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Financial statements
31 December 2022

Director's report
and
Independent auditor's report

USAA
S.A.

USAA S. A

Annual Report and Financial Statements

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USAA®
S.A.

Director's report

The Directors present their annual report and audited annual accounts for the year ending 31 December 2022.

Principal Activity

USAA S.A. was founded in November 2018 and is authorized by the Commissariat aux Assurances to establish insurance activities headquartered in the Grand Duchy of Luxembourg and to underwrite policies in Continental Europe after the UK left the EU. Its sister company, USAA Ltd, underwrites UK policies. USAA S.A. is a direct subsidiary of USAA International Services SARL, and the ultimate parent is United Services Automobile Association (USAA).

USAA was founded by the military, for the military. In 1922, 25 Army officers came together with the goal of insuring one another's vehicles when no other insurance company would. These military officers and their military lifestyle were seen as too risky. So, together, they founded USAA. And from those beginnings, USAA has followed the same military values its founders prized: service, loyalty, honesty, and integrity. From its founding, USAA has been a policyholder owned mutual enterprise with a unique approach to property insurance. The mission of the association is to facilitate the financial security of its members, associates, and their families through provision of a full range of highly competitive financial products and services; in so doing, USAA seeks to be the provider of choice for the military community.

USAA S.A. insurance license was granted by the Commissariat aux Assurances on 25 September 2018 and authorized to underwrite business in the following classes 1, 3, 5, 6, 7, 8, 9, 10, 11, 12, 13, 17, 18 (non-life). USAA S.A. provides Auto, Renters, Umbrella (personal liability) and VPP (Valuable Personal Property) products to USAA members residing in European Union (EU) countries, the majority of whom are active-duty service men and women of the US armed forces via Freedom of Services. Many of USAA S.A. services are provided via its holding company USAA SARL. USAA S.A. is committed to exceptional customer experiences and is dedicated to understanding policyholders' individual and collective needs and to providing appropriate solutions.

Branches

The Company has one branch in Germany that is primarily dealing with claims. The Company now also has a UK branch approved by the CAA on 2 December 2021.

Governance

In accordance with the requirements of the Law on the Insurance Sector of 7 December 2015, the Board of Directors meets as often as business requires, at least four times a year. The Chairman of the Board of Directors coordinates the work of the Board and presentations.

The Board of Directors met four times in 2022 and all members of the Board of Directors attended all the meetings. Other Directors were present at all the meetings (COO, CFO, CRO, CLO, CCO, Claims Director, Insurance Sales and Services Director).
The Board of Directors discussed its effectiveness. Furthermore, discussions take place between the Chairman of the Board and its members on an individual basis.

Two standing committees support the work of the Board of Directors as a whole: the Risk Committee and the Audit Committee.

The members of the Board of Directors or a committee of the Board of Directors are obliged to leave meetings when issues are discussed that affect their own interests or the interests of natural or legal persons close to them.

The directors and any appointments and resignations during the year were as follows:

Composition of the Board:

Chairman of the Board: Randy Termeer
Member of the Board: Simon Patrick Kendall Keith
Member of the Board: Kris Barranton resigned 22 December 2022
Member of the Board Julie Duriez – resigned 30 September 2022
Non-Executive Members of the Board: Dirk Beeckman, Craig Anthony Scarr, Karen Graves

Key Function Holders:

Julie Duriez DA - resigned 30 September 2022
Simon Keith DA – appointed 01 October 2022
Kevin Skube as Risk Key Function Holder
Anna Benavides as Internal Audit Key Function Holder
Daphne Morrissey Risk Actuarial Key Function Holder resigned 1 December 2022
Nancy Nguyen Risk Actuarial Key Function Holder appointed 1 December 2022
Luc Schmitt Compliance Key Function Holder resigned 15 February 2023
Catherine Vavasour Compliance Key Function Holder appointed 15 February 2023

None of the directors have any disclosable interests in the shareholding of the Company.

Business Performance and Financial results overview

In the period 01 January 2022 until 31 December 2022 the Company earned a profit after tax of EUR 7,456k (2021: EUR 7,487k).
The Company continued writing insurance business in the period and the profit derived from its underwriting activities is set out below.

Part VII transfer of assets and liabilities from USAA Limited to USAA S.A.

Following the successful establishment of USAA S.A. in November 2018 and the subsequent establishment of its UK branch effective 1 April 2022, the ultimate shareholder determined it prudent to rationalize its European operations into one entity, USAA S.A. As a result, all the assets and liabilities that derived from business previously performed by USAA Limited has been legally transferred to USAA S.A. via a Part VII transfer as determined by the Financial Services and Markets Act 2000 following approval from the High Court of England and Wales with effect from 23:59 Central European Time on 31 December 2022.

Gross Premiums Written

Gross premiums written of EUR 116.8m (2021 EUR 83.8m). The increase is predominantly due to premium written by the UK branch from April 2022 of EUR 19m as well as a strengthening of the US dollar against the Euro during the period.

Premiums are written across eight EU countries and the UK. The largest portion written for German based policyholders with Germany accounting for 56.1% of total premiums written (2021 66.8%). The second biggest country is Italy accounting for 21.1% (2021 25.2%) of premiums. The most important product lines are Motor Other, 48.7% (2021 49.1%) of gross premiums written and Motor Third Party Liability 41.9% (2021 41.5%).

Claims

Net claims incurred of EUR 58.8m (2021 EUR 51.7m) were higher than planned due to increased business underwritten by the UK branch from April 2022 of EUR 2.3m.

Expenses

Expenses of EUR 21.4m (2021 EUR 18.7m) are EUR 2.8m higher than previous year mainly due to increased Service Fees paid to USAA and the European business units of EUR 2.1m charged as a % of earned premium with other increases in Payroll costs and Funds/Levies offset partially by decreases in Consultant fees and Legal and Accounting services.

Combined ratio

Combined Operating ratio of 89.1% is lower that the planned ratio of 98.5% and 2021 at 91.5% mainly due to higher incurred claims and expenses.

Investments

For the year ended 31 December 2022, the investment results corresponded to net negative investment income amounting to EUR 6,664k compared to net negative investment income of EUR 12k in the previous year. The investment performance suffered as a result of current global economic issues resulting in large unrealised market value losses of EUR 7,673k.

The Company is investing into Corporate and Government Bonds whose rating are never below a BBB rating, issuers are predominantly located in the EU and OECD countries. The Company is not using Financial Derivative Instruments neither for hedging nor for efficient portfolio management purposes.

The duration and currency profile of the investment portfolio is managed to broadly match that of the Company's underlying liabilities. The Company continues to invest predominantly in high grade corporate and government bonds in accordance with its stated investment strategy and in conjunction with its external investment manager, Western Asset Management.

Other Income

Actuarial gains on the German pension fund amounting to EUR 0.8m are recognised in other income. In 2021 there was an actuarial gain of EUR 2.5m which was recognized in the other income.

Other income also includes EUR 0.3m (2021 EUR 0.4m) received from USAA Limited, a sister company, for claims services provided by the German branch.

Capital and reserves

The Company manages its capital position in accordance with the requirements of the Solvency II regime and determines its capital requirement using the Standard Formula as the basis of calculation. As of 31 December 2022, the Company's admissible capital was more than the Solvency II Standard Formula requirement. The solvency ratio is not anticipated to be materially different from the capital position reported in the ORSA approved in September 2022 (169%).

Assets

Total assets increased from EUR 159.9m as of 31 December 2021 to EUR 291.1m as of 31 December 2022, mainly driven by the increases in investments, cash balances, debtors, and reinsurer's share of technical provisions due to the Part VII transfer effective as of 31 December 2022 (see above).

Liabilities

Total liabilities, excluding capital and reserves, amounted to EUR 183.4m compared to EUR 94.3m in the previous year, mainly driven by the increase of technical provisions due to the Part VII transfer effective as of 31 December 2022.

Capital and reserves increased by EUR 42.1m (2021: EUR 7.5m) due to the net profit for the year and additional capital of EUR 35m issued in 2022.

Future developments

The immediate objectives of the Company are to manage operations effectively and efficiently following Brexit and the cost-of-living crisis including the macroeconomic impacts associated with the rising cost of inflation. Following this, in conjunction with other initiatives with our ultimate parent company, efforts are underway to modernize systems, technology and data to enable the business to offer personalized sales and service experiences digitally.

The future strategy of the Company centres around providing additional products to more members based internationally in the jurisdictions in which the Company operates. The execution of this strategy remains fluid as different options and partnerships are assessed.

Principal risks and uncertainties

USAA S.A.'s risk management framework promotes a company-wide understanding of risk and the culture of effective challenge throughout the business and through an independent risk role fulfilled by the Risk Key Function Holder.

This framework is applied in everyday business processes and decision-making at USAA S.A. to understand and prudently manage risks in alignment with goals and objectives.
The core of an effective enterprise risk management framework is a risk taxonomy that names, classifies and defines the risks of the organization.

In conjunction with the categorized taxonomy risks USAA S.A. uses the following risk management tools to further define these risks and tolerances:

- Risk appetite statements define acceptable risk levels.
- Risk metrics, with defined appetite and trigger thresholds, are used to monitor USAA S.A.'s performance within its appetite, to proactively identify new or existing controls USAA S.A.
- Policies integrate the corporate governance structure for USAA S.A. and facilitate strong governance and clearly defined roles and responsibilities.
- Risk and Control Self-Assessments (RCSAs) assess the effectiveness of risk management and control processes.
- TOP and Emerging Risk register is discussed and refreshed regularly at the Risk Committees

Market risk – Credit, Interest Rate and Liquidity

<u>Market and Interest Rate Risk</u>

Market Risk reflects the risk that the Company is affected by adverse movements in the fair value of its financial assets and liabilities. The Company is exposed to market risk on both the asset and liability side of its balance sheet arising from assets in the Company's investment portfolio, investment assets held in the Company's defined benefit pension schemes, the Company's technical provisions and transactions requiring settlement in a different currency. The interest rate risk the Company is exposed to arises from the risk of financial loss or adverse change in the value of assets and liabilities due to unanticipated changes in interest rates and their volatility.

The Company has a conservative investment strategy with strict investment guidelines in place, which requires the Company to maintain a well-diversified high-quality bond portfolio.

The most significant component of market risk that the Company is exposed to is currency risk, where the fair value of future cash flows and the values of assets and liabilities denominated in foreign currency will fluctuate because of changes in foreign exchange rates. The Company monitors the impact of foreign exchange rates very closely through the use of risk appetites and triggers, foreign currency management and capital management assessments.

<u>Credit Risk</u>

The Company is exposed to credit risk through its investment portfolio, funds held with financial institutions and reinsurance arrangements. The investment portfolio has set criteria to avoid concentration of risks to sectors, issuers, credit ratings and countries.

The Company has strict guidelines on its reinsurance arrangements, which vets the risk profile and credit ratings of the participating reinsurers on its external reinsurance excess of loss programme. Credit ratings of counterparties are monitored closely to reduce the risk of default.

Liquidity Risk

Liquidity risk arises from inability of the Company to generate sufficient cash resources to meet its financial obligations as they fall due. Liquidity risk is considered to be low due to the mitigation measures in place, including a liquidity policy which establishes appropriate governance and accountability for managing liquidity risk, adherence to liquidity risk triggers and appetites and a liquidity funding contingency plan.

The Company also holds sufficient funds in cash and short-term deposits to meet its immediate and foreseeable cash flow requirements. In addition, the investment portfolio holds high grade corporate bonds that can be sold if required to provide liquid funds.

Underwriting/Insurance Risk

Insurance risk is a significant element of the Company's risk profile. This risk is driven by the long-tail bodily injury claims in the motor portfolio. Mitigations include controls around all components of the business (pricing, underwriting coverage, claims and loss reserving) that could lead to unplanned increases in the likelihood and severity of losses.

Whilst the company's policyholders have been concentrated around military bases in Germany, Spain and Italy, there is no significant exposure to aggregation of risk to losses emanating from natural catastrophes. Nevertheless, the potential exposure to these events is modelled and assessed as part of the Company's capital assessment.

USAA S.A. manages underwriting risk through pricing to an expected risk-adjusted return, prudent underwriting, sound loss reserving methodologies, monitoring risk metrics to ensure deviations are within an acceptable range.

Additionally, USAA S.A. manages the volatility of its annual operating results through effective underwriting and pricing of the book of business as well as through appropriate reinsurance coverage or other mitigation techniques. As an example, USAA S.A. limits its annual underwriting loss to €1 million through the purchase of stop loss. USAA S.A, maintains booked loss reserves within the range of the auditor reserves, manages insurance risk through defined policies and procedures, and by executing controls in adherence to its Risk Management Framework as well as monitoring and reporting performance in relation to Board and management metrics and reports any limit breaches under established governance and detailed action plans to ensure resolution.

Given the inherent variability of earnings from the large losses inherent in the USAA S.A. auto business and significant exchange rate volatility, USAA S.A. will maintain average annual net combined ratios of 92-98% over its 3-year planning horizon.

Climate Change Risk

As the full impact of climate change is currently unknown, it is not possible to consider all possible future outcomes when determining the value of assets, liabilities and the timing of future cash flows. The Company's view is that any reasonable impact of climate change would not have a material impact on the valuation of assets and liabilities at the year-end date.

Climate change continues to be reviewed through the Company's Risk Committee with each line of the income statement being subject to stress testing as part of our ORSA process.

Military/Political Risk

The situation in Ukraine has caused an increase in the presence of US Military personnel to be stationed in Europe on short term deployment. This is not likely to impact business volumes or place additional risk on USAA S.A. in the short term. Military/Political risk remains one of the Company's highest risks given the potential impact on our portfolio caused by significant increases or decreases in US forces based overseas.

These fluctuations are affected by geopolitical issues both internationally in terms of where forces are deployed and domestically in terms of appetite to push US forces overseas. Our stress testing looks at scenarios with a significant withdrawal of US forces from the region and the associated impact on the portfolio. It is important to point out however, that there has been a very stable establishment of US forces based in the region for many years and any change is likely to be gradual.

Technology and cyber risk

The ability to respond to technological developments which significantly changes insurance products or the way that they are delivered to customers, allied to the ever-increasing threat to customer data could prove challenging for the Company. USAA S.A. is able to leverage from the research conducted by its ultimate parent company to ensure that it is able to mitigate against any material impact in both, the short term and over the longer term as new technology becomes more mature and accepted widely across the Company's customer base. The outcomes of the ultimate parent company's results are reported into the business management meetings for review and consideration.

The situation in Ukraine has caused an increase in the likelihood of potential cyber-attacks against USAA. The Group's control environment and active defence mechanisms, coupled with comprehensive cyber and ransomware insurance coverage causes us to believe that the residual risk remains unaffected at this time.

Inflation and Exchange Rate impacts

The global economy has experienced unprecedented inflationary pressures during 2022 caused by many different factors, the Covid-19 pandemic, Russian invasion of Ukraine, resultant shocks to the global supply chain, soaring production costs caused by significant increases in energy prices and resulting central bank interest rate actions. The Company has been less affected by these economic impacts than many due to the fact that it collects premiums from members in US dollars and pays claims and the majority of expenses in local currency meaning that the strengthening of the dollar significantly offset the increased claims and expense costs coming through the income statement. Nevertheless, management are monitoring the situation closely and it is likely that premium rates will need to increase especially if the dollar begins to weaken.

The Company does not have an explicit IBNR provision for inflation. We did respond to inflationary pressure throughout 2022 by increasing our ultimate losses, particularly in the Auto Material Damage (MTD) coverages (Collision, Comprehensive, Property Damage) that were most affected by the increasing trends. We continue to monitor inflation using published data and should there be further inflation pressure, we will reflect them in our quarterly reviews.

Growing Costs of Reinsurance program

USAA S.A. is reinsured via an external excess of loss treaty with an inception date of 1 January.
In addition, USAA S.A. benefits from the existence of a non-proportional excess of loss reinsurance contract with USAA. This allows USAA S.A. to act within its stated risk appetite. It also allows USAA S.A. to reduce the volatility to which its current portfolio is exposed given the regulatory-mandated unlimited liability exposures accepted in relation to its premium volume.

The ability to purchase an affordable comprehensive third-party excess of loss reinsurance program is becoming harder each year due to lack of available capacity in the reinsurance market. The appetite of reinsurers to unlimited liability coverage in the UK especially and Belgium, coupled with the potential for US suits being covered under our program has created challenges in recent years in terms of obtaining reinsurance cover at a rate that does not impact our ability to provide competitive products for our members. This is something that we are acutely aware of and may necessitate an alternative reinsurance strategy.

Any changes in the reinsurance program are discussed with the Dirigeant Agréé and the Risk Committee and approved by the Board. An annual opinion is provided by the Chief Actuary regarding the appropriateness of the reinsurance program in mitigating risk and managing the volatility of annual operating results.

The company has renewed its reinsurance agreement on 1st January 2022. We brought a new reinsurer onto the panel, Everest Re. This allowed us to decrease some of the larger shares of other participants. While we were able to secure 100% placement, it was a +34% increase of EUR 1.8m from EUR 5.4m to EUR 7.2m. Beyond the limited supply of reinsurers willing to provide unlimited coverage, results for reinsurers generally across many classes of business in recent years have not been good. Continued pressure from managements and capital providers are causing underwriters to take significant action. Additionally, the ongoing depressed interest rate environment only sharpens reinsurers' focus on underwriting profitability.

Operational Resilience and Availability of Talent

Operational resilience has become a significant topic over the last few years and the Company is following regulatory guidance as it builds a robust program to comply with items such as DORA. Business continuity is paramount to enable us to continue to serve our members but like many organisations the ability to acquire and retain talent in some sectors is becoming increasingly harder

Going concern

The annual accounts have been prepared on a going concern basis. In assessing whether the going concern basis is appropriate, the directors have considered the information contained in the annual accounts, the latest business plan, profit forecasts and solvency calculations. The directors are satisfied that the Company has adequate resources to continue in operational existence for the foreseeable future.

The impact of COVID-19 cannot be underestimated both from a global economic perspective and its impact on businesses (both customers and employees). USAA S.A. introduced hybrid working practices to mitigate future pandemic risk and provide flexible working arrangements for employees.

Meanwhile, we are fortunate to have the backing and resources of a Fortune 100 group, which is assisting us in our response to this evolving situation. Our primary concern is to maintain our services to our members whilst ensuring the welfare of our employees, and we did not have to furlough any employees.

Research and Developments

The Company has not performed any Research and Development activities over 2022.

Subsequent events

As mentioned earlier, USAA S.A. acquired the liabilities of USAA Limited by way of a Part VII transfer effective 31 December 2022. The largest single claim on the books of USAA Limited prior to transfer required a significant increase in case reserve and this was approved at the internal Large Loss Committee on 27th February 2023. This loss is fully covered by reinsurance so is not affected the overall result of the company (although will increase the credit risk portion of the SCR). This event has been considered and is included in these financial statements as at 31 December 2022.

No other subsequent events occurred after year end that could materially impact the financial statements as of and for the year ended 31 December 2022.

Result allocation

The directors have not proposed or paid any dividends in respect of 2022.

It is proposed that 5% of profit after tax amounting to €373k (2021: €374k) be transferred to the legal reserve and the remaining profit be carried forward to future periods.

Approval

Approved by the Board of Directors and signed on its behalf by:

Simon Keith
Dirigeant Agréé, Director

30/3/23
Luxembourg

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working world

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Independent auditor's report

To the Shareholders of
USAA S.A.
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Report on the audit of the financial statements

Opinion

We have audited the financial statements of USAA S.A. (the "Company""), which comprise the balance sheet as at 31 December 2022, and the profit and loss account for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2022, and of the results of its operations for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the financial statements.

Basis for opinion

We conducted our audit in accordance with EU Regulation N° 537/2014, the Law of 23 July 2016 on the audit profession (the "Law of 23 July 2016") and with International Standards on Auditing ("ISAs") as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier" ("CSSF"). Our responsibilities under the EU Regulation Nº 537/2014, the Law of 23 July 2016 and ISAs as adopted for Luxembourg by the CSSF are further described in the "Responsibilities of the "réviseur d'entreprises agréé" for the audit of the financial statements" section of our report. We are also independent of the Company in accordance with the International Code of Ethics for Professional Accountants, including International Independence Standards, issued by the International Ethics Standards Board for Accountants ("IESBA Code") as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the financial statements, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of the audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of the provision for claims outstanding (including claims incurred but not reported)

Description:

At 31 December 2022, the provision for claims outstanding amounts to EUR 98.638.294 (2021: EUR 33.795.088).

As referred to in the accounting policies (note 4.9 of the financial statements), such provision comprises the estimated costs of settling all claims incurred up to but not paid at the balance sheet date whether reported or not, together with related claims handling expenses.

We considered the valuation of the provision for claims outstanding as a key audit matter as such valuation is dependent on judgements and estimates made by management and for which the quality of data, including historical paid and incurred claims data, methodology used by the loss adjusters of the Company and actuarial assumptions and methodology used in the context of the valuation of the provision for claims incurred but not reported ("IBNR"), can have a significant influence on the value of the provision for claims outstanding at 31 December 2022.

How the matter was addressed in our audit:

With the support of our actuarial specialists, we performed the following audit procedures:

- We obtained an understanding of the claims outstanding process, including the IBNR reserving process, and tested key controls within those processes;
- We tested cut-off of claims processing to ensure claims are recorded in the correct accounting period;
- We reviewed key assumptions and judgements used, specifically the loss projection methodology and process for reserving for large losses;
- We performed independent projections of gross and net claims with the assistance of our actuarial specialists; our actuarial specialists assessed the adequacy of the methodology and assumptions used for the IBNR reserving process;
- We obtained the data used by our actuarial specialists and, on a sample basis, tested inputs back to system information and underlying claims records to ensure data completeness and accuracy; and
- We tested manual adjustments to net claims outstanding, including IBNR.

Insurance portfolio transfer - ("the Part VII Transfer")

Description:

With effect from 31 December 2022, all of the liabilities and associated assets related to policies were transferred from USAA Limited, an affiliated company, into the Company in accordance with the terms of an insurance business transfer scheme pursuant to Part VII of the United Kingdom Financial Services and Markets Act 2000 ("the Part VII Transfer") approved by the High Court of Justice of England and Wales on 21 November 2022.

This was achieved in particular by performing an insurance portfolio transfer to novate insurance contracts written by USAA Limited to the USAA S.A UK Insurance Branch, which started underwriting UK policies from 1 April 2022. The relevant renewal rights were transferred via the portfolio transfer agreement for a consideration of £1.

As this insurance portfolio transfer is governed by a specific legal framework, the Company is exposed to risks of non-compliance with the legal and regulatory requirements of related transferor and transferee jurisdictions. Additionally, the Company is subject to potential significant misstatements resulting from incomplete or inaccurate policy or related technical data transferred. However, the underlying operational environment, processes and systems, and branch management has been retained by the Company.

How the matter was addressed in our audit:

We have assessed Management's control and procedures in place over portfolio transfer process. Additionally, we have performed other audit procedures which include, but are not limited to :

- Compliance checks with the regulatory requirements as well as the proper reconciliation with the terms and conditions as stipulated in the contractual agreement with the transferor;
- Completeness testing of transaction and its adequate accounting treatment;
- Challenge the appropriateness of the accounting policies used and how implemented, and consistency of application at year-end;
- Disclosure adequacy checks of this transaction in the financial statements of the Company.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the management report but does not include the financial statements and our report of "réviseur d'entreprises agréé" thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report this fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and of those charged with governance for the financial statements

The Board of Directors is responsible for the preparation and fair presentation of the financial statements in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the financial statements, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Responsibilities of the "réviseur d'entreprises agréé" for the audit of the financial statements

The objectives of our audit are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report of the "réviseur d'entreprises agréé" that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with EU Regulation N° 537/2014, the Law of 23 July 2016 and with the ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with EU Regulation N° 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of the "réviseur d'entreprises agréé" to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report of the "réviseur d'entreprises agréé". However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our report unless law or regulation precludes public disclosure about the matter.

Report on other legal and regulatory requirements

We have been appointed as “réviseur d’entreprises agréé” on 25 April 2022 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is 5 years.

The management report is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

We confirm that the prohibited non-audit services referred to in EU Regulation No 537/2014 were not provided and that we remained independent of the Company in conducting the audit.

Ernst & Young
Société anonyme
Cabinet de révision agréé

Brice Bultot

Luxembourg, 30 March 2023

USAA S. A

Balance Sheet
As of 31 December 2022

	Note	2022 €'000	2021 €'000
Assets			
Investments			
Other financial investments			
Debt securities and other fixed-income securities	*5*	131,239	76,645
Deposits with credit institutions		2,401	1,676
		133,640	78,321
Reinsurer's share of technical provisions			
Claims outstanding	*14*	29,746	14
		29,746	14
Salvages and subrogation	*14*	2,744	2,650
Debtors			
Debtors arising out of direct insurance operations	*19*	68,034	47,891
Other debtors	*6,19*	1,649	1,399
		69,683	49,290
Other assets			
Tangible assets	*7*	9	8
Cash and cash equivalents		54,398	28,935
		54,407	28,943
Prepayments and accrued income			
Accrued interest		731	575
Other prepayments and accrued income		111	92
		842	667
Total Assets		**291,062**	**159,885**

The accompanying notes form an integral part of these financial statements.

USAA S. A

Balance Sheet
As of 31 December 2022

	Note	2022 €'000	2021 €'000
Liabilities			
Capital and reserves			
Subscribed capital	8	80,030	45,030
Share premium account		19	19
Legal Reserve		1,025	651
Revaluation reserve		(338)	-
Result brought forward		19,479	12,366
Profit for the financial year		7,456	7,487
Total capital and reserves		107,671	65,553
Technical provisions			
Provision for unearned premiums	13	63,299	47,517
Claims outstanding	14	98,638	33,795
		161,937	81,312
Provisions for other risks and charges			
Provisions for taxation	20	8,877	7,712
Other provisions	21	-	-
		8,877	7,712
Creditors			
Creditors arising out of direct insurance operations	9	546	532
Other creditors	6,9	11,289	4,247
		11,835	4,779
Accruals and deferred income	10	742	529
Total liabilities		**291,062**	**159,885**

The accompanying notes form an integral part of these financial statements.

USAA S. A

Profit and loss account

Technical Account - Non-Life insurance business
For the year ended 31 December 2022

	Note	2022 €'000	2021 €'000
Earned premium, net of reinsurance			
Gross premiums written	11	116,813	83,847
Outward reinsurance premiums		(6,961)	(4,398)
Change in the gross provision for unearned premiums	13	(19,594)	(2,374)
		90,258	**77,075**
Allocated investment return transferred from the non-technical account	16	(3,069)	66
Claims incurred, net of reinsurance			
Claims paid			
Gross amount	14	(55,429)	(44,062)
Salvages and subrogation	14	3,356	2,642
		(52,073)	(41,420)
Change in the claims outstanding			
Gross amount	14	(21,106)	(10,813)
Salvages and subrogation	14	(414)	650
Reinsurer's share	14	14,768	(146)
		(6,752)	(10,309)
Claims incurred, net of reinsurance		**(58,825)**	**(51,729)**
Net operating expense	18	(21,433)	(18,694)
Total claims and expenses		**(80,258)**	**(70,423)**
Balance on the technical account for non-life insurance business		**6,931**	**6,718**

The accompanying notes form an integral part of these financial statements

USAA S. A

Profit and loss account

Non-Technical Account
For the year ended 31 December 2022

	Note	2022 €'000	2021 €'000
Balance on the technical account – for non-life insurance business		**6,931**	**6,718**
Investment income			
Income from other investments		2,627	1,205
Investment charges			
Investment management charges, including interest		(197)	-
Losses on realization of investments		(1,421)	(426)
Value adjustments on investments		(7,673)	(593)
Allocated investment return transferred to the non-life insurance technical account	*16*	3,069	(66)
Other income	*22*	6,274	2,936
Other charges	*23*	-	(2)
Profit on ordinary activities before tax		**9,610**	**9,772**
Tax on profit on ordinary activities	*20*	(1,828)	(1,978)
Other taxes not shown under previous items	*20*	(326)	(307)
Profit for the financial year		**7,456**	**7,487**

The accompanying notes form an integral part of these financial statements.

1. General information

USAA S.A. (the "Company") was incorporated on 9 May 2018 and is organised under the "Commercial Companies" laws of the Grand Duchy of Luxembourg as a public limited liability company (Société Anonyme) for an unlimited period. The Company is registered with the Register of Commerce and Companies of Luxembourg under number B224622.

The registered office of the Company is 1, Avenue du Bois, L-1251 Luxembourg.

The main activity of the Company is to carry out, for itself or on behalf of third parties, (i) any and all insurance and coinsurance operations in all insurance branches, to the exclusion of life-insurance business, and (ii) any reinsurance operations, to the exclusion of life reinsurance, this either in the Grand Duchy of Luxembourg or abroad.

On 25 September 2018, an insurance licence was granted to the Company by the Commissariat aux Assurances to underwrite business in the following classes 1, 3, 5, 6, 7, 8, 9, 10, 11, 12, 13, 17, 18 (non-life).

The financial year of the Company begins on the first day of January of each year and ends on the last day of December of the same year.

2. Presentation of the financial statements

The financial statements of the Company have been prepared in accordance with the law of 8 December 1994, as amended from time to time, and with the accounting policies generally accepted within the insurance and reinsurance industry in the Grand Duchy of Luxembourg. The accounting policies and valuation rules, apart from those defined by Luxembourg law or by the Commissariat aux Assurances, are determined and applied by the Board of Directors.

3. Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported as revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

4. Summary of significant accounting policies

This summary covers the significant accounting policies for ongoing insurance business.

4.1 Restructuring expenses

Restructuring expenses are recognised at the purchase price and are charged in full to the profit and loss as incurred.

4. Summary of significant accounting policies - continued

4.2 Financial fixed assets

- Other financial investments

Debt securities and other fixed-income securities are valued at amortised cost with premiums amortised on a straight-line basis over the period to maturity.

The amortised cost of debt securities and other fixed-income securities will be evaluated periodically and where a reduction in value is considered permanent in nature an adjustment will be made so that the valuation is at the lower value to be attributed to them at the balance sheet date. These value adjustments may not be carried when the reasons for which they were made cease to apply.

Deposits with credit institutions and with ceding undertakings are valued at nominal value.

4.3 Foreign currency translation

The company's functional and presentational currency is Euro.

Transactions expressed in other currencies than Euro are translated into Euro at the exchange rate effective at the time of the transactions. Assets and liabilities denominated in other currencies than Euro are translated into Euro at the rate of exchange prevailing at the balance sheet date. The resulting foreign exchange gains or losses are included in the result of the year. Income and expenses are translated at average rates.

Exchange differences from translation and the impact of foreign exchange transactions are allocated to other provision. Recognition through the profit and loss account only occurs when the provision is not sufficient to absorb a negative difference.

The Company used the following exchange rates to convert foreign currencies to Euro at 31 December 2022: EUR 1 = GBP 0.88660392 EUR 1 = USD 1.07282992

4.4 Salvages and subrogation

Salvages and subrogation represent the estimated recoverable amount arising from the acquisition of the policyholder's rights with respect to third parties or arising from the legal ownership of insured property upon settlement of a loss. The estimated recoverable amount is calculated separately for each claim.

The reinsurer's share of the subrogation and salvages is shown separately in the liability section of the balance sheet.

4. Summary of significant accounting policies - continued

4.5 Reinsurers' share of technical provisions

Amounts recoverable from reinsurers are accounted for in a manner consistent with the underlying contract liabilities, outstanding claims provisions or settled claims associated with the reinsured policies and in accordance with the relevant reinsurance contract.

4.6 Debtors

Debtors are valued at nominal value, less deduction for impairment, if applicable.

4.7 Other assets

Tangible assets are valued at purchase price and depreciated over their estimated useful economic lives. Cash at bank and in hand are valued at nominal value.

4.8 Prepayments and accrued income

- Deferred acquisition costs

The Company does not defer any acquisition costs.

- Other prepayments and accrued income

Prepayments and accrued income represent expenditure incurred during the financial year which relates to a subsequent financial year and income relating to the current financial year, but which is not receivable until a subsequent financial year.

4.9 Technical provisions

- Provision for unearned premiums

The provision for unearned premiums comprises the amount representing that part of gross premiums written which is estimated to be earned in the following or subsequent financial year, computed separately for each insurance contract using the daily pro rata method. The proportion attributable to subsequent periods are deferred as a provision for unearned premiums.

- Provision for claims outstanding

Outstanding claims comprise provisions for the estimated costs of settling all claims incurred up to but not paid at the balance sheet date whether reported or not, together with related claims handling expenses. Claims incurred includes all claims payments made in respect of the financial period, claims handling expenses and the movement in provision for outstanding claims and claims handling expenses.

4. Summary of significant accounting policies - continued

4.10 Provision for other risk and charges

- Provision for pension and similar obligations

The Company operates a number of defined benefit pension schemes. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and are discounted at the current rate of return of a high-quality corporate bond of equivalent term and currency to the liabilities.

The increase in the present value of the liabilities of the Company's defined benefit pension schemes expected to arise from employee service in the period is charged to the profit and loss account.

The net interest element is determined by multiplying the net defined benefit asset or liability by the discount rate at the start of the period, considering any changes in the net defined benefit asset or liability during the period as a result of contribution and benefit payments. The net interest is recognised in the profit or loss as other finance income or charges.

Re-measurement, comprising actuarial gains and losses, the effect of the asset ceiling and the return on the net defined benefit asset or liability (excluding amounts included in net interest) are recognised immediately in the profit and loss in the period in which they occur.

Any pension scheme surplus, to the extent it is considered recoverable, or deficit, is recognised in full and presented on the balance sheet.

The Company also operates a number of defined contribution schemes. Contributions to defined contribution schemes are recognised in the profit and loss account in the period in which they become payable.

The commitment of the Company is limited to the contributions that the Company agreed to pay into the fund on behalf of its employees.

- Provision for taxation

Provisions for taxation include estimated income tax liabilities for financial years for which a definitive taxation assessment has not yet been received from the fiscal authorities and unpaid final tax liabilities, net of advance payments.

- Other provisions

Other provisions are determined and estimated according to Luxembourg's accounting principles and management review. Other provisions include the foreign exchange provision.

4.11 Creditors

Creditors are valued at their nominal value.

4. Summary of significant accounting policies - continued

4.12 Accruals and deferred income

This liability item includes income received during the financial year but relating to a subsequent financial year, and charges which relate to the current financial year but are payable in a subsequent financial year.

4.13 Allocated investment return transferred from the non-technical account

This income or loss represents the portion of the total net investments returns that relates to assets which are held to cover the non-life technical provisions, and which are transferred from the non-technical account in order to better reflect the balance of the technical account of the non-life business.

5. Debt securities and other fixed-income securities

	2022 €'000	2021 €'000
Amortised cost basis	131,239	76,645
Market Value	131,245	76,960

Acquisition costs higher than redemption values

The unamortized part of the positive difference between the booked value and the redemption value (premium) of debt securities and other fixed income securities amounts to EUR (1,426k) (2021: EUR 2,776k)

The amount of premium amortisation recognised in the profit and loss account is EUR (10k) (2021: EUR 545k).

The unamortized part of the negative difference between the book value and the redemption value (discount) of debt and other fixed income securities amounts to EUR (5,037k) (2021: EUR (104k)).

The amount of discount amortization recognised in the profit and loss account is EUR (224k) (2021: EUR (24k)).

As of 31 December 2022, some debt and other fixed income securities have a book value of EUR 111,731k, which is higher than their market value of EUR 104,058k. The book value was adjusted downwards with the impairment costs of EUR 7,673k being charged to the profit and loss account.

6. Amounts owed by and to affiliated undertakings and other Group companies

As of 31 December 2022, amounts owed by and to affiliated undertakings and other Group companies included in the below balance sheet captions were as follows:

	2022 €'000	2021 €'000
Other creditors, due within 5 years	(9,254)	(2,951)
Other Debtors, due within 5 years	-	491
	(9,254)	**(2,460)**

7. Tangible assets

	2022 Equipment, furniture and computers €'000	2021 Equipment, furniture and computers €'000
Cost		
As at 1 January	93	93
Additions	10	-
Disposals	-	-
As at 31 December	103	93
Depreciation		
As at 1 January	(85)	(65)
Charge in year	(9)	(20)
Disposals	-	-
As at 31 December	(94)	(85)
Net book value		
As at 31 December	9	8

8. Capital and reserves

The subscribed capital amounts to EUR 80,030,000 and is divided into 80,030,000 shares fully paid up with a nominal value of EUR 1. The authorised capital amounts to EUR 94,000,000.

- Legal Reserve
  Luxembourg companies are required to allocate to a legal reserve a minimum of 5% of the annual net income, until this reserve equals 10% of the subscribed capital. This allocation is approved at the AGM each year. This reserve may not be distributed.
- Revaluation Reserve
  The functional currency of the UK branch is Sterling which is revalued to Euro at the rate of exchange as at the statement of financial position date for the overall functional and presentational currency of the Company. Translation differences relating to the revaluation of the UK branch are recorded in the revaluation reserve. This reserve may not be distributed.

The movements during the financial year in respect of capital and reserves are broken down as follows:

	Subscribed share capital €'000	Share premium account €'000	Legal reserve €'000	Revaluation reserve €'000	Retained earnings €'000	Profit for the year €'000	Total €'000
As at 1 January 2022	45,030	19	651	-	12,366	7,487	**65,553**
Addition	35,000	-	-	-	-	-	**35,000**
Allocation during the year	-	-	374	-	7,113	(7,487)	-
Loss arising from foreign currency translation adjustment	-	-	-	(338)	-	-	**(338)**
Result for the year	-	-	-	-	-	7,456	**7,456**
As at 31 December 2022	**80,030**	**19**	**1,025**	**(338)**	**19,479**	**7,456**	**107,671**

As per resolution of the AGM dated 25 April 2022. The meeting resolved to allocate EUR 374k to the legal reserve, which corresponds to 5% of profit after tax for the period ended 31 December 2021.

On 14 September 2022 the Board resolved to increase the capital of EUR 35.0m made through a Portfolio of Asset Transfer paid from USAA Limited to the immediate parent company who decided to allocate the dividend to the capital increase of the Company.

9. Creditors

As at 31 December 2022, creditors are becoming due and payable within 5 years and are composed as below:

	2022 €'000	2021 €'000
Creditors arising out of direct insurance operations	546	532
Other creditors	11,289	4,247
	11,835	**4,779**

9. Creditors (continued)

Other creditors, including tax and social security, as of 31 December 2022, were as follows:

	2022 €'000	2021 €'000
Other sundry creditors	2,035	1,296
Amounts owed to affiliated undertakings (note 6)	9,254	2,951
	11,289	**4,247**

10. Accruals and deferred income

As at 31 December 2022, accruals and deferred income are composed of:

	2022 €'000	2021 €'000
Salary and incentive accruals	250	211
Other accruals and deferred income	492	318
	742	**529**

11. Result from non-life insurance operations

Gross premiums written for the year ending 31 December 2022 relate to non-life insurance.

Gross premiums written, gross earned premiums, gross claims incurred, and operating expenses relate to direct insurance operations.

The breakdown is as follows:

2022	**Motor Other**	**Motor Third Party Liability**	**Fire Property Damage**	**General Liability**	**TOTAL**
	€'000	**€'000**	**€'000**	**€'000**	**€'000**
Gross premiums written	55,722	49,915	8,089	3,087	**116,813**
Gross earned premiums	47,338	40,743	6,603	2,535	**97,219**
Claims incurred – Gross	(33,894)	(37,894)	(3,731)	(1,016)	**(76,535)**
Subrogation and salvage	2,810	94	38	-	**2,942**
Operating expenses	(10,532)	(9,065)	(1,469)	(564)	**(21,630)**
Reinsurance balance	(967)	8,961	(135)	(52)	**7,807**

2021	**Motor Other**	**Motor Third Party Liability**	**Fire Property Damage**	**General Liability**	**TOTAL**
	€'000	**€'000**	**€'000**	**€'000**	**€'000**
Gross premiums written	41,199	34,767	5,694	2,187	**83,847**
Gross earned premiums	39,074	34,417	5,774	2,208	**81,473**
Claims incurred – Gross	(24,792)	(26,029)	(3,468)	(586)	**(54,875)**
Subrogation and salvage	3,263	24	5	-	**3,292**
Operating expenses	(8,965)	(7,897)	(1,325)	(507)	**(18,694)**
Reinsurance balance	(803)	(3,582)	(115)	(44)	**(4,544)**

12. Geographical breakdown of direct premiums written

The gross premiums were written in the UK and the Member States of the European Union other than the Grand Duchy of Luxembourg. The analysis by country of origin is as follows:

Gross premiums written	2022	2021
	€'000	€'000
Germany	65,520	56,044
Italy	24,693	21,109
UK	18,787	-
Spain	2,860	2,596
Belgium	2,668	2,184
Netherlands	1,327	1,165
Greece	395	323
Portugal	359	259
France	204	167
	116,813	**83,847**

13. Provisions for unearned premiums

	Gross	Reinsurers share	Net
	€'000	€'000	€'000
As at 1 January 2022	47,517	-	47,517
Premiums written in the year	116,813	-	116,813
Premiums earned in the year	(97,219)	-	(97,219)
Part VII Transfer	552	-	552
Foreign exchange translation difference	(4,364)	-	(4,364)
As at 31 December 2022	**63,299**	**-**	**63,299**
As at 1 January 2021	41,625	-	41,624
Premiums written in the year	83,847	-	83,847
Premiums earned in the year	(81,473)	-	(81,473)
Foreign exchange translation difference	3,518	-	3,518
As at 31 December 2021	**47,517**	**-**	**47,517**

14. Claims outstanding

	Gross	Salvages and subrogation	Reinsurers share	Net
	€'000	€'000	€'000	€'000
As at 1 January 2022	33,795	(2,650)	(14)	31,131
Claims incurred in current accident year	78,690	(3,476)	-	75,214
Claims incurred in prior accident year	(2,155)	534	(14,768)	(16,389)
Claims paid during the year	(55,429)	3,356	-	(52,073)
Part VII Transfer	43,532	(521)	(15,529)	27,482
Foreign exchange	205	13	565	783
As at 31 December 2022	**98,638**	**(2,744)**	**(29,746)**	**66,148**
As at 1 January 2021	22,962	(2,000)	(160)	20,802
Claims incurred in current accident year	56,814	(3,532)	-	53,282
Claims incurred in prior accident year	(1,939)	240	146	(1,553)
Claims paid during the year	(44,062)	2,642	-	(41,420)
Foreign exchange	20	-	-	20
As at 31 December 2021	**33,795**	**(2,650)**	**(14)**	**31,131**

15. Acquisition costs

No commissions were paid to insurance intermediaries relating to direct insurance for the period ended 31 December 2022.

16. Allocated investment return transferred to the non-life insurance technical account

In conformity with article 55 of the law of 8 December 1994, this income or loss represents the portion of the total net investment return that relations to assets which are held to cover the non-life technical provisions, and which are transferred from the non-technical account in order to better reflect the balance of the technical account of the non-life business.

This amount transferred is determined on the basis of a ratio represented by the portion of technical provision in the total amount of net equity and technical provisions.

17. Personnel employed during the year

The average number of employees of the Company during the financial year were as follows:

	2022	2021
Management	3	3
Administration	-	-
Operations	34	35
Support (Risk/Finance)	2	2
	39	**40**

18. Staff costs and directors' remuneration

Staff Costs
Employee related costs are included in administrative expenses and are broken down as follows:

	2022 €'000	2021 €'000
Wages and salaries	3,117	2,783
Social charges	1,549	1,171
Including pension	*1,093*	*722*
Other	32	28
	4,698	**3,982**

Employee costs above include EUR 702k posted in operating expenses and EUR 3,996k posted in claims paid. The operating expenses are broken down as follows:

	2022 €'000	2021 €'000
Wages and salaries	600	353
Social charges	98	62
Including pension	*27*	*13*
Other	4	3
	702	**418**

Directors' remuneration

	2022 €'000	2021 €'000
Aggregate remuneration in respect of qualifying services	742	678
Aggregate amounts receivable under long-term incentive scheme	97	84
	839	**762**

19. Debtors

As of 31 December 2022, debtors arising out of direct insurance operations were as follows:

	2022 €'000	2021 €'000
Debtors arising out of direct insurance operations		
Amounts owed by policyholders	60,359	43,832
Amounts owed by ultimate parent company	7,675	4,059
	68,034	47,891
Other debtors		
Amounts owed by overseas tax authorities	1,069	908
Amounts withheld - Italy premium IPT	580	-
Amounts owed by related parties (Note 6)	-	491
	1,649	1,399
	69,683	**49,290**

20. Taxes

The Company is subject to the general tax regulations applicable to all companies in Luxembourg. The branches of the Company are subject to the tax regulation in the respective countries.

The current tax charge for the year is as follows:

	2022 €'000	2021 €'000
Corporate Income Tax	1,069	1,269
Municipal Business Tax	395	470
Net Wealth Tax	326	307
Foreign Branch Tax	393	291
Adjustments in respect of prior years	(29)	(52)
Total current tax charge	**2,154**	**2,285**
Outstanding from previous year	6,723	5,427
Provision for Taxation	**8,877**	**7,712**

21. Other Provisions - Pension assets and liabilities

	2022 €'000	2021 €'000
Present Value of Funded Defined Benefit Obligation	(9,804)	(14,918)
(Fair Value of Plan Assets)	12,773	15,038
Surplus/(Deficit) of Plan	2,969	120
Prudential reversal of pension surplus	(2,969)	(120)
Net Defined Benefit Liabilities recognized in accounts	-	-

22. Other income

Other income includes remeasurements credit on pension assets amounting to EUR 849k (2021: EUR 2,517k).

	2022 €'000	2021 €'000
Remeasurement on Plan Assets	(2,421)	1,895
Actuarial Gain on Defined Benefit Liabilities	6,239	742
Prudential reversal of pension surplus	(2,969)	(120)
Surplus/(Deficit) of Plan	849	2,517
Included in the operating expenses	-	-
Administrative and Operations provided to other members of the group	319	419
Currency translation	4,984	-
Other finance income	122	-
	6,274	**2,936**

23. Other charges

Other charges are broken down as follows:

	2022 €'000	2021 €'000
Currency translation	-	14
Finance costs	-	(16)
	-	**(2)**

24. Fees paid to the independent auditor

The fees paid during 2022 and 2021 calendar years and excluding all taxes for the services rendered by the independent auditor (Ernst & Young S.A.) are as follows:

	2022 €'000	2021 €'000
Statutory audit and separate reports:	75	52
Non audit services	14	2

In 2022, non-audit services relate to the Contribution in kind report. In 2021, non-audit services related to authorised consultancy services.

The Company also paid fees to other entities of the Ernst & Young network for the year ended 31 December 2022 amounted to EUR 47k (2021: EUR 48k).

25. Off balance sheet commitments

The Company had issued a guarantee letter to the trustees of the Pension scheme of USAA Limited in the United Kingdom guaranteeing the future pension obligations of USAA Limited. The UK scheme is reporting a surplus of EUR 5,373k as of 31 December 2022 on UK GAAP accounting valuation basis. In May 2022, the UK scheme carried out a full scheme buy-in with a bulk annuity provider with intent to convert this buy-in into a buy-out during 2023. The guarantee letter will remain in place until the buy-out occurs in 2023.

26. Parent company and ultimate controlling party

The Company is a wholly owned subsidiary of USAA International Services SARL the registered office of which is 1, Avenue du Bois, L-1251 Luxembourg. The ultimate parent company is deemed to be United Services Automobile Association, which is registered in Texas, United States of America. The ultimate parent company is owned by its members due to its mutual status therefore there is not deemed to be an ultimate controlling party. Copies of the ultimate parent company's consolidated group accounts may be obtained from USAA Building, Fredericksburg Road, San Antonio, Texas 78288.

27. Part VII transfer

The Group reviewed the international structure during 2021 and implemented a new structure to reduce costs, ease volatility of results and improve efficiency. This was achieved by transferring the UK portfolio of USAA Limited into the USAA S.A UK Insurance Branch, which started underwriting UK policies from 01 April 2022 and the relevant renewal rights were transferred via the business transfer agreement for a consideration of £1.

The remaining assets and liabilities from USAA Limited were appropriately transferred to either USAA S.A or the USAA S.A UK Branch via a Part VII transfer with an effective date of 31 December 2022. The settlement for the transfer was recognized in the 2022 accounts at a value of EUR 26.1m.

	SA	SA UK Branch	Total
	€'000	€'000	€'000
Assets			
Debt securities and other fixed-income securities	16,648	9,458	26,106
Reinsurer's share of technical provisions			
Claims outstanding	4,421	11,108	15,529
Debtors arising out of direct insurance	-	934	934
Other debtors	-	(213)	(213)
Other prepayments and accrued income	1,069	-	1,069
Total assets	**22,138**	**21,287**	**43,425**
Liabilities			
Technical provisions			
Provision for unearned premium	-	552	552
Claims outstanding	22,138	20,873	43,011
Creditors arising out of direct insurance operations	-	(138)	(138)
Total liabilities	**22,138**	**21,287**	**43,425**

The remaining non-insurance assets and liabilities will be transferred via a business transfer agreement for a consideration of the balance sheet value of the business transfer as at the effective date and to the extent not transferred under the Part VII scheme. The settlement for the transfer at carrying value will be recognized during 2023.

28. Subsequent events

No other subsequent events than the one already mentioned in the Directors report occurred after year end that could materially impact the financial statements as of and for the year ended 31 December 2022.