



USAA Federal Savings Bank

Pillar 3 Regulatory Capital Disclosures

For the Quarterly Period Ended Sep. 30, 2021

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Introduction and Scope of Application

United Services Automobile Association (USAA) is a membership-based association that, together with its wholly-owned subsidiaries, serves current and former commissioned and noncommissioned United States (U.S.) military officers, enlisted, and retired military personnel and their families.

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 Federal Savings Bank (the Bank or USAA FSB) is a full-service retail bank that offers credit cards, consumer loans, residential real estate loans and a full range of deposit products. Headquartered in San Antonio, Texas, the Bank operates primarily by electronic commerce through usaa.com, mobile banking, call centers and direct mail. USAA FSB's primary federal regulator is the Office of the Comptroller of the Currency (OCC). The Bank is also regulated by the Federal Deposit Insurance Corporation (FDIC) and the Consumer Financial Protection Bureau (CFPB).

Following is a description of certain Bank affiliates:

- USAA is a Texas-based reciprocal inter-insurance exchange founded in 1922 that provides property and casualty insurance products. Through its various subsidiaries, USAA provides financial products and services, including personal lines of insurance, retail banking, investments and retirement products. USAA is subject to supervision by the Board of Governors of the Federal Reserve System.
- USAA Capital Corporation (CapCo) is a direct, wholly-owned subsidiary of USAA organized as a Delaware corporation. In addition to its holding company operations, CapCo serves as a USAA general purpose finance subsidiary. The Bank is a direct, wholly-owned subsidiary of CapCo.
- USAA Savings Bank (USB) is a Nevada-chartered industrial bank regulated by the Nevada Financial Institutions Division and by the FDIC, which is its primary federal regulator. USB is also subject to supervision by the CFPB. USB is a direct, wholly-owned subsidiary of the Bank. USB is engaged in credit card lending and related activities and is a consolidated subsidiary of the Bank for accounting and regulatory capital purposes.
- USAA Residential Real Estate Services, Inc. (RRES) was a licensed real estate broker that administered the Real Estate Rewards Network Program, which provided services for members who were contemplating moving, to facilitate the sale or purchase of a home, through a contractual agreement with a relocation services company. The company is still in existence however the real estate broker license expired on Dec. 31, 2020. The Real Estate Rewards Network

Program was discontinued on Dec. 31, 2019. For accounting purposes, RRES is a consolidated subsidiary of the Bank. However, for regulatory capital purposes, RRES is a nonfinancial subsidiary that is required to be deducted from the calculation of the Bank's regulatory capital.

There are no insurance subsidiaries included in the Bank's consolidated group. There are no subsidiaries with total capital less than the minimum capital requirements.

Restrictions on capital and transfer of funds between affiliates are limited to applicable regulatory requirements. Prior to any transfer, the Bank engages the appropriate regulatory authorities to complete notification and other requirements.

Risk Management

The Bank is governed by the Bank Risk Governance (Framework) to address the risks that arise from providing loan and deposit products to its members. The Framework establishes risk identification and risk assessment responsibilities across the Bank, including ongoing management of a material risk inventory. This structure is designed to identify, mitigate, and escalate risks to ensure the ongoing safety and soundness of the Bank and is facilitated through management committees that report to the Bank's Board of Directors (Board).

- The Board establishes the Bank's risk tolerance by setting risk limits and is responsible for independently evaluating management's decisions in the context of these limits.
- The Board's Risk Committee is responsible for ensuring effective risk management practices. Key activities of this committee include approving and monitoring risk limits, approving policies and approving escalation thresholds. This committee reports its activities and decisions to the Board.
- The Bank Risk Management Committee (BRMC) has been established by Bank senior management to provide a forum in which Bank Independent Risk Management (IRM) oversees the Bank's risk-taking activities and assesses the Bank's material aggregate risks. The Asset/Liability Management Committee (ALCO) has been established by Bank senior management to oversee certain financial risks of the Bank, including capital, liquidity and interest rate risk. The BRMC and ALCO each report to the Bank President and each can escalate to the Bank President or the Bank Board (or committee thereof) as appropriate. The Bank Credit Risk Management Committee (BCRMC) and the Bank Market Risk Committee (BMRC) are subcommittees of the BRMC responsible for monitoring credit risk and market risk, respectively.

Risk appetite defines the amount and type of risk the Bank is willing to take in order to achieve its mission and business objectives. The Bank's risk appetite is at the heart of the Bank's Risk Governance Framework. The Bank's Risk Governance Framework ensures management makes informed choices as it pursues fulfillment of its mission. Risks taken by the Bank must fall within its risk appetite, which is approved annually by

the Bank Board's Risk Committee. The Bank's senior risk officer independently monitors risks through a comprehensive system of appetites and triggers. Breaches of risk appetite and trigger limits are escalated through the Bank's risk appetite governance structure.

Basel Capital Framework

The OCC and the FDIC are collectively referred to as the "agencies." In 2013, the agencies made changes to the way banks are required to compute and manage regulatory capital and added certain financial disclosure requirements. The effective date of these changes as they apply to the Bank was Jan. 1, 2015, though certain requirements were phased in over several years (referred to within as "the Basel III Standardized Approach Requirements"). The Bank is compliant with the fully phased-in 2019 capital requirements pursuant to the Final Regulatory Capital Rules; the Bank implemented the simplifications to the Capital Rule in Q2 2020 and reflected the interim final rule pertaining to the eligible retained income in Exhibit 7 of this document.

These changes are in large part aligned with the Basel capital framework, which consists of the three "pillars" described below.

- Pillar 1: Minimum Capital Requirements - This pillar provides a framework for calculating regulatory capital and is segmented by credit risk, operational risk and market risk.
- Pillar 2: Supervisory Review - This pillar describes how the agencies should review a bank's operations to ensure that it will continue to be financially strong should adverse circumstances arise.
- Pillar 3: Risk Disclosure and Market Discipline - This pillar requires a bank to make public disclosures that describe its capital structure and major risks.

The Bank's Pillar 3 Regulatory Disclosures document satisfies the agencies' risk disclosure and market discipline requirements.

Capital Structure

Regulatory Capital Instruments

The Bank's regulatory capital instruments consist of common stock and noncumulative perpetual preferred stock, which are solely owned by CapCo. The Bank's current regulatory capital instruments are provided below.

Exhibit 1: Regulatory Capital Instruments

Information as of Sep. 30, 2021

Capital Instrument	Callable	Current Rate	Shares Authorized; Issued and Outstanding
Adjustable Non-Cumulative Perpetual Preferred Series E Stock, \$100 Par Value	No (a)	4.40%	20,000,000; 2,750,000
Common Stock, \$90 Par Value	No	N/A	10,000,000; 200,000

(a) Shares are callable at the Bank's option for cash after five years, in whole or in part, at par value plus accrued but unpaid dividends on Dec. 15 of each year, or on such other date as may be agreed to by the Bank and the holders of all the shares of Series E. The preferred stock has a liquidation value equal to its redemption value and has preference over the common stock with respect to dividends and liquidation rights. Consistent with 12 CFR 3.20, the issuer and holder understand that the preferred stock is not to be called within the first five years of its issuance.

Regulatory Capital

The Bank is subject to minimum regulatory capital requirements that are prescribed by the agencies. These requirements include maintaining adequate capital levels across several regulatory capital categories, which include common equity Tier 1 (CET1), Tier 1, Total risk-based capital (Total RBC) and leverage. CET1, Tier 1 and Total RBC are evaluated in relation to risk-weighted assets (RWA), which are calculated using categories across the Bank's balance sheet and agency-prescribed risk-weighting percentages. Leverage is evaluated by comparing Tier 1 capital to average total assets.

CET1 capital includes retained earnings, common stock and paid-in capital. Tier 1 capital includes CET1 as well as preferred stock. Total RBC includes Tier 1 capital and the allowance for loan and lease losses (ALLL) up to 1.25 percent of total RWA. All regulatory capital measures require deduction of intangible assets and certain other items. The regulatory capital ratios are computed as follows:

- CET1: CET1 capital divided by RWA
- Tier 1: Tier 1 capital divided by RWA
- Total RBC: Total RBC divided by RWA
- Leverage: Tier 1 capital divided by average total assets

The Bank's capital adequacy management program ensures that appropriate capital levels are held in consideration of its overall size, complexity and risk profile. The Bank is required to maintain regulatory prescribed minimum capital ratios, which are provided in the following exhibit along with a summary of the Bank's regulatory capital amounts, RWA, average total assets and capital ratios.

Exhibit 2: Capital Ratios

All dollars in millions; information as of Sep. 30, 2021

Regulatory Capital and Assets	Basel III Standardized Approach Dollars
Common Equity Tier 1 Capital	9,188
Tier 1 Capital	9,463
Total Capital	10,132
Risk-Weighted Assets	53,315
Total Assets for the Leverage Ratio	112,811

Capital Ratios	Regulatory Well-Capitalized Levels	Regulatory Minimum Capital Levels	Basel III Standardized Approach Percentage
Common Equity Tier 1	6.5%	4.5%	17.2%
Tier 1	8.0%	6.0%	17.7%
Total Risk Based	10.0%	8.0%	19.0%
Leverage	5.0%	4.0%	8.4%

Components of Capital

The exhibit below presents a reconciliation of the Bank's total equity to the components of regulatory capital.

Exhibit 3: Components of Regulatory Capital

All dollars in millions; information as of Sep. 30, 2021

Components of Regulatory Capital	Basel III Standardized Approach Dollars
Common Stock and Related Surplus	2,801
Preferred Stock	275
Retained Earnings	6,502
Accumulated Other Comprehensive Income	(113)
Total Equity	9,465
Adjustments for:	
Less: Preferred Stock	275
Less: Intangible Assets	0
Less: Deferred Tax Assets that Arise from Net Operating Loss and Tax Credit Carry Forwards	72
Less: Accumulated Other Comprehensive Income – Available for Sale Securities	(344)
Less: Accumulated Other Comprehensive Income (Loss) – Cash Flow Hedges	231
Less: Subsidiaries Required to Be Deducted	42
Less: 25% Common Equity Tier 1 Capital Threshold Deductions	0
Less: Other	0
Common Equity Tier 1 Capital	9,188
Plus: Preferred Stock	275
Plus: Other	0
Tier 1 Capital	9,463
Plus: Allowance for Loan and Lease Losses Includable as Tier 2 Capital	669
Plus: Other	0
Total Capital	10,132

Table may not foot due to rounding

Capital Adequacy

The Bank is committed to maintaining strong capital levels and does so through its capital adequacy management program. The Bank's risk management practices that govern capital adequacy are carried out by the ALCO. To assess the Bank's capital adequacy, the ALCO utilizes several tools to actively monitor trends, review scenario and stress test analytics, and benchmark the metrics provided by this information in relation to internal and regulatory thresholds. These tools enable the Bank's management to maintain an effective monitoring program and provide important inputs to the Bank's planning efforts.

The ALCO's monitoring activities include the ongoing review of regulatory capital ratios, described in the section titled, "Regulatory Capital." The results for the most recent quarter-end are provided in the following exhibits.

Exhibit 4: Risk-Weighted Assets

All dollars in millions; information as of Sep. 30, 2021

Risk-Weighted Assets	Dollars
Exposures to Sovereign Entities	0
Exposures to Certain Supranational Entities	0
Exposures to Depository Institutions	1,343
Exposures to Public Sector Entities	38
Corporate Exposures	4
Residential Mortgage Exposures	2,832
Statutory Multifamily Mortgages and Pre-sold Construction Loans	0
High Volatility Commercial Real Estate Loans	0
Past Due Loans	1,657
Cleared Transactions	15
Default Fund Contributions	0
Unsettled Transactions	0
Securitization Exposures	0
Equity Exposures	2
Other Assets ^(a)	47,648
Total Risk-Weighted Assets Before Deduction of Excess Allowance for Loan and Lease Losses	53,539
Less: Excess Allowance for Loan and Lease Losses	224
Total Standardized Risk-Weighted Assets	53,315

Table may not foot due to rounding

^(a)Comprises primarily consumer and credit card loans

A summary of USAA FSB's and USB's regulatory capital ratios are provided in the following exhibit.

Exhibit 5: Capital Ratios for USAA FSB and USB

Information as of Sep. 30, 2021

Basel III Standardized Approach Capital Ratios	USAA FSB	USB
Common Equity Tier 1	17.2 %	79.5 %
Tier 1	17.7 %	79.5 %
Total Risk-Based Capital	19.0 %	80.9 %
Leverage	8.4 %	27.2 %

Capital Conservation Buffer

The agencies' regulatory capital buffers were fully phased in as of Jan. 1, 2019. The Bank is required to maintain a capital conservation buffer (CCB) equal to at least 2.5 percent of total RWA above the regulatory minimum for the most constraining capital ratio (i.e., CET1, Tier 1 or Total RBC). In addition, the agencies require disclosures of "eligible retained income under the CCB framework," which is defined as the greater of 1) the Bank's net income, calculated in accordance with the instructions to the Call Report, for the four calendar quarters preceding the current calendar quarter, net of any distributions and associated tax effects not already reflected in net income; and 2) the average of the national bank's or Federal savings association's net income, calculated in accordance with the instructions to the Call Report, for the four calendar quarters preceding the current calendar quarter. The Bank's CCB and eligible retained income are provided in the following exhibits.

Exhibit 6: Capital Conservation Buffer

Information as of Sep. 30, 2021

Capital Conservation Buffer	Ratio
Total Risk-Based Capital Ratio	19.0 %
Less: Minimum Total Risk-Based Capital Ratio	8.0 %
Capital Conservation Buffer	11.0 %
Required Capital Conservation Buffer (Per Transitional Arrangements)	2.5 %

Table may not foot due to rounding

Exhibit 7: Eligible Retained Income Under Capital Conservation Buffer Framework

All dollars in millions; information as of Sep. 30, 2021

Eligible Retained Income Under Capital Conservation Buffer Framework	Dollars
Net Income (Loss) Over Four Previous Quarters	(415)
Less: Dividends Paid Over Four Previous Quarters	0
Total Eligible Retained Income (Loss) Over Four Previous Quarters (1)	(415)
Average Net Income (Loss) Over Four Previous Quarters (2)	(104)
Total Eligible Retained Income (Loss) Greater of (1) or (2)	(104)

Table may not foot due to rounding

While total eligible retained income is negative, due to a capital conservation buffer in excess of 2.5% the Bank is not subject to any limitations on distributions and discretionary bonus payments resulting from the capital conservation buffer framework.

Credit Risk: General Disclosures

The Bank provides credit card, auto, residential mortgage and other consumer loans to its members, which creates credit risk. Deposit products offered by the Bank also create credit risk through member account overdrafts. Credit risk represents the potential for the Bank to incur a financial loss if its members become unable or unwilling to repay their loans. To effectively manage credit risk, the Board governs the Bank's lending programs through lending policies and ongoing monitoring activities through the BCRMC. The BCRMC enables the Bank to comply with lending policies by establishing and monitoring lending guidelines and actively monitoring credit risk exposures.

- **Nonaccrual and Charge Off Methodologies:** Management, considering current information and events regarding the borrowers' ability to repay their obligations, considers a loan to be impaired when it is probable that the Bank will be unable to collect all amounts due according to the contractual terms of the loan agreement. The type of loan and status will guide management through established criteria to determine when a loan qualifies for non-accrual treatment or return to accrual. When a loan is placed on non-accrual status, previously accrued but uncollected interest is reversed. Payments received on loans in non-accrual status are applied wholly to the principal balance.

Return to accrual status of a non-accrual loan occurs based on established criteria. The loan status is monitored to determine if certain required conditions are met to restore it to accrual status, including criteria required for 1) bankruptcy accounts, 2) deceased accounts, 3) workout accounts, 4) greater than 90 days delinquent and 5) senior lien severely delinquent accounts. An account may be returned to accrual status when no further nonaccrual conditions apply for the account, certain workout program completion has been fulfilled and the borrower has resumed paying the full amount of the scheduled contractual interest and principal payments to bring the loan fully current and a sustained period of repayment performance exists (a minimum of six months) by the borrower to bring the loan current in accordance with the contractual terms involving payments of cash or cash equivalents.

Credit cards, lines of credit and mortgage loans are charged off at 180 days past due. Auto and other consumer loans are charged off at 120 days past due. Overdrawn deposits are charged off when the deposit product is in an overdraft status for at least 41 consecutive days. Secured loans and home equity lines of credit in bankruptcy are charged off within 50 days from the bankruptcy filing date unless USAA FSB can clearly demonstrate and document that repayment is likely to occur. Credit cards and unsecured loans in bankruptcy are charged off 50 days after the bankruptcy filing date. Residential mortgages are subject to impairment accounting based on the estimated fair value of the underlying collateral, less estimated selling costs. Residential mortgages are secured debt with collateral and accordingly may be subject to foreclosure or liquidation.

- **Allowance Methodology:** The ALLL is a financial reserve that represents the estimated probable credit losses inherent in the Bank's loan portfolio. This reserve is governed by the BCRMC and the Board Finance and Audit Committee, and it is calculated based on a combination of quantitative and qualitative factors about the credit quality of the loan portfolio, which consistently considers all known relevant internal and external factors that affect loan collectability as of a reporting date. Charge offs reduce the reserve, recoveries on loans charged off in prior periods increase the reserve, and if necessary, the reserve balance is increased or reduced, which is reflected on the income statement as provisions for loan and lease losses.
- **Credit Exposures by Type, Industry/Counterparty and Geographic Distribution:** The Bank's membership is geographically dispersed throughout the U.S., and the Bank's underwriting and risk management practices are not differentiated by region. The Bank employs sound underwriting standards that meet or exceed all state and federal regulations. Other concentrations (e.g., subprime exposure, credit bands, product concentration risk, geographical economic health, membership eligibility exposure) are actively managed and monitored by senior management and the BCRMC.

In 2020, the World Health Organization declared an infectious disease known as COVID-19 a "Public Health Emergency of International Concern." The COVID-19 pandemic resulted in authorities implementing numerous measures attempting to contain the spread and impact of COVID-19, such as travel bans and restrictions, quarantines, shelter-in-place orders and limitations on business activity, including closures. These measures severely restricted global economic activity and negatively impacted businesses, market participants, our counterparties and members, and the global economy.

To address the economic impact in the U.S., multiple economic stimulus packages were signed into law to provide relief to businesses and individuals. The Board of Governors of the Federal Reserve took additional steps to bolster the economy by providing additional funding sources for small and mid-sized businesses as well as for state and local governments as they worked through cash flow stresses caused by the COVID-19 pandemic. The Federal Reserve took other steps to provide fiscal and monetary stimuli, including reducing the federal funds rate and the interest rate on the Federal Reserve's discount window, and implementing programs to promote liquidity in certain securities markets. The Federal Reserve, along with other U.S. banking regulators, also issued Inter-Agency Guidance to financial institutions working with borrowers affected by COVID-19.

Section 4013 of The Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") provides financial institutions the option to (i) suspend the designation of Trouble Debt Restructuring ("TDR") for an eligible loan modified as a result of COVID-19, including for impairment purposes, and (ii) suspend the requirements under U.S. GAAP for loan modifications due to COVID-19 to eligible loans that would otherwise be categorized as TDRs. Eligible loans are defined as those that were not more than 30 days past due as of Dec. 31, 2019. These suspensions are applicable for the term of the modifications made and only apply to modifications made from Mar. 1, 2020 to the earlier of 60 days

after the termination date for the national emergency concerning COVID-19 declared by the former President on Mar. 13, 2020 or Dec. 31, 2020, which was later extended to Jan. 1, 2022, by the Consolidated Appropriations Act of 2021. In addition, U.S. banking regulators issued Inter-Agency Guidance stating that financial institutions may presume that short-term loan modifications (i.e., six months or less) made to borrowers affected by COVID-19 that were current (less than 30 days past due on their contractual payments) at the time of modification are not experiencing financial difficulties for purposes of determining TDR status. Therefore, if a modification is performed as part of a program under either Section 4013 of the CARES Act or the Inter-Agency Guidance, no further TDR analysis is required for each loan modification in the program. Loan modifications related to COVID-19 for credit card, consumer loan, and home equity line of credit products include 90-day payment deferrals or payment extensions with the ability for re-enrollment (for up to a total of 180 days) for members experiencing a COVID-19 related hardship. As of Sep. 30, 2021, new loan modifications related to COVID-19 for credit card, consumer loan products have been discontinued. Loan modifications for home equity line of credit products include 90-day payment deferrals or payment extensions with the ability for re-enrollment (for up to a total of 180 days). Loan modifications for mortgage and home equity term loan products include 6-month forbearance plans with the ability for re-enrollment (for up to a total of 12 months) for members who continue to experience a COVID-19 related hardship. Borrowers with a mortgage backed by Fannie Mae, Freddie Mac, or VA may be eligible for additional forbearance extensions.

We determined that modifications to credit card, consumer loan, home equity line of credit products, and certain mortgage loans were not TDRs pursuant to the Inter-Agency guidance or Section 4013 of the CARES Act. Since mortgage loans in GNMA MBS pools for which no scheduled monthly payments were received due to forbearance are reported as delinquent within the context of MBS investor reporting guidelines, USAA FSB has experienced a significant increase in the number of delinquent loans. This is because loans that are delinquent for three consecutive months are required to be re-recognized under a conditional removal of accounts provision. Therefore, USAA FSB has begun repurchasing loans from the GNMA MBS pools in order to grant concessions to borrowers in an attempt to minimize USAA FSB's economic loss. We determined that modifications to these mortgage loans were not TDRs pursuant to Section 4013 of the CARES Act.

USAA FSB has been, and may continue to be, impacted by the COVID-19 pandemic. During the first half of 2021, the macroeconomic outlook improved in the U.S. and several regions of the world, as COVID-19 cases decreased, and vaccinations became more widely available. However, uncertainty still remains about the duration of the pandemic and the strength and speed of the economic recovery. Given this uncertainty, the future direct and indirect impact of the pandemic on our business, results of operations and financial condition remain uncertain.

Should the current economic recovery deteriorate or if the pandemic worsens, including as a result of the spread of COVID-19 variants that are more easily communicable or resistant to currently available vaccines, such conditions could have an adverse effect

on our business and results of operations, including, but not limited to: decreased demand for our products and services, decreased interchange revenue, protracted periods of lower interest rates, increased noninterest expenses, and increased credit losses due to deterioration in the financial condition of borrowers which could increase our allowance for loan losses and other liabilities.

The following exhibits provide the Bank's total loan exposures by regulatory reporting category, industry/counterparty and geographic distribution.

Exhibit 8: Credit Exposures by Type, Industry/Counterparty and Geographic Distribution^(a)

All dollars in millions; information as of Sep. 30, 2021

Credit Exposures by Type, Industry and Counterparty	Dollars
Residential Real Estate	5,057
Commercial Real Estate	0
Consumer	33,424
Other	19
Sub-Total Loan Exposures - Industry: Retail Credit	38,499
Off-Balance Sheet Loan Commitments: Retail Credit ^(b)	64,936
Due From Depository Institutions - Industry: Financial, Government	10,358
Debt Securities - Industry: Government, Other	67,550
OTC Derivatives - Industry: Financial	45
Total Credit Exposures	181,388

Table may not foot due to rounding

(a) All geographic distribution is within the United States.

(b) Primarily comprised of unused commitments on retail credit card lines

The following exhibit provides the Bank's credit exposures by regulatory reporting category on an average basis for the three months ended Sep. 30, 2021.

Exhibit 9: Average Credit Exposures by Type

All dollars in millions; information for the three months ended Sep. 30, 2021

Average Credit Exposure by Type	Dollars
Residential Real Estate	5,486
Commercial Real Estate	0
Consumer	33,427
Other	18
Sub-Total: Loan Exposures	38,931
Off-Balance Sheet Loan Commitments ^(a)	65,012
Due from Depository Institutions	5,497
Debt Securities	66,464
OTC Derivatives	48
Total All Credit Exposures	175,953

Table may not foot due to rounding

(a) Primarily comprised of unused commitments on retail credit card lines

The following exhibit provides the Bank's credit exposures by type with the associated remaining contractual maturity.

Exhibit 10: Credit Exposures by Type and Remaining Contractual Maturity^{(a)(b)}

All dollars in millions; information as of Sep. 30, 2021

Credit Exposures by Type and Remaining Contractual Maturity	Up to 1 year	1 to 5 Years	Over 5 Years	Total
Residential Real Estate	2,052	48	1,538	3,638
Commercial Real Estate	0	0	0	0
Consumer	13,952	13,521	5,792	33,265
Other	19	0	0	19
Total Loan Exposures	16,022	13,569	7,331	36,922
Off-Balance Sheet Loan Commitments ^(c)	64,936	0	0	64,936
Due from Depository Institutions	10,358	0	0	10,358
Debt Securities	969	4,491	62,090	67,550
OTC Derivatives	45	0	0	45
Total Credit Exposures	92,330	18,060	69,420	179,811

Table may not foot due to rounding

(a) Remaining maturity for installment loans and next repricing date for revolving lines of credit

(b) Excludes loans in nonaccrual status

(c) Primarily comprised of unused commitments on retail credit card lines

The following exhibit provides the Bank's impaired total loan exposures by regulatory reporting category and geographic distribution.

Exhibit 11: Impaired Loans by Type and Geographic Distribution^(a)

All dollars in millions; information as of Sep. 30, 2021

Impaired Loans by Type	Troubled Debt Restructuring (Performing)	Past Due 30 Through 89 Days and Still Accruing	Nonaccrual	Total
Residential Real Estate	333	16	1,419	1,768
Commercial Real Estate	0	0	0	0
Consumer Exposures	63	109	159	330
Other Exposures	0	3	0	3
Total Impaired Loans	396	128	1,577	2,102

Table may not foot due to rounding.

(a) All geographic distribution is within the United States.

The following exhibit provides the Bank's ALLL by category.

Exhibit 12: Allowance for Loan and Lease Losses^(a)

All dollars in millions; information as of Sep. 30, 2021

Allowance for Loan and Lease Losses	Individually Evaluated for Impairment and Determined to Be Impaired	Collectively Evaluated for Impairment	Total ALLL
Residential Real Estate	19	19	38
Commercial Real Estate	0	0	0
Consumer Exposures	23	736	759
Other Exposures	0	0	0
Total ALLL	42	755	798

Table may not foot due to rounding

(a) All impaired loans have related ALLL under GAAP; it is not the Bank's practice to allocate ALLL by geographic region

The following exhibit provides the Bank's gross charge offs by regulatory reporting category.

Exhibit 13: Gross Charge Offs

All dollars in millions; information as of Sep. 30, 2021

Gross Charge Offs	Dollars
Residential Real Estate	11
Commercial Real Estate	0
Consumer	376
Other	0
Total	387

Table may not foot due to rounding

The following exhibit provides a reconciliation of the changes in the Bank's ALLL.

Exhibit 14: Reconciliation of Changes in Allowance for Loan and Lease Losses

All dollars in millions; information year to date as of Sep. 30, 2021

Reconciliation of Changes in Allowance for Loan and Lease Losses	Dollars
Balance at Beginning of Year	1,163
Recoveries	182
Less: Charge Offs	387
Less: Write-Downs Arising from transfers of Loans to Held-for-Sale	0
Provision for (Recovery of) Loan Losses	(161)
Adjustments	0
Balance at End of Current Period	798
Uncollectible Retail Credit Card Fees and Finance Charges Reversed Against Income	25

Table may not foot due to rounding

Counterparty Credit Risk-Related Exposures: General Disclosures

To manage interest rate risk, the Bank engages in hedging activities. These hedging activities utilize over-the-counter (OTC) and centrally cleared derivative contracts. The goal of these hedging activities is to mitigate the interest rate risk associated with providing these products and to protect the Bank's financial security.

The Bank meets member home financing needs through its residential mortgage loan product suite. By retaining servicing rights on these loans that are sold, the Bank records and maintains a financial asset, the mortgage servicing rights (MSR) asset. The MSR asset value changes over time with new production and runoff, as members make payments and as interest rates and other market-related conditions change.

Derivative Activities

OTC derivative activities are described below, while centrally cleared activities are not described further as these activities generate exposure to the clearing house, but do not create direct exposure to counterparties similar to OTC contracts.

- **Collateral Arrangements:** A third party independently calculates the Bank's credit risk exposure for each trading counterparty on a daily basis. If this calculation results in the need for action to mitigate the exposure, funds are exchanged between the Bank and its counterparties, which are generally referred to as margin activities. Policy limits, established by the ALCO and approved by the Board, guide the Bank's margin activities.
- **Primary Types of Collateral:** The Bank enters into contractual agreements with its trading counterparties, and these agreements identify the types of collateral that are eligible to be utilized in maintaining collateral arrangements. Currently, USAA only exchanges cash as margin collateral.
- **Potential Collateral Requirements:** Daily changes in market interest rates determine the amount of collateral (referred to as variation margin) that needs to be exchanged between the Bank and its counterparties.

The Bank did not purchase or sell any credit derivatives or engage in any margin lending during the quarter-to-date period ended Sep. 30, 2021. Repo-style transactions were entered into in the average amount of \$11 thousand during the quarter as part of operational readiness exercises.

The following exhibit provides information about the Bank's OTC derivative contracts as of Sep. 30, 2021. The gross positive fair value of derivative contracts is the greater of the positive mark-to-market of each individual trade or zero. As indicated in the table, there were OTC derivative contracts with positive fair values as of Sep. 30, 2021. The Bank also had contracts with the same counterparty with gross negative fair values and are netted based on legally enforceable netting agreements. The counterparties posted collateral according to counterparty agreements which in some cases can be greater than the net contract exposure due to minimum transfer thresholds and timing. As of Sep. 30, 2021, the net counterparty exposure was \$0.1 million.

Exhibit 15: Counterparty Exposures

All dollars in millions; information as of Sep. 30, 2021

Over-the-Counter Derivative Contracts	Dollars
Notional Amount of Contracts	1,722.0
Gross Positive Fair Value of Contracts	4.0
Less: Gross Negative Fair Value of Contracts	0.7
Net Exposure of Contracts	3.2
Collateral Posted (Held)	(7.6)
Unadjusted Exposure to Counterparties	(4.3)
Counterparty exposure to USAA	4.4
Net Exposure to Counterparties	0.1

Table may not foot due to rounding

Credit Risk Mitigation

The Bank engages in credit risk mitigation activities, which include accepting collateral on certain loans. Collateral types include automobiles, motorcycles, boats, recreational vehicles, leisure vehicles, certificates of deposit, non-commercial residential property and land where the borrower's intent is to build a house that they intend to occupy as their primary residence.

- **Credit Concentration:** The Bank routinely monitors segments across its loan portfolio to monitor concentrations by product, geographic location, credit quality and borrower. The Bank frequently analyzes the loan portfolio to identify additional segments and adjust monitoring oversight appropriately. The results from these monitoring activities are provided to senior management and the BCRMC for review and to inform the decision-making process.
- **Loan Workout Programs:** The Bank enters into loan modification agreements with certain members who are experiencing financial distress. The loan workout program attempts to reduce the potential financial loss the Bank might otherwise experience by restructuring the member's loan terms and/or conditions in a way that enables the member to repay the loan to try and prevent charge off, repossession or foreclosure. Members are approved for loan workout programs after they meet specific criteria, which include their willingness and ability to repay the debt.
- **Counterparties:** Policy limits constrain the credit risk exposure that arises from OTC transactions. The BMRC routinely monitors credit risk to maintain exposure within acceptable parameters and establishes and enforces counterparty credit limits for USAA FSB and USB. The BMRC also monitors market risk to identify possible events or future changes in economic conditions that could have unfavorable effects on the Bank's credit exposures and to assess the Bank's ability to withstand such changes. The BMRC actively engages in contingency planning and escalation activities and monitors ongoing capital planning activities to provide independent oversight and monitoring of the linkage between capital allocation and market risks. The ALCO routinely monitors the results from operations and directs action to ensure compliance with policy as necessary. These monitoring activities include the ongoing evaluation of concentrations, credit ratings and the Bank's financial exposure to each counterparty (i.e., value at risk).

Securitization

A participant in the securitization market is typically an originator, servicer, sponsor or investor. The Bank's primary securitization-related activity is serving as an originator and servicer in securitizations. In prior periods, the Bank also invested in traditional non-government or non-agency guaranteed Asset-backed Securitizations. However, this asset class is no longer a part of the Bank's investment strategy.

Bank as Securities Issuer

As part of its capital and liquidity management programs, the Bank enters into securitization transactions as an issuer or sponsor. In a securitization transaction, loans originated by the Bank are sold to a SPE, which then issues to investors various forms of interest in those assets. In a securitization transaction, the Bank typically receives cash as proceeds for the assets transferred to the SPE. The Bank often retains the right to service the transferred receivables and to repurchase those receivables from the SPE if the outstanding balance of the receivables falls to a level where the cost exceeds the benefits of servicing. The Variable Interest Entities (VIEs) associated with the Bank's consumer loan securitizations are not consolidated because the Bank does not hold a significant financial interest in the VIEs. Although the Bank services the consumer loans in the various VIEs, USAA has the unilateral right to reassign the Bank's servicing rights to any other USAA subsidiary without cause.

All securitizations conducted by the Bank and USAA are completed in accordance with applicable regulations and conform to U.S. GAAP (Generally Accepted Accounting Principles adopted by the U.S. Securities and Exchange Commission). A summary of the significant pronouncements is discussed below.

Accounting Standards Codification (ASC) Topic 860: Transfers and Servicing, provides the U.S. GAAP accounting and reporting guidance for transfers and servicing of financial assets and extinguishments of liabilities. ASC Topic 810: Consolidations, provides the U.S. GAAP accounting and reporting requirements regarding the consolidation of off-balance sheet entities. ASC Topic 820: Fair Value Measurements and Disclosures (ASC 820) states that the fair value of an asset (or liability) is the price that would be received to sell an asset (or paid to transfer a liability) in an orderly transaction between market participants at the measurement date. Quoted market prices in active markets are the best evidence of fair value and, if available, shall be used as the basis for the pricing.

As quoted market prices for most of the financial assets and liabilities that arise in a securitization transaction are unavailable, estimation is necessary. ASC 820 states that if quoted market prices are not available, the estimate of fair value shall be based on the best information available. Such information includes prices for similar assets and liabilities and the results of valuation techniques such as discounted cash flow modeling.

The Bank has elected to utilize the present value of estimated expected future cash flows using an observable discount rate commensurate with the risks involved to estimate fair value of the gain on sale recognized.

As of Sep. 30, 2021, the Bank does not have or retain beneficial ownership interest in the securitization vehicles of loans it has previously securitized. The Bank only retains servicing rights but does not maintain any ownership interest. USAA has purchased the certificate in these securitizations at fair value simultaneous with the execution of the deals. Furthermore, USAA has retained a five percent vertical interest in the par value of the notes issued by the 2019-1 auto loan securitization to satisfy the SEC Regulation RR. As such, the credit risk of the underlying loans has been transferred away from the Bank to the investors in the notes and the certificate.

As of Sep. 30, 2021, the Bank does not have any synthetic securitization exposure and does not act as a sponsor of any third-party securitizations.

As of Sep. 30, 2021, the Bank had no auto loans classified as held for sale.

Exhibit 16: USAA FSB Assets Held in Traditional Securitizations^(a)

All dollars in millions; information as of Sep. 30, 2021

Traditional Securitized Assets	Principal Amount Outstanding	Assets Past Due^(b)
Consumer - Auto	112	0

(a) Represents assets held in nonconsolidated securitization VIEs

(b) Represents assets 30 days or more past due

Equities Not Subject to the Market Risk Rule

The Bank's equity holdings are limited to assets held within money market mutual funds by its custodian that arise from facilitating investment portfolio activities and restricted Visa shares related to its relationship as a credit card issuer.

The following exhibit provides the book and fair values of these investments as well as their impact to risk-weighted assets for the current quarter.

Exhibit 17: Equities Not Subject to the Market Risk Rule, Carrying and Fair Value

All dollars in millions; information as of Sep. 30, 2021

Equities Not Subject to the Market Risk rule	Carrying Value	Fair Value
Non-Publicly Traded	0	0
Publicly Traded	12	12
Total	12	12

Table may not foot due to rounding

Exhibit 18: Equities Not Subject to the Market Risk Rule by Risk Weight Bands

All dollars in millions; information as of Sep. 30, 2021

Risk Weights	Carrying Value	Risk-Weighted Asset Amount	Capital Impact of RWA ^(a)
0-20%	12	2	0.2
21-100%	0	0	0.0
101-500%	0	0	0.0
501-1,250%	0	0	0.0
Total Exposures	12	2	0.2

Table may not foot due to rounding

(a) The capital impact of RWA is calculated by multiplying risk-weighted assets by the minimum total risk-based capital ratio of 8%

For these equity investments any realized or unrealized gains or losses were appropriately reflected in the Bank's financial statements.

Interest Rate Risk for Nontrading Activities

The Bank is exposed to nontrading interest rate risk that arises from member decisions to use loan and deposit products, as well as the Bank’s investment and capital management actions. For example, the interest rate the Bank charges for a three-year auto loan is fixed for the three-year period. However, the interest rate that the Bank pays its members for holding funds in their deposit accounts is influenced by market rates, which could change on a daily basis. In this example, the difference in the repricing and maturity characteristics of retail loans, investments and deposits drives the Bank’s exposure to nontrading interest rate risk.

The potential financial impact from nontrading interest rate risk is measured and evaluated on a frequent basis. The Bank’s current estimates for a +/- 100 basis point and +/- 200 basis point parallel shift in interest rates are provided in the following exhibit.

Exhibit 19: Interest Rate Risk Simulation of Net Interest Income (NII)

Simulation as of June 30, 2021

Interest Rate Risk Simulation of Net Interest Income	% Change in 1-Yr Net Interest Income
+200 basis points	12.11
+100 basis points	7.39
-100 basis points	-5.07
-200 basis points	-7.72