

**USAA S.A.
1, Avenue du Bois,
L-1251 Luxembourg
R.C.S. Luxembourg B224622**

**Financial statements
31 December 2019**

Director's report

and

Independent auditor's report

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Director's report

The Directors present their report and audited annual accounts for the year ending 31 December 2019.

Directors and Directors' interests

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

Simon Patrick Kendall Keith

Jennifer Shirley MacNaughton (resigned on 28 May 2019)

Steven Wayne Peacock

Axel Baumann

Dirk Beekman

Craig Anthony Scarr

Karen Graves (appointed on 01 February 2019)

Randy Termeer (appointed on 17 June 2019)

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

Results, allocation of results and dividends

In the period 01 January 2019 until 31 December 2019 the Company earned a profit after tax of EUR 5,141,553. It is proposed that the profit will be carried forward to future periods. The Company commenced writing insurance business in the period and the profit derives from the successful transition of European Union business to the Company from USAA Limited in the United Kingdom which no longer writes EU business following Brexit. The directors have not proposed or paid any dividends in respect of 2019.

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

Activities since the last closing and future developments

The Company has started underwriting activities in Europe and will seek to stabilize the portfolio of contracts over the next five years and gain additional market shares in the various countries where it is allowed to operate under the Freedom to Provide Service Act (the "FPS") of the European Union. Due to Brexit, all the contracts previously issued by USAA Limited in the UK have been renewed under USAA S.A. in Luxembourg. Although nothing has been decided yet, the Company might seek to expand its product range over the coming years with an agenda yet to be determined. The Company has started a major review of all its Auto contract General Terms and Conditions that should be completed in 2020. This is valid for all locations where the Company is allowed to do business under the FPS.

Statement of 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 COVID 19 crisis has been handled at group level and each subsidiary is following the guidelines edicted by USAA in San Antonio. At this stage, the employees, regardless of their rank are predominantly working from home. As the Luxembourg government entered into agreements with the neighbouring countries minimum issues are expected from an HR perspective in connection with this health crisis. At this stage it is impossible to predict what the impact on the activities will be. However due to the very specific niche market USAA is operating in (e.g. member of the US Armed Forces deployed abroad) minimum impact is anticipated in respect of members already deployed. Where it comes to additional deployment we cannot at this stage have any estimate over the impact COVID 19 is likely to have as this is primarily linked to the situation in the US.

Research and Developments

The Company has not performed any R&D activities over 2019.

Purchase and Re-purchase of own shares

The Company has not performed any purchase or re-purchase of its own shares since the last closing.

Branch Abroad

The Company has one branch in Germany that is primarily dealing with claims. The branch was notified to the CAA which informed the BaFin that USAA S.A. was operating a branch in Germany.

Financial Instruments and their associated risk

The Company is investing into Corporate and Government Bonds whose rating are never below a BBB rating, issuers are predominantly located in the EU, the UK and the US. Some exposure to the emerging markets can be found but remain marginal and primarily in sovereign bonds. There is no use of any Financial Derivative Instruments even for hedging purposes. No EPM is done either through the use of FDIs.

Re-appointment of auditors

At the Board meeting on 24 March 2020 authority was delegated to the Audit Committee for the reappointment of Ernst & Young S.A. as "réviseur d'entreprises agréé" of the Company.

By order of the Board



Axel Baumann
Dirigeant Agréé, Director

1, Avenue du Bois,
L-1251 Luxembourg

Independent auditor's report

To the Shareholders of
USAA S.A.
1 Avenue du Bois
L-1251 Luxembourg

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 2019, 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 2019, 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 N° 537/2014, the Law of 23 July 2016 and ISAs 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 Ethics Standards Board for Accountants' Code of Ethics for Professional 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 2019, the provision for claims outstanding amounts to EUR 11.543.304 (2018: Nil).

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 2019.

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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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" by the General Meeting of the Shareholders on 26 March 2019 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is two years.

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

We confirm that the audit opinion is consistent with the additional report to the audit committee or equivalent.

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



Jean-Michel Pacaud

Luxembourg, 23 April 2020

USAA S.A.

Balance sheet
at 31 December 2019
(expressed in Euro)

<u>ASSETS</u>	Notes	2019	2018
Investments			
Other financial investments			
Debt securities and other fixed-income securities	5	27,238,677	13,341,794
Deposits with credit institutions		1,322,917	48,250
		<u>28,561,594</u>	<u>13,390,044</u>
Reinsurer's share of technical provisions			
Claims outstanding		131,572	-
		<u>131,572</u>	-
Debtors			
Debtors arising out of direct insurance operations	19	49,228,391	-
Other debtors	6	3,792,885	1,070,818
		<u>53,021,276</u>	<u>1,070,818</u>
Other assets			
Cash at bank		24,047,578	6,464,111
Tangible Assets	7	60,079	49,895
		<u>24,107,657</u>	<u>6,514,006</u>
Prepayments and accrued income			
Accrued interest and rent		255,861	129,697
		<u>255,861</u>	<u>129,697</u>
		<u>106,077,960</u>	<u>21,104,565</u>
		=====	=====

USAA S.A.

Balance sheet
at 31 December 2019
(expressed in Euro)

<u>LIABILITIES</u>	Notes	2019	2018
Capital and reserves	8		
Subscribed capital		35,030,000	20,030,000
Share premium account		19,286	19,286
Result brought forward		(318,231)	-
Profit/(loss) for the financial year		5,141,553	(318,231)
		<u>39,872,608</u>	<u>19,731,055</u>
Technical provisions			
Provision for unearned premiums	13	47,611,665	-
Claims outstanding	14	11,543,304	-
		<u>59,154,969</u>	<u>-</u>
Provisions for other risks and charges			
Provisions for taxation	20	1,959,124	159,058
Other provisions	21	1,192,886	-
		<u>3,152,010</u>	<u>159,058</u>
Creditors			
Creditors arising out of direct insurance operations	9	281,532	-
Other creditors	6, 9	3,106,373	1,113,056
Amounts owed to credit institutions		16,842	-
		<u>3,404,747</u>	<u>1,113,056</u>
Accruals and deferred income	10	493,626	101,396
		<u>106,077,960</u>	<u>21,104,565</u>
		<u>=====</u>	<u>=====</u>

USAA S.A.

Profit and loss account
For the year ended 31 December 2019
(expressed in Euro)

	Notes	2019	2018
Technical account - Non-life-insurance business			
Earned premiums, net of reinsurance			
Gross premiums written	11	96,598,599	-
Outward reinsurance premiums		(5,211,131)	-
Change in the gross provision for unearned premiums and unexpired risks	13	(47,964,376)	-
		43,423,092	-
Allocated investment return transferred from the non-technical account			
	16	42,502	-
Claims incurred, net of reinsurance			
Claims paid			
Gross amount	14	(16,345,346)	-
		(16,345,346)	-
Change in the provision for claims			
Gross amount	14	(11,546,950)	-
Reinsurers' share	14	131,572	-
		(11,415,378)	-
		(27,760,724)	-
Net operating expenses			
Administrative expenses	17	(13,358,441)	(1,275,944)
		(13,358,441)	(1,275,944)
Balance on the technical account for non-life-insurance business		2,346,429	(1,275,944)

USAA S.A.

Profit and loss account
For the year ended 31 December 2019
(expressed in Euro)

	Notes	2019	2018
Non-technical account			
Balance on the technical account for non-life-insurance business		2,346,429	(1,275,944)
Investment income			
Income from other investments		297,714	44,459
		<u>297,714</u>	<u>44,459</u>
Investment charges			
Value adjustments on investments		-	(39,003)
		<u>-</u>	<u>(39,003)</u>
Allocated investment return transferred to the non life-insurance technical account	16	(42,502)	-
Other non-technical income	18	4,414,806	1,111,315
		<u>7,016,447</u>	<u>(159,173)</u>
Profit/(loss) before Taxes			
Tax on profit or loss on ordinary activities	20	(1,776,539)	(159,058)
Other taxes not shown under previous items	20	(98,355)	-
		<u>(1,874,894)</u>	<u>(159,058)</u>
Profit/(loss) for the financial year		5,141,553	(318,231)
		<u><u>5,141,553</u></u>	<u><u>(318,231)</u></u>

The accompanying notes form an integral part of these annual accounts

Notes to the financial statements
31 December 2019

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 Formation expenses

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

Notes to the financial statements
31 December 2019

Summary of significant accounting policies - continued

4.2 Financial fixed assets

- Other financial investments

Debt securities and other fixed income transferable securities are held at fair value. Subsequent to initial recognition at fair value, these investments are re-measured at fair value at each reporting date. Fair value adjustments and realised gains and losses are recognised in the income statement.

Deposits with credit institutions are valued at nominal value.

The fair value of other financial investments refers to value determined with reference to:

- a. quoted (unadjusted) prices in active markets. Quoted in an active market in this context means quoted prices are readily and regularly available and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted price is usually the bid price.
- b. when quoted prices are unavailable the instrument is valued using inputs that are observable either directly or indirectly including quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar investments in inactive markets, inputs that are observable such as interest rates and yield curves observable at commonly quoted intervals, implied volatility or credit spreads and market-corroborated inputs.

4.3 Foreign currency translation

The Company maintains its books in Euro (€), and these annual accounts are expressed in this currency.

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 2019:
EUR 1 = GBP 0.8468 EUR 1 = USD 1.1217

Notes to the financial statements
31 December 2019

Summary of significant accounting policies - continued

4.4 Subrogation and salvages

Subrogation and salvages 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.

4.5 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 and unexpired risks

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.

Notes to the financial statements
31 December 2019

Summary of significant accounting policies - continued

The provision for unexpired risks is made when the estimated costs of future claims and related deferred acquisition costs are expected to exceed the unearned premium provision. In determining the need for an unexpired risk provision the different classes of business have been regarded as business that is managed together.

- 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.

4.10 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, taking into account 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. Re-measurements are not reclassified to the profit or loss in subsequent periods.

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.

Notes to the financial statements
31 December 2019

Summary of significant accounting policies - continued

- 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.

4.12 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. Deferred acquisition costs pertaining to reinsurance ceded are also included in this caption.

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

	2019 EUR	2018 EUR
Amortised cost basis	27,081,805	13,341,794
Add: unrealised gains on investments	292,724	39,003
Less: unrealised losses on investments	(135,852)	(38,528)
	=====	=====
Market Value / Fair value	27,238,677	13,342,269
	=====	=====

In 2018, the Debt securities and other fixed-income securities were measured and disclosed on amortised cost basis

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

As at 31 December 2019, amounts owed by and to affiliated undertakings and other Group companies included in the below balance sheet captions were as follows:

	2019 EUR	2018 EUR
Other creditors, due within 5 years	(2,442,178)	-
Other debtors, due within 5 years	3,792,885	1,070,818
	=====	=====
	1,350,707	1,070,818
	=====	=====

Notes to the financial statements
31 December 2019

7. Tangible assets

	2019	2018
	Equipment, furniture and computers	Equipment, furniture and computers
	EUR	EUR
Cost		
At beginning of year	84,918	-
Additions	36,514	-
Transfers	-	84,918
Disposals	(28,783)	-
	-----	-----
At end of year	92,649	84,918
Depreciation		
At beginning of year	35,023	-
Charge for year	26,330	1,856
Transfers	-	33,167
Disposals	(28,783)	-
	-----	-----
At end of year	32,570	35,023
Net book value		
Closing balance	60,079	49,895
	=====	=====

8. Capital and reserves

The subscribed capital amounts to EUR 20,030,000 and is divided into 20,030,000 shares fully paid up with a nominal value of EUR 1. The authorised capital amounts to EUR 59,000,000.

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

	Subscribed capital	Share premium	Loss brought forward	Profit for the year
	EUR	EUR	EUR	EUR
As at 01.01.2019	20,030,000	19,286	-	(318,231)
Addition – 31.07.2019	15,000,000	-		
Allocation during the year*	-	-	(318,231)	318,231
Result for the year	-	-	-	5,141,553
	-----	-----	-----	-----
As at 31.12.2019	35,030,000	19,286	(318,231)	5,141,553
	=====	=====	=====	=====

*as per resolutions of the AGM dated 28 May 2019

Notes to the financial statements
31 December 2019

9. Creditors

As at 31 December 2019, creditors classified based on their duration were as follows:

	Within 5 years	After more than 5 years	Total 2019
	EUR	EUR	EUR
Creditors arising out of direct insurance operations	281,532	-	281,532
Other creditors, including tax and social security	3,106,373	-	3,106,373
	<u>3,387,905</u>	<u>-</u>	<u>3,387,905</u>
	=====	=====	=====

Other creditors, including tax and social security, as of 31 December 2019, were as follows:

	2019	2018
	EUR	EUR
Other sundry creditors	664,195	1,113,056
Amounts owed to affiliated undertakings	2,442,178	-
	<u>3,106,373</u>	<u>1,113,056</u>
	=====	=====

10. Accruals and deferred income

	2019	2018
	EUR	EUR
Salary and incentive accruals	311,280	48,131
Other accruals and deferred income	182,346	53,265
	<u>493,626</u>	<u>101,396</u>
	=====	=====

11. Result from non-life insurance operations

Gross premiums written for the year ending 31 December 2019 relate to non-life insurance.

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

Notes to the financial statements
31 December 2019

The breakdown is as follows:

2019	Motor Other	Motor Third	Fire	General	TOTAL
		Party Liability	Property Damage	Liability	
	EUR	EUR	EUR	EUR	EUR
Gross premiums written	49,403,337	37,828,303	6,673,487	2,693,472	96,598,599
Gross earned premiums	25,420,163	18,633,921	3,253,001	1,327,137	48,634,222
Claims incurred – Gross	(11,185,497)	(15,009,279)	(1,280,915)	(416,605)	(27,892,296)
Operating expenses – Gross	(6,982,198)	(5,118,210)	(893,507)	(364,526)	(13,358,441)
Reinsurance balance	(2,039,001)	(2,647,147)	(260,460)	(106,171)	(5,079,559)

12. Geographical breakdown of direct premiums written

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

<i>Gross premiums written</i>	2019 EUR	2018 EUR
Germany	65,532,309	-
Italy	23,340,323	-
Spain	3,099,380	-
Belgium	2,624,818	-
Netherlands	1,150,093	-
Greece	418,895	-
France	179,643	-
Portugal	174,968	-
Azores	77,870	-
Total	96,598,599	-

13. Provisions for unearned premiums

	Gross EUR	Reinsurers share EUR	Net EUR
As at 01.01.2019	-	-	-
Premiums written in the year	96,598,599	-	96,598,599
Premiums earned in the year	(48,634,223)	-	(48,634,223)
Foreign exchange translation difference	(352,711)	-	(352,711)
As at 31.12.2019	47,611,665	-	47,611,665

Notes to the financial statements
31 December 2019

14. Claims outstanding

	Gross	Reinsurers	Net
	EUR	share	EUR
	EUR	EUR	EUR
As at 01.01.2019	-	-	-
Claims incurred in current accident year	27,892,296	(131,572)	27,760,724
Claims paid during the year	(16,345,346)	-	(16,345,346)
Foreign exchange	(3,646)	-	(3,646)
As at 31.12.2019	<u>11,543,304</u>	<u>(131,572)</u>	<u>11,411,732</u>
	=====	=====	=====

15. Acquisition costs

No commissions were paid to insurance intermediaries relating to direct insurance for the period ended 31 December 2019.

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

In conformity with article 55 of the law of 8 December 1994, the company will transfer to the non-life technical account a portion of the investment income amounting to EUR 42,502, net of corresponding charges.

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:

	2019	2018
Management	3	3
Underwriting	-	-
Administration	1	-
Operations	26	26
	<u>30</u>	<u>29</u>
	=====	=====

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

	2019	2018
	EUR	EUR
Wages and salaries	2,394,085	462,366
Social security costs	6,218	66,221
Other pension costs	-	7,266
	<u>2,400,303</u>	<u>535,853</u>
	=====	=====

Notes to the financial statements
31 December 2019

18. Other income

Other income is broken down as follows:

	2019	2018
	EUR	EUR
Administrative and Operations provided to other members of the group	3,536,116	1,070,804
Currency Translation	870,698	40,511
Other income	7,992	-
	<u>4,414,806</u>	<u>1,111,315</u>
	=====	=====

19. Debtors

As at 31 December 2019, debtors arising out of direct insurance operations were as follows:

	2019	2018
Debtors arising out of direct insurance operations	49,228,391	-
	<u>49,228,391</u>	<u>-</u>
	=====	=====

The premium debtors at the balance sheet date were not yet due

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:

	2019	2018
	EUR	EUR
Corporate Income Tax	1,054,201	117,367
Municipal Business Tax	390,015	-
Net Wealth Tax	98,355	-
Foreign Branch Tax	332,323	41,691
	<u>1,874,894</u>	<u>159,058</u>
Total current tax charge	=====	=====

Notes to the financial statements
31 December 2019

21. Other Provisions - Pension assets and liabilities

	2019	2018
Present Value of Funded Defined Benefit Obligation	(12,831,321)	(9,818,293)
(Fair Value of Plan Assets)	11,638,435	9,880,160
	-----	-----
(Surplus)/Deficit of Plan	(1,192,886)	61,867
Prudential reversal	-	(61,867)
	-----	-----
Net Defined Benefit Liabilities recognized in accounts	(1,192,886)	-
	=====	=====

22. Fees paid to the independent auditor

The audit fees (excluding VAT) for the period ended 31 December 2019 amounted to EUR 132,000 and represent fees for the audit of the annual accounts and the related regulatory reports. The fees to the auditor are included in the administrative expenses in the profit and loss account.

23. 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 pension scheme of USAA Limited was fully funded at 31 December 2019.

24. 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.

25. Subsequent events

Subsequent to year-end, the World Health Organization declared the outbreak of a coronavirus (COVID-19) a pandemic. As a result, economic uncertainties have arisen which are likely to negatively impact the Company. The Company is closely monitoring its operations, liquidity, and capital resources and is actively working to minimize the current and future impact of this unprecedented situation. As of the date of issuance of these financial statements, the full impact to the Company's financial position is not known.