USAA S.A.
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Financial statements
31 December 2023

Director's report
and
Independent auditor's report

USAA S.A.

USAA S. A

Annual Report and Financial Statements

Contents	***Page***

Directors report

The Directors present their annual report and audited annual accounts for the year ending 31 December 2023.

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. USAA S.A. UK, a third country branch of USAA S.A., underwrites UK policies. USAA S.A. is a direct subsidiary of USAA International Services S.á.r.l, 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 and casualty 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.'s insurance license was granted by the Commissariat aux Assurances on 25 September 2018 and is authorized to underwrite business in the following non-life classes 1, 3, 5, 6, 7, 8, 9, 10, 11, 12, 13, 17, 18.

USAA S.A. provides Auto, Renters, Umbrella (personal liability) and VPP (Valuable Personal Property) products to USAA members residing in the European Union (EU) countries of Belgium, The Netherlands, France, Greece, Spain, Germany, Portugal and the Azores, and Italy, 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 International Services S.á.r.l. 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 two branches, one in Germany that handles claims in Europe, and a second third country branch in the U.K., approved by the CAA on 02 December 2021, that provides Underwriting and Claims services to members residing in the United Kingdom.

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 five times in 2023 and all members of the Board of Directors attended four of the meetings with one absence from one of 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.

As of 31 December 2023 there are two committees of the Board that support the work of the Board of Directors as a whole: the Risk and Compliance 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 resigned 28 July 2023
Member of the Board: William Shriver appointed 28 July 2023
Member of the Board Debra Dunn appointed 28 July 2023
Non-Executive Members of the Board: Dirk Beeckman, Craig Anthony Scarr, Karen Graves

Key Function Holders:

Simon Keith DA – appointed 01 October 2022, resigned 28 July 2023
William Shriver DA – appointed 12 September 2023
Kevin Skube as Risk Key Function Holder resigned 30 June 2023, re-appointed 20 September 2023
Heidrun Tenzer as Risk Key Function Holder appointed 1 July 2023, resigned 20 September 2023
Anna Benavides as Internal Audit Key Function Holder resigned 26 April 2023
Dhori Zharkalli as Internal Audit Key Function Holder appointed 27 April 2023
Nancy Nguyen Actuarial Key Function Holder
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 2023 until 31 December 2023 the Company earned a profit after tax of EUR 11,555k (2022: EUR 7,456k). The Company continued writing insurance business in the period and the profit derived from its underwriting activities is set out below.

Gross Premiums Written

Gross premiums written of EUR 121.3m (2022 EUR 116.8m). The increase is predominantly due to premium growth in the UK branch of EUR 4.8m 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 53.6% of total premiums written (2022 56.1%). The second biggest country is Italy accounting for 20.8% (2022 21.1%) of premiums. The most important product lines are Motor Other, 47.9% (2022 48.7%) of gross premiums written and Motor Third Party Liability 42.5% (2022 41.9%).

Claims

Net claims incurred of EUR 71.5m (2022 EUR 58.8m) were higher than prior year due to increased business underwritten by the UK branch.

Expenses

Expenses of EUR 28.1m (2022 EUR 21.4m) are EUR 6.7m higher than previous year mainly due to increased Staff Costs of EUR 3.9m, Service Fees and outsourced costs paid to USAA and the European business units of EUR 1.7m charged as a % of earned premium with other increases in regulatory Funds/Levies of EUR 0.5m offset partially by decreases in Consultant fees, Legal and Accounting services and VAT expense.

Combined ratio

Combined Operating ratio of 88.0% is lower than the planned ratio of 97.9% and 2022 at 89.1% largely due to lower than expected claims incurred and operating expenses.

Investments

For the year ended 31 December 2023, the investment results corresponded to net investment income amounting to EUR 6,471k compared to net negative investment income of EUR 6,664k in the previous year. The investment performance is due to better market conditions in 2023 leading to a Value re-adjustment on investments of EUR 3,836k.

The Company is investing in 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 and a credit on past service cost on the German pension fund amounting to EUR (4.2m) are recognised in other charges in 2023. In 2022 there was an actuarial gain of EUR 0.8m which was recognised in other income.

Other income also includes EUR 1.5m (2022 EUR 0.3m) received from affiliate companies, for claims services provided by the German claims 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 2023, 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 291.1m as of 31 December 2022 to EUR 306.1m as of 31 December 2023, mainly driven by the increases in investments offset by a decrease in cash balances and increases in debtors, reinsurer's share of technical provisions and Subrogation and salvages.

Liabilities

Total liabilities, excluding capital and reserves, amounted to EUR 186.8m compared to EUR 183.4m in the previous year, mainly driven by the increase of technical provisions of EUR 9.7m offset by decreases in tax liabilities and other creditors.

Capital and reserves increased by EUR 11.6m (2022: EUR 42.1m) due to the net profit for the year.

Future developments

The immediate objectives of the Company are to manage operations effectively and efficiently 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 embedded distribution channels to members, and ensuring that we are providing the appropriate products to 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 ensure it remains within the acceptable range
- 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 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 and 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 reinsurance. 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 96-98% over its 3-year planning horizon.

Climate Change Risk

Effects of climate change continue to be monitored and while USAA S.A. does not write Homeowners or Landlord insurance, the two areas where climate change impacts are most severe, as experienced by the USAA stateside, our portfolio is potentially impacted. A report shared with the USAA S.A. Board in March by our SLOD Risk team provided a review of the US Department of Defense (DoD) Installation exposure to climate change.

Due to the unique business model of USAA S.A., insurance risk is concentrated to the US military installations in the EU and UK. The US DoD has published a report providing insight into installation exposure to climate change at home and abroad. The report references results from the DoD Climate Assessment Tool (DCAT), which produces assessments of future climate exposure to eight hazards: coastal flooding, riverine flooding, heat, drought, energy demand, land degradation, wildfire, and historical extreme weather events.
The screening-level DCAT results indicate that:

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1. Climate hazard exposure across all installations increases through time for scenarios of both lower and higher warming.
2. Climate hazard exposure is more pronounced for the later epoch (2085) and the scenarios of higher warming.
3. For most hazards, there is close similarity in values between the 2085 lower and 2050 higher conditions.
4. Differences in the degree of exposure to hazards are similar across both scenarios until mid-century, when they diverge.
5. Hazards more directly tied to temperature change (e.g., heat, drought, wildfire) show larger increases in exposure under the 2085 higher scenario than other hazards.
6. Slower increases in exposure with time are evident for other hazards (e.g., coastal flooding, energy demand, land degradation).
7. Drought is the dominant indicator across all epoch-scenarios for DoD and for the individual Departments.
8. There is no epoch-scenario combination under which installation exposure to climate hazards is projected to decrease.

DoD's installations relevant to the business underwritten by USAA S.A. are categorized as "Rest of the World (ROW)". ROW installations relevant for USAA S.A. represent the locations located in Northern Europe, as well as Southern Europe/Mediterranean. Both locations have relevant Army and Air Force installations, with a limited relevance of Navy installations in Southern Europe/Mediterranean.

The following results are indicated for the ROW:

- Across the rest of the world installations, the dominant hazard across all the Departments is drought, while heat is also a common concern.
- Navy and Air Force ROW installations have large exposure to coastal and riverine flooding, and to land degradation.

Army ROW installations in the DCAT are predominantly located in inland urban environments where coastal erosion, coastal inundation, and riverine flood exposure is low.
In reviewing this data, we are impacted by the losses that would be realized for the perils outlined in the report. While the overall majority of our members in Europe and the UK are Army and Air Force, we do have significant exposure to impacts to Navy facilities in Italy and Spain. USAA S.A. is protected from significant financial impact due to losses caused by our Stop Loss agreement with our parent.

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 continued to experience unprecedented inflationary pressures during 2023 caused by the Russia-Ukraine conflict, resultant shocks to the global supply chain, soaring production costs, tightening of interest rates and a cost-of-living crisis impacting our members' price sensitivity. However, inflationary impacts have been partially mitigated for the Company due to the historically strong U.S. Dollar. The Company collects premiums in U.S. Dollars and pays claims and most expenses in the local currency. The strong Dollar relative to the Euro and British Pound Sterling significantly offsets the increase in claims and expense costs. This exchange rate favorability allowed us to temper our premium increases compared to other general insurers. 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 and 2023 by increasing our projected losses in the operational plan, particularly to account for increases to the estimated ultimate loss particularly in the Auto Material Damage (MTD) coverages (Collision, Comprehensive, Property Damage) that were most affected by the increasing trends. Actual losses were slightly below the plan and showed net favorable development, suggesting that our forecasting and reserving functions are accounting sufficiently for inflation. 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

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 stop 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. 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 regarding technical ratings of reinsurance are causing underwriters to take action. The appetite of reinsurers to reinsure 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 policyholders. This is something that we are acutely aware of and may necessitate an alternative reinsurance strategy.

The company renewed it reinsurance agreement on 1st January 2023. Somers Re, which comprised 8% of the treaty share in 2022, left the panel. Somers Re's share was absorbed by Everest Re, whose share increased from 8% to 15%, and Arch Re, whose share increased from 10% to 11%. While we were able to secure 100% placement, it came at a rate increase of +15.6%, or a +35% increase in Euro terms. The cost rose from €5.36m in 2022, on a fully developed post-true-up basis, to €7.24m in 2023. To mitigate the rate increase, we raised the per-loss retention on the UK portfolio from £2.12m to £3.45m.

Any changes in the reinsurance program were discussed with the Dirigeant Agréé and approved by the Risk Committee. In addition, an annual opinion is provided by the Actuarial Key Function Holder regarding the appropriateness of the reinsurance program in mitigating risk and managing the volatility of annual operating results.

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 policyholders but like many organisations the ability to acquire and retain talent in some sectors is becoming increasingly harder.

USAA S.A.

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.

Research and Developments

The Company has not performed any Research and Development activities over 2023.

Subsequent events

No subsequent events occurred after year end that could materially impact the financial statements as of and for the year ended 31 December 2023.

Result allocation

The directors have not proposed or paid any dividends in respect of 2023.

It is proposed that 5% of profit after tax amounting to €578k (2022: €373k) 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:

William Shriver
Dirigeant Agréé, Director

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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 2023, 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 2023, 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 2023, the provision for claims outstanding amounts to EUR 107.136.061
(2022: EUR 98.638.294).

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 2023.

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.

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 26 April 2023 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is 6 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, 8 April 2024

USAA S.A.

Balance Sheet
As of 31 December 2023

	Note	2023 €'000	2022 €'000
Assets			
Investments			
Other financial investments			
Debt securities and other fixed-income securities	*5*	153,835	131,239
Deposits with credit institutions		1,189	2,401
		155,024	133,640
Reinsurer's share of technical provisions			
Claims outstanding	*14*	30,317	29,746
		30,317	29,746
Salvages and subrogation	*14*	3,419	2,744
Debtors			
Debtors arising out of direct insurance operations	*19*	69,359	68,034
Other debtors	*6,19*	1,774	1,649
		71,133	69,683
Other assets			
Tangible assets	*7*	36	9
Cash and cash equivalents		44,267	54,398
		44,303	54,407
Prepayments and accrued income			
Accrued interest		1,651	731
Other prepayments and accrued income		210	111
		1,861	842
Total Assets		**306,057**	**291,062**

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

USAA S.A.

Balance Sheet
As of 31 December 2023

	Note	2023 €'000	2022 €'000
Liabilities			
Capital and reserves			
Subscribed capital	8	80,030	80,030
Share premium account		19	19
Legal Reserve		1,398	1,025
Revaluation reserve		(334)	(338)
Result brought forward		26,562	19,479
Profit for the financial year		11,555	7,456
Total capital and reserves		119,230	107,671
Technical provisions			
Provision for unearned premiums	13	64,463	63,299
Claims outstanding	14	107,136	98,638
		171,599	161,937
Provisions for other risks and charges			
Provisions for taxation	20	4,156	8,877
Other provisions	21	-	-
		4,156	8,877
Creditors			
Creditors arising out of direct insurance operations	9	341	546
Other creditors	6,9	9,219	11,289
		9,560	11,835
Accruals and deferred income	10	1,512	742
Total liabilities		**306,057**	**291,062**

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 2023

	Note	2023 €'000	2022 €'000
Earned premium, net of reinsurance			
Gross premiums written	11	121,260	116,813
Outward reinsurance premiums		(9,851)	(6,961)
Change in the gross provision for unearned premiums	13	421	(19,594)
		111,830	**90,258**
Allocated investment return transferred from the non-technical account	16	3,285	(3,069)
Claims incurred, net of reinsurance			
Claims paid			
Gross amount	14	(69,191)	(55,429)
Salvages and subrogation	14	4,941	3,356
		(64,250)	(52,073)
Change in the claims outstanding			
Gross amount	14	(7,801)	(21,106)
Salvages and subrogation	14	673	(414)
Reinsurer's share	14	(65)	14,768
		(7,193)	(6,752)
Claims incurred, net of reinsurance		**(71,443)**	**(58,825)**
Net operating expense	18	(28,192)	(21,433)
Total claims and expenses		**(99,635)**	**(80,258)**
Balance on the technical account for non-life insurance business		**15,480**	**6,931**

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 2023

	Note	2023 €'000	2022 €'000
Balance on the technical account – for non-life insurance business		**15,480**	**6,931**
Investment income			
Income from other investments		4,091	2,627
Value re-adjustments on investments	*5*	3,836	-
Investment charges			
Investment management charges, including interest		(405)	(197)
Losses on realization of investments		(1,050)	(1,421)
Value adjustments on investments	*5*	-	(7,673)
Allocated investment return transferred to the non-life insurance technical account	*16*	(3,285)	3,069
Other income	*22*	4,638	6,274
Other charges	*23*	(6,715)	-
Profit on ordinary activities before tax		**16,590**	**9,610**
Tax on profit on ordinary activities	*20*	(4,553)	(1,828)
Other taxes not shown under previous items	*20*	(482)	(326)
Profit for the financial year		**11,555**	**7,456**

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 2023: EUR 1 = GBP 0.86696357 EUR 1 = USD 1.103740

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

	2023 €'000	2022 €'000
Amortised cost basis	153,835	131,239
Market Value	156,049	131,245

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 (857k) (2022: EUR (1,426k))

The amount of premium amortisation recognised in the profit and loss account is EUR (38k) (2022: EUR (10k)). The amortisation premium on Debt securities and other fixed-income securities is shown under "Investment management charges, including interest".

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 7,902k (2022: EUR (5,037k)).

The amount of discount amortization recognised in the profit and loss account is EUR 1,451k (2022: EUR (224k)). The amortisation discount on Debt securities and other fixed-income securities is shown under "Income from other investments".

As of 31 December 2023, some debt and other fixed income securities have a book value of EUR 60.659k, which is higher than their market value of EUR 56.823k. The book value was adjusted downwards with the impairment costs of EUR 3,836k being charged to the profit and loss account being offset by the reversal of the value adjustment recognised in 2022 for EUR 7,672k.

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

As of 31 December 2023, amounts owed by and to affiliated undertakings and other Group companies included in the below balance sheet captions were as follows:

	2023 €'000	2022 €'000
Other creditors, due within 5 years	(6,824)	(9,254)
Other Debtors, due within 5 years	-	-
	(6,824)	**(9,254)**

7. Tangible assets

	2023 Equipment, furniture and computers €'000	2022 Equipment, furniture and computers €'000
Cost		
As at 1 January	103	93
Additions	36	10
Disposals	-	-
As at 31 December	139	103
Depreciation		
As at 1 January	(94)	(85)
Charge in year	(9)	(9)
Disposals	-	-
As at 31 December	(103)	(94)
Net book value		
As at 31 December	36	9

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 2023	80,030	19	1,025	(338)	19,479	7,456	**107,671**
Addition	-	-	-	-	-	-	-
Allocation during the year	-	-	373	-	7,083	(7,456)	-
Loss arising from foreign currency translation adjustment	-	-	-	4	-	-	**4**
Result for the year	-	-	-	-	-	11,555	**11,555**
As at 31 December 2023	**80,030**	**19**	**1,398**	**(334)**	**26,562**	**11,555**	**119,230**

As per resolution of the AGM dated 26 April 2023. The meeting resolved to allocate EUR 373k to the legal reserve, which corresponds to 5% of profit after tax for the period ended 31 December 2022.

9. Creditors

As at 31 December 2023, creditors are becoming due and payable within 5 years and are composed as below:

	2023 €'000	2022 €'000
Creditors arising out of direct insurance operations	341	546
Other creditors	9,219	11,289
	9,560	**11,835**

9. Creditors (continued)

Other creditors, including tax and social security, as of 31 December 2023, were as follows:

	2023 €'000	2022 €'000
Other sundry creditors	2,395	2,035
Amounts owed to affiliated undertakings (note 6)	6,824	9,254
	9,219	**11,289**

10. Accruals and deferred income

As at 31 December 2023, accruals and deferred income are composed of:

	2023 €'000	2022 €'000
Salary and incentive accruals	598	250
Other accruals and deferred income	914	492
	1,512	**742**

11. Result from non-life insurance operations

Gross premiums written for the year ending 31 December 2023 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:

2023	**Motor Other**	**Motor Third Party Liability**	**Fire Property Damage**	**General Liability**	**TOTAL**
	€'000	**€'000**	**€'000**	**€'000**	**€'000**
Gross premiums written	58,063	51,544	8,447	3,206	**121,260**
Gross earned premiums	57,768	52,136	8,544	3,233	**121,681**
Claims incurred – Gross	(38,397)	(33,488)	(4,602)	(505)	**(76,992)**
Subrogation and salvage	5,696	62	(144)	-	**5,614**
Operating expenses	(13,385)	(12,079)	(1,979)	(749)	**(28,192)**
Reinsurance balance	(1,179)	(8,497)	(174)	(66)	**(9,916)**

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**

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	**2023**	**2022**
	€'000	**€'000**
Germany	64,986	65,520
Italy	25,172	24,693
UK	23,580	18,787
Belgium	2,604	2,668
Spain	2,600	2,860
Netherlands	1,344	1,327
Portugal	385	359
Greece	376	395
France	213	204
	121,260	**116,813**

13. Provisions for unearned premiums

	Gross	**Reinsurers share**	**Net**
	€'000	**€'000**	**€'000**
As at 1 January 2023	63,299	-	63,299
Premiums written in the year	121,260	-	121,260
Premiums earned in the year	(121,681)	-	(121,681)
Foreign exchange translation difference	1,585	-	1,585
As at 31 December 2023	**64,463**	**-**	**64,463**
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**

14. Claims outstanding

	Gross	Salvages and subrogation	Reinsurers share	Net
	€'000	€'000	€'000	€'000
As at 1 January 2023	98,638	(2,744)	(29,746)	66,148
Claims incurred in current accident year	75,829	(4,984)	-	70,845
Claims incurred in prior accident year	1,163	(630)	65	598
Claims paid during the year	(69,191)	4,941	-	(64,250)
Foreign exchange	698	(2)	(636)	60
As at 31 December 2023	**107,136**	**(3,419)**	**(30,317)**	**73,400**
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**

15. Acquisition costs

No commissions were paid to insurance intermediaries relating to direct insurance for the period ended 31 December 2023.

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 based on 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:

	2023	2022
Management (inclusive of all people leaders)	12	3
Administration	7	-
Operations	37	34
Support (Risk/Finance)	27	2
	83	**39**

18. Staff costs and directors' remuneration

Staff Costs

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

	2023 €'000	2022 €'000
Wages and salaries	7,002	3,117
Social charges	1,239	1,549
Including pension	*(2)*	*1,093*
Other	5	32
	8,246	**4,698**

Employee costs above include EUR 5,360k posted in operating expenses and EUR 2,886k posted in claims paid. The operating expenses are broken down as follows:

	2023 €'000	2022 €'000
Wages and salaries	4,390	600
Social charges	964	98
Including pension	*324*	*27*
Other	6	4
	5,360	**702**

Directors' remuneration

	2023 €'000	2022 €'000
Aggregate remuneration in respect of qualifying services	905	742
Aggregate amounts receivable under long-term incentive scheme	-	97
	905	**839**

19. Debtors

As of 31 December 2023, debtors arising out of direct insurance operations were as follows:

	2023 €'000	2022 €'000
Debtors arising out of direct insurance operations		
Amounts owed by policyholders	61,906	60,359
Amounts owed by ultimate parent company	7,453	7,675
	69,359	68,034
Other debtors		
Amounts owed by overseas tax authorities	1,069	1,069
Amounts withheld – Italy premium IPT	705	580
	1,774	1,649
	71,133	**69,683**

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.

Pillar Two legislation has been enacted or substantively enacted in certain jurisdictions the Group operates. The Group is in scope of the enacted or substantively enacted legislation. However, the legislation was enacted close to the reporting date. Therefore, the Group is still in the process of assessing the potential exposure to Pillar Two income taxes as at 31 December 2023. The potential exposure, if any, to Pillar Two income taxes is currently not known or reasonably estimable. The Group expects to be in a position to report the potential exposure in its next financial statements for the period ending 31 December 2024.

The current tax charge for the year is as follows:

	2023 €'000	2022 €'000
Corporate Income Tax	2,749	1,069
Municipal Business Tax	1,019	395
Net Wealth Tax	482	326
Foreign Branch Tax	873	393
Adjustments in respect of prior years	(88)	(29)
Total current tax charge	**5,035**	**2,154**
Outstanding from previous year	(879)	6,723
Provision for Taxation	**4,156**	**8,877**

21. Other Provisions - Pension assets and liabilities

	2023 €'000	2022 €'000
Present Value of Funded Defined Benefit Obligation	(13,835)	(9,804)
(Fair Value of Plan Assets)	19,050	12,773
Surplus/(Deficit) of Plan	5,215	2,969
Prudential reversal of pension surplus	(5,215)	(2,969)
Net Defined Benefit Liabilities recognized in accounts	-	-

22. Other income

In 2022, other income included remeasurements cost on pension assets amounting to EUR 849k. In 2023, such remeasurements generated a deficit of EUR (4,245k) as reported in other charges.

	2023 €'000	2022 €'000
Remeasurement on Plan Assets	1,681	(2,421)
Actuarial Gain on Defined Benefit Liabilities	(711)	6,239
Prudential reversal of pension surplus (Note 21)	(5,215)	(2,969)
Surplus/(Deficit) of Plan	(4,245)	849
Included in other charges (Note 23)	4,245	-
Administrative and Operations provided to other members of the group	1,483	319
Currency translation	-	4,984
Other finance income	3,155	122
	4,638	**6,274**

23. Other charges

Other charges are broken down as follows:	2023 €'000	2022 €'000
Currency translation	(2,470)	-
Finance costs	-	-
Surplus / (Deficit) of Plan (Note 22)	(4,245)	-
	(6,715)	**-**

24. Fees paid to the independent auditor

The fees paid during 2023 and 2022 calendar years and excluding all taxes for the services rendered by the independent auditor (Ernst & Young S.A.) are as follows:

	2023 €'000	2022 €'000
Statutory audit and separate reports:	92	75
Non audit services	-	14

Non-audit serves in 2022 related to the Contribution in kind report.

The Company also paid fees to other entities of the Ernst & Young network for the year ended 31 December 2023 amounted to EUR 49k (2022: EUR 47k).

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. In May 2022, the UK scheme carried out a full scheme buy-in with a bulk annuity provider and converted this buy-in into a buy-out during 2023. The guarantee letter remained in place until the buy-out occurred in 2023.

26. Parent company and ultimate controlling party

The Company is a wholly owned subsidiary of USAA International Services S.á.r.l. 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. Subsequent events

No subsequent events occurred after year end that could materially impact the financial statements as of and for the year ended 31 December 2023.