of corporate bonds, all issued by international banks with ratings at least equal to A (according to Moody's scale) and with duration around 1 year. There was no concentration risk at end of 2021.

The SCR for currency risk at end of 2022 is equal to €97k and is the second biggest component of the SCR for market risk. As mentioned above, GBP cash is held to fund future expenses incurred in this currency. Hence, this GBP position is a hedge that will be consumed throughout 2023 in the normal course of business. Balance Re bears a remote currency risk depending on the actual level expenses to be incurred in GBP versus the position held, i.e. a true but much lower currency risk could emerge if there is a residual share of the existing exposure at end 2022. The SCR for currency risk at end of 2021 was the only (and limited to €2k) source of market risk.

The SCR for interest rate risk at end of 2022 is equal to €78k and is the third biggest component of SCR for the market risk. Given the short term duration of the bonds, the loss in value due to the upward shock of the EIOPA curve is limited. There was no interest rate risk at end of 2021.

The SCR for spread risk at end of 2022 is equal to €55k and it is the smallest component of the SCR for market risk. Given the short term duration of the bonds and the quality of counterparties, the loss in value due to a widening in spreads is limited. There was no spread risk at end of 2021.

All above risks are diversifying away when aggregating the SCR with a diversification effect of -€192k at end 2022. There was no diversification effect at end 2021 given that the SCR was driven only by currency risk.

C.4. Counterparty risk

Counterparty risk is defined as the unexpected negative change in value due to the deterioration in the credit quality of counterparties including their failure to meet payment obligations or due to the non-performance of instruments.

As of 31 December 2022, the rest of assets not being corporate bonds are invested in cash, mostly with one well established savings bank in Cologne area. This represents 76% of the cash at bank balances. The remaining 24% are invested with a payment institution established in Belgium.

Counterparty risk at end of 2022 is equal to €199k, down -€124k compared to the level of €323k at the end of 2021. The variation between the two years is entirely driven by the size of the counterparty exposure as the quality of the counterparties has not changed.

C.5. Liquidity risk

Liquidity risk is defined as the unexpected negative change in value resulting from financial losses due to a failure to meet, or to meet based on unfavourable altered conditions, short-term current or future payment obligations, as well as the risk that in the event of a liquidity crisis refinancing is only possible at higher interest rates or by liquidating assets at a discount.

Given the long term commitments that Balance Re will be taking with its clients, the liquidity risk is specifically managed as part as the Company's risk appetite. This puts Balance Re in a position to safeguard at any time any commitment taken with clients.

As of 31 December 2022, Balance Re's assets are composed of 100% of liquid assets and the Company's cash position is calibrated to meet the operational cash needs for the following year. Hence Balance Re does not carry any liquidity risk.

C.6. Operational risk

Operational risk is defined as the unexpected negative changes in the company's value resulting from inadequate or failed internal processes and systems, human misbehaviour or errors or external events.

As of 31 December 2022, the SCR for operational risk calculated using the standard formula model is nil. As part of its ORSA, the Company has calculated sensitivities, which allowed to conclude that it could face a deviation in its expense base as a result of operational risks materialising without breaching the absolute floor on MCR.

C.7. Other material risk

Balance Re does not carry any other material risk. This conclusion arises from the ORSA performed by the Company.

C.8. Any Other Information

There is no further material information to report in relation to risk profiles.

D.Valuation for solvency purposes

D.1. Assets

The market value for each material asset class on the Company's Solvency II balance sheet at is as follows:

Balance Re AG Market value of assets			
in k€	Actuals 31/12/2021	Actuals 31/12/2022	2022 vs 2021
Cash and cash equivalent	6,221	1,619	-4,602
Bonds	0	3,841	3,841
Other assets	8	19	11
Total assets	**6,229**	**5,478**	**-751**

Under Solvency II, insurers adopt a risk based approach to the valuation of all items reported on their Solvency II balance sheet. This generally means that assets are valued at an amount that would be paid under fair market conditions.

Cash and cash equivalents are carried at face value.

Bonds are reported at market value, based on mid-prices observed on the last opening day of the year 2022 by a worldwide market data provider.

Other assets are comprised of non-insurance receivables valued at the future cash amount expected to be received.

Total assets have decreased by €751k from €6,229k at end of 2021 to €5,478k at end of 2022, mostly as a result of cash outflow from expenses (-€1,597k), negative interest rates on cash (-€23k) and market value variation of assets (-€20k) partly offset by a capital injection made in December (+€900k) to cover increase of minimum floor of MCR and business origination.

At the end of 2022, Balance Re invested most of the cash backing the minimum floor of MCR (€3,900k) into corporate bonds and kept the rest in cash.

D.2. Technical Provisions

The technical provisions of Balance Re are measured using a two "building blocks" approach:

- Best estimate liabilities, and

- Risk margin for non-hedgeable risks that is added to the best estimate liabilities

D.2.1. Best estimate liabilities

Balance Re calculates the best estimate liabilities using a forward-looking actuarial calculation in which:

- yearly reinsurance claims, yearly reinsurance expenses are deducted from yearly reinsurance premiums to compute yearly net liability cashflows, and
- yearly net liability cashflows are discounted.

Balance Re projects the items above separately for each existing reinsurance transaction that the Company closed with cedants. Once the best estimate liabilities for each transaction is determined, these amounts are aggregated to compute the overall best estimate liabilities of the Company.

The projections are built on a best estimate basis by deriving the calculation for each reinsurance transaction consistently with the best estimate assumptions used by the client for the reinsured policies adjusted by Balance Re as appropriate.

D.2.2. Risk margin

The risk margin is calculated based on the methodology and assumptions largely prescribed in the Solvency II rules. This methodology requires a calculation of the cost of continuing to hold SCR for non-hedgeable risks over the remaining life of the transactions.

As of 31 December 2022, Balance Re holds no technical provisions as it has not underwritten a reinsurance transaction yet. There is no risk margin either.

Projections at end of 2023 assume that there is no business underwritten during 2023 and consequently neither technical provisions nor risk margin.

D.3. Other liabilities

As of 31 December 2022, Balance Re has the following other liabilities:

Balance Re AG **Other liabilities**			
in €k	Actuals 31/12/2021	Actuals 31/12/2022	2022 vs 2021
Provisions other than technical provisions	1,061	413	-648
Payables (trade, not insurance)	207	183	-24
Total Other liabilities	**1,269**	**596**	**-672**

D.3.1. Provisions other than technical provisions

The provisions other than technical provisions reflect:

- the provision set for the organisational funds, which is required for any new insurance or reinsurance undertaking. For Balance Re, the organisational funds represent the capital contribution required to cover the expenses for the establishment of the administration, including the development of the software. The provision for the organisational funds is valued at the future cash amount expected to be paid for these expenses.
- the provision booked at the end of the financial year for services incurred within the financial year and not invoiced yet by service providers.

At the end of 2022, the outstanding provision for organisational funds was €336k compared to €998k at end 2021 (-€663k) and the provisions for the services provided but not invoiced yet to the Company were €78k compared to €63k (+€15k).

D.3.2. Payables

Payables (trade, not insurance) are payments billed by suppliers for goods and services past due at the reporting date. These expenses are also valued at the future cash amount expected to be paid.

D.4. Alternative method for valuation

There is no alternative method for valuation than the methods exposed in the preceding sections.

D.5. Any other information

There is no further material information to report in relation to valuation for solvency purposes.

E. Capital management

E.1. Own funds

The Company's own funds are the excess in the value of its assets over the value of its liabilities.

The Company has set objectives, policies and processes to manage its own funds. The objectives are described into the Company's Risk Strategy guidelines which is the main policy defined to manage its own funds. The ORSA guidelines are also an important piece of this framework as they rule how own funds must be assessed. They refer in particular to ad hoc ORSA processes which will be triggered (see section B.3.4 on ORSA) when Balance Re underwrites any transaction which may significantly change the Company's risk profile.

In absence of transactions at end of 2022, the horizon used for business planning is one year. When a transaction is underwritten, the Company will look at extending this business planning to at least 3 years.

As of 31 December 2022, the Company's own funds are as follows:

Balance Re AG **Own Funds**			
in k€	Actuals 31/12/2021	Actuals 31/12/2022	2022 vs 2021
Tier 1 - Unrestricted	*4,961*	*4,882*	*-79*
Issued share capital	3,600	3,600	0
Share premium account	50	50	0
Reconciliation reserves	1,311	1,232	-79
Total own funds	**4,961**	**4,882**	**-79**

The Company's own funds are entirely composed of Tier 1 - Unrestricted capital.

The own funds at end of 2022 reached €4,882k and are -€79k lower than at the end of 2021. Issued share capital and share premium accounts remained constant in 2022. All variations of assets (-€751k) and liabilities (-€672k), which are explained in sections D.1, D.2 and D.3, flow through the variation of reconciliation reserves.

E.2. Solvency Capital Requirement & Minimum Capital Requirement

As explained in section 5.1, Balance Re's SCR is calculated using the Solvency II standard formula and the MCR is equal to the absolute floor of €3,900k set by the regulations.

The own funds are entirely eligible to meet SCR and MCR as they are only composed of Tier 1 – Unrestricted capital.

Balance Re AG Own Funds to Meet Solvency Capital Requirement and Minimum Capital Requirement		
in k€	Actuals 31/12/2021	Actuals 31/12/2022
Tier 1 – Unrestricted	4,961	4,882
Tier 2	0	0
Tier 3	0	0
Eligible Own Funds to meet SCR	*4,961*	*4,882*
Eligible Own Funds to meet MCR	*4,961*	*4,882*
Solvency Capital Requirement	324	440
Solvency Capital Ratio	1,532%	1,110%
Minimum Capital Requirement	3,600	3,900
Minimum Capital Ratio	138%	125%

Therefore, the solvency capital ratio and the minimum capital ratio is equal to 1,110% at the end of 2022 while the minimum capital ratio reaches 125%.

E.3. Use of the duration-based equity risk sub-module in the calculation of the Solvency Capital Requirement

Not applicable to Balance Re's business model.

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

Balance Re does not use an internal model.

E.5. Non-compliance with the Minimum Capital Requirement and non-compliance with the Solvency Capital Requirement

The Company is required to disclose whether there has been any significant non-compliance with the SCR and any non-compliance with the MCR.

There have been no such occurrences.

E.6. Any Other Information

There is no further material information to report in relation to capital management

Glossary of terms and abbreviations

Table 1: List of abbreviations

Actuarial Function	Key Function responsible for the actuarial tasks under Solvency II.
Audit Committee	**Sub committee of the Supervisory Board focused on Internal Control, Finance and Risk activities.**
"Balance Re" or the "Company"	BALANCE RE AG
BalRe	BalRe Technologies Ltd; see also section 2
BaFin	Bundesanstalt für Finanzdienstleistungsaufsicht, the German supervisory authority in charge of regulating the insurance and reinsurance markets in Germany
Compliance or Compliance Function	Key Function responsible for controlling and monitoring the compliance of the Company with internal and external regulation and rules.
Fitness / Fit	A person is considered Fit ("Fitness") if his/her professional qualifications, knowledge, and experience are adequate to enable the sound and prudent fulfilment of his/her role.
Governance Framework	Framework comprising the rules of procedures and guidelines governing the Company in its key aspects.
Internal Audit or Internal Audit Function	Key Function responsible for the internal audit.
Internal Control or Internal Control Framework	Framework aiming at managing significant operational risks through control activities on an ongoing basis while ensuring the effectiveness of these key controls.
Key Function / Key Function Holder	The required functions under Solvency II: Risk Management, Compliance, Actuarial Function and Internal Audit. A Key Function Holder is a person holding the responsibility of the Key Function
Management Board	The management board of Balance Re.
MCR/SCR	Minimum Capital requirement / Solvency Capital requirement
Outsourcing	An arrangement of any form between Balance Re and a service provider, whether directly or through sub-outsourcing, under which the provider performs a function or an important and/or critical service for Balance Re which would otherwise be performed by Balance Re itself.
ORSA	Own Risk and Solvency Assessment.
Propriety / Proper	A person is considered Proper ("Propriety") if a person's character, personal behaviour and business conduct is of good repute and integrity including criminal, financial and supervisory aspects.
Risk Management or Risk Management Function	Key Function in charge of the risk management framework under Solvency II.
Risk Committee	Committee supporting Risk Management for the definition and oversight of the risk management activities and acting as a transversal and advisory body for risk management matters.

ScaleALM	Scale ALM Ltd; see also section 2
Supervisory Board	The supervisory board of Balance Re.
Three-Lines-of-Defence	Concept which defines: (i) the 1st line of defence as the operating business functions (i.e. risk taking); (ii) the 2nd line as the control functions (e.g. Actuarial, Compliance and Risk Management); and (iii) the 3rd line as the Internal Audit.

Appendices

S.02.01.02 – Balance sheet at end 2022 (1/2)

k€		Solvency II value
Assets		**C0010**
Intangible assets	**R0030**	
Deferred tax assets	**R0040**	
Pension benefit surplus	**R0050**	
Property, plant & equipment held for own use	**R0060**	4
Investments (other than assets held for index-linked and unit-linked contracts)	**R0070**	3,841
Property (other than for own use)	**R0080**	
Holdings in related undertakings, including participations	**R0090**	
Equities	**R0100**	
Equities - listed	**R0110**	
Equities - unlisted	**R0120**	
Bonds	**R0130**	3,841
Government Bonds	**R0140**	
Corporate Bonds	**R0150**	3,841
Structured notes	**R0160**	
Collateralised securities	**R0170**	
Collective Investments Undertakings	**R0180**	
Derivatives	**R0190**	
Deposits other than cash equivalents	**R0200**	
Other investments	**R0210**	
Assets held for index-linked and unit-linked contracts	**R0220**	
Loans and mortgages	**R0230**	
Loans on policies	**R0240**	
Loans and mortgages to individuals	**R0250**	
Other loans and mortgages	**R0260**	
Reinsurance recoverables from:	**R0270**	
Non-life and health similar to non-life	**R0280**	
Non-life excluding health	**R0290**	
Health similar to non-life	**R0300**	
Life and health similar to life, excluding health and index-linked and unit-linked	**R0310**	
Health similar to life	**R0320**	
Life excluding health and index-linked and unit-linked	**R0330**	
Life index-linked and unit-linked	**R0340**	
Deposits to cedants	**R0350**	
Insurance and intermediaries receivables	**R0360**	
Reinsurance receivables	**R0370**	
Receivables (trade, not insurance)	**R0380**	15
Own shares (held directly)	**R0390**	
Amounts due in respect of own fund items or initial fund called up but not yet paid in	**R0400**	
Cash and cash equivalents	**R0410**	1,619
Any other assets, not elsewhere shown	**R0420**	
Total assets	**R0500**	5,478

S.02.01.02 – Balance sheet at end 2022 (2/2)

k€		Solvency II value
Liabilities		**C0010**
Technical provisions – non-life	**R0510**	
Technical provisions – non-life (excluding health)	**R0520**	
TP calculated as a whole	**R0530**	
Best Estimate	**R0540**	
Risk margin	**R0550**	
Technical provisions - health (similar to non-life)	**R0560**	
TP calculated as a whole	**R0570**	
Best Estimate	**R0580**	
Risk margin	**R0590**	
Technical provisions - life (excluding index-linked and unit-linked)	**R0600**	
Technical provisions - health (similar to life)	**R0610**	
TP calculated as a whole	**R0620**	
Best Estimate	**R0630**	
Risk margin	**R0640**	
Technical provisions – life (excluding health and index-linked and unit-linked)	**R0650**	
TP calculated as a whole	**R0660**	
Best Estimate	**R0670**	
Risk margin	**R0680**	
Technical provisions – index-linked and unit-linked	**R0690**	
TP calculated as a whole	**R0700**	
Best Estimate	**R0710**	
Risk margin	**R0720**	
Contingent liabilities	**R0740**	
Provisions other than technical provisions	**R0750**	413
Pension benefit obligations	**R0760**	
Deposits from reinsurers	**R0770**	
Deferred tax liabilities	**R0780**	
Derivatives	**R0790**	
Debts owed to credit institutions	**R0800**	
Financial liabilities other than debts owed to credit institutions	**R0810**	
Insurance & intermediaries payables	**R0820**	
Reinsurance payables	**R0830**	
Payables (trade, not insurance)	**R0840**	183
Subordinated liabilities	**R0850**	
Subordinated liabilities not in BOF	**R0860**	
Subordinated liabilities in BOF	**R0870**	
Any other liabilities, not elsewhere shown	**R0880**	
Total liabilities	**R0900**	596
Excess of assets over liabilities	**R1000**	4,882

S.05.01.02 - Premiums, claims and expenses by line of business at end 2022 (1/3)

k€		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance
		Line of Business for: **non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)**								
		C0010	**C0020**	**C0030**	**C0040**	**C0050**	**C0060**	**C0070**	**C0080**	**C0090**
Premiums written										
Gross - Direct Business	**R0110**									
Gross - Proportional reinsurance accepted	**R0120**									
Gross - Non-proportional reinsurance accepted	**R0130**									
Reinsurers' share	**R0140**									
Net	**R0200**									
Premiums earned										
Gross - Direct Business	**R0210**									
Gross - Proportional reinsurance accepted	**R0220**									
Gross - Non-proportional reinsurance accepted	**R0230**									
Reinsurers' share	**R0240**									
Net	**R0300**									
Claims incurred										
Gross - Direct Business	**R0310**									
Gross - Proportional reinsurance accepted	**R0320**									
Gross - Non-proportional reinsurance accepted	**R0330**									
Reinsurers' share	**R0340**									
Net	**R0400**									
Changes in other technical provisions										
Gross - Direct Business	**R0410**									
Gross - Proportional reinsurance accepted	**R0420**									
Gross - Non- proportional reinsurance accepted	**R0430**									
Reinsurers'share	**R0440**									
Net	**R0500**									
Expenses incurred	**R0550**									
Other expenses	**R1200**									
Total expenses	**R1300**									

S.05.01.02 - Premiums, claims and expenses by line of business at end 2022 (2/3)

		Line of Business for: **non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)**			Line of business for: **accepted non-proportional reinsurance**				Total
		Legal expenses insurance	Assistance	Miscellaneous financial loss	Health	Casualty	Marine, aviation, transport	Property	
	k€	**C0100**	**C0110**	**C0120**	**C0130**	**C0140**	**C0150**	**C0160**	**C0200**
Premiums written									
Gross - Direct Business	**R0110**				-	-	-	-	
Gross - Proportional reinsurance accepted	**R0120**				-	-	-	-	
Gross - Non-proportional reinsurance accepted	**R0130**	-	-	-					
Reinsurers' share	**R0140**								
Net	**R0200**								
Premiums earned									
Gross - Direct Business	**R0210**								
Gross - Proportional reinsurance accepted	**R0220**								
Gross - Non-proportional reinsurance accepted	**R0230**								
Reinsurers' share	**R0240**								
Net	**R0300**								
Claims incurred									
Gross - Direct Business	**R0310**								
Gross - Proportional reinsurance accepted	**R0320**								
Gross - Non-proportional reinsurance accepted	**R0330**	-	-	-					
Reinsurers' share	**R0340**								
Net	**R0400**								
Changes in other technical provisions									-
Gross - Direct Business	**R0410**								
Gross - Proportional reinsurance accepted	**R0420**								
Gross - Non- proportional reinsurance accepted	**R0430**								
Reinsurers'share	**R0440**								
Net	**R0500**								
Expenses incurred	**R0550**								
Other expenses	**R1200**								
Total expenses	**R1300**								

S.05.01.02 - Premiums, claims and expenses by line of business at end 2022 (3/3)

		Line of Business for: **life insurance obligations**						**Life reinsurance obligations**		Total
		Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Health reinsurance	Life reinsurance	
	k€	**C0210**	**C0220**	**C0230**	**C0240**	**C0250**	**C0260**	**C0270**	**C0280**	**C0300**
Premiums written										
Gross	**R1410**									
Reinsurers' share	**R1420**									
Net	**R1500**									
Premiums earned										
Gross	**R1510**									
Reinsurers' share	**R1520**									
Net	**R1600**									
Claims incurred										
Gross	**R1610**									
Reinsurers' share	**R1620**									
Net	**R1700**									
Changes in other technical provisions										
Gross - Direct business and reinsurance accepted	**R1710**									
Reinsurers' share	**R1720**									
Net	**R1800**									
Expenses incurred	**R1900**								1,629	1,629
Other expenses	**R2500**									
Total expenses	**R2600**									1,629

S.05.02.01 – Premiums, claims and expenses by country at end 2022 (1/2)

k€		Home Country	Top 5 countries (by amount of gross premiums written) - non-life obligations					Total Top 5 and home country
		C0010	C0020	C0030	C0040	C0050	C0060	C0070
	R0010							
		C0080	C0090	C0100	C0110	C0120	C0130	C0140
Premiums written								
Gross - Direct Business	R0110							
Gross - Proportional reinsurance accepted	R0120							
Gross - Non-proportional reinsurance accepted	R0130							
Reinsurers' share	R0140							
Net	R0200							
Premiums earned								
Gross - Direct Business	R0210							
Gross - Proportional reinsurance accepted	R0220							
Gross - Non-proportional reinsurance accepted	R0230							
Reinsurers' share	R0240							
Net	R0300							
Claims incurred								
Gross - Direct Business	R0310							
Gross - Proportional reinsurance accepted	R0320							
Gross - Non-proportional reinsurance accepted	R0330							
Reinsurers' share	R0340							
Net	R0400							
Changes in other technical provisions								
Gross - Direct Business	R0410							
Gross - Proportional reinsurance accepted	R0420							
Gross - Non- proportional reinsurance accepted	R0430							
Reinsurers'share	R0440							
Net	R0500							
Expenses incurred	R0550							
Other expenses	R1200							
Total expenses	R1300							

S.05.02.01 – Premiums, claims and expenses by country at end 2022 (2/2)

k€		Home Country	Top 5 countries (by amount of gross premiums written) - life obligations					Total Top 5 and home country
		C0150	C0160	C0170	C0180	C0190	C0200	C0210
	R1400							
		C0220	C0230	C0240	C0250	C0260	C0270	C0280
Premiums written								
Gross	**R1410**							
Reinsurers' share	**R1420**							
Net	**R1500**							
Premiums earned								
Gross	**R1510**							
Reinsurers' share	**R1520**							
Net	**R1600**							
Claims incurred								
Gross	**R1610**							
Reinsurers' share	**R1620**							
Net	**R1700**							
Changes in other technical provisions								
Gross	**R1710**							
Reinsurers' share	**R1720**							
Net	**R1800**							
Expenses incurred	**R1900**	1,629						1,629
Other expenses	**R2500**							
Total expenses	**R2600**							1,629

S.23.01.01 – Own funds at end 2022 (1/2)

k€		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation (EU) 2015/35						
Ordinary share capital (gross of own shares)	**R0010**	3,600	3,600			
Share premium account related to ordinary share capital	**R0030**	50	50			
~~I~~initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	**R0040**					
Subordinated mutual member accounts	**R0050**					
Surplus funds	**R0070**					
Preference shares	**R0090**					
Share premium account related to preference shares	**R0110**					
Reconciliation reserve	**R0130**	1,232	1,232			
Subordinated liabilities	**R0140**					
An amount equal to the value of net deferred tax assets	**R0160**					
Other own fund items approved by the supervisory authority as basic own funds not specified above	**R0180**					
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds						
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	**R0220**					
Deductions						
Deductions for participations in financial and credit institutions	**R0230**					
Total basic own funds after deductions	**R0290**	4,882	4,882			
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	**R0300**					
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	**R0310**					
Unpaid and uncalled preference shares callable on demand	**R0320**					
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	**R0330**					
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	**R0340**					
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	**R0350**					
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	**R0360**					
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	**R0370**					
Other ancillary own funds	**R0390**					
Total ancillary own funds	**R0400**					

S.23.01.01 – Own funds at end 2022 (2/2)

k€		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Available and eligible own funds						
Total available own funds to meet the SCR	**R0500**	4,882	4,882			
Total available own funds to meet the MCR	**R0510**	4,882	4,882			
Total eligible own funds to meet the SCR	**R0540**	4,882	4,882	0	0	0
Total eligible own funds to meet the MCR	**R0550**	4,882	4,882	0	0	
SCR	**R0580**	440				
MCR	**R0600**	3,900				
Ratio of Eligible own funds to SCR	**R0620**	11.0988				
Ratio of Eligible own funds to MCR	**R0640**	1.2519				

		C0060	
Reconciliation reserve			
Excess of assets over liabilities	**R0700**	4,882	-
Own shares (held directly and indirectly)	**R0710**		-
Foreseeable dividends, distributions and charges	**R0720**		-
Other basic own fund items	**R0730**	3,650	-
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	**R0740**		-
Reconciliation reserve	**R0760**	1,232	-
Expected profits			-
Expected profits included in future premiums (EPIFP) - Life business	**R0770**		-
Expected profits included in future premiums (EPIFP) - Non- life business	**R0780**		-
Total Expected profits included in future premiums (EPIFP)	**R0790**		-

S.25.01.21 – Solvency Capital Requirement - for undertakings on Standard Formula at end 2022

k€		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0120
Market risk	R0010	346		
Counterparty default risk	R0020	199		
Life underwriting risk	R0030			
Health underwriting risk	R0040			
Non-life underwriting risk	R0050			
Diversification	R0060	-105		
Intangible asset risk	R0070			
Basic Solvency Capital Requirement	R0100	440		

Calculation of Solvency Capital Requirement		C0100
Operational risk	R0130	0
Loss-absorbing capacity of technical provisions	R0140	0
Loss-absorbing capacity of deferred taxes	R0150	
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	
Solvency capital requirement excluding capital add-on	R0200	440
Capital add-on already set	R0210	
Solvency capital requirement	R0220	440
Other information on SCR		
Capital requirement for duration-based equity risk sub-module	R0400	
Total amount of Notional Solvency Capital Requirement for remaining part	R0410	
Total amount of Notional Solvency Capital Requirements for ring fenced funds	R0420	
Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios	R0430	
Diversification effects due to RFF nSCR aggregation for article 304	R0440	

Approach to tax rate

		Yes/No
		C0109
Approach based on average tax rate	R0590	

Calculation of loss absorbing capacity of deferred taxes

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

28.01.01 – Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity at end 2022 (1/2)

Linear formula component for non-life insurance and reinsurance obligations

		C0010
MCR_{NL} Result	**R0010**	

k€		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0020	**C0030**
Medical expense insurance and proportional reinsurance	**R0020**		
Income protection insurance and proportional reinsurance	**R0030**		
Workers' compensation insurance and proportional reinsurance	**R0040**		
Motor vehicle liability insurance and proportional reinsurance	**R0050**		
Other motor insurance and proportional reinsurance	**R0060**		
Marine, aviation and transport insurance and proportional reinsurance	**R0070**		
Fire and other damage to property insurance and proportional reinsurance	**R0080**		
General liability insurance and proportional reinsurance	**R0090**		
Credit and suretyship insurance and proportional reinsurance	**R0100**		
Legal expenses insurance and proportional reinsurance	**R0110**		
Assistance and proportional reinsurance	**R0120**		
Miscellaneous financial loss insurance and proportional reinsurance	**R0130**		
Non-proportional health reinsurance	**R0140**		
Non-proportional casualty reinsurance	**R0150**		
Non-proportional marine, aviation and transport reinsurance	**R0160**		
Non-proportional property reinsurance	**R0170**		

S.28.01.01 – Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity at end 2022 (2/2)

Linear formula component for life insurance and reinsurance obligations

		C0040
MCR_L Result	**R0200**	

k€		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
		C0050	**C0060**
Obligations with profit participation - guaranteed benefits	**R0210**		
Obligations with profit participation - future discretionary benefits	**R0220**		
Index-linked and unit-linked insurance obligations	**R0230**		
Other life (re)insurance and health (re)insurance obligations	**R0240**		
Total capital at risk for all life (re)insurance obligations	**R0250**		

Overall MCR calculation

k€		**C0070**
Linear MCR	**R0300**	
SCR	**R0310**	440
MCR cap	**R0320**	198
MCR floor	**R0330**	110
Combined MCR	**R0340**	110
Absolute floor of the MCR	**R0350**	3,900
-	-	**C0070**
Minimum Capital Requirement	**R0400**	3,900