

The Numbers

To fulfill our mission and meet our commitments to members today and well into the future, USAA must maintain deep financial strength. For example, USAA was able to help thousands of members through recent catastrophes like Hurricanes Florence and Michael and the California fires. We also relied on our financial strength to invest in the technology, tools and talent to better serve a growing number of military families.

In 2018, we achieved solid earnings, grew our net worth and were able to share our success by returning to members almost \$1.8 billion in the form of distributions, dividends, bank rebates and rewards. In addition, we achieved a property and casualty operating expense ratio that was better than the industry. All three key credit rating agencies reaffirmed USAA's financial strength ratings.

USAA'S FINANCIAL STRENGTH
ALLOWED US TO PAY OUT ALMOST

\$16 Billion

IN TOTAL CLAIMS

WHILE STILL RETURNING ALMOST

\$1.8 Billion

TO YOU

IN DISTRIBUTIONS, DIVIDENDS,
BANK REBATES AND REWARDS

AND STANDING STRONG AT OVER

\$31 Billion

IN NET WORTH

Management's Responsibility for Financial Reporting

The management of USAA is responsible for the integrity and objectivity of the financial information presented in this annual report. Due to the volume of financial information contained in the audited consolidated financial statements, including the accompanying footnotes, we have chosen not to include the full audited consolidated financial statements in this Report to Members.

The financial statements that appear in this document have been selected from the audited consolidated financial statements, which were prepared in accordance with Generally Accepted Accounting Principles (GAAP), to give basic and necessary financial information about USAA. Certain prior-year amounts were reclassified to conform to the current-year presentation. The key statutory data was prepared in accordance with Statutory Accounting Principles (SAP). Management believes the financial information contained in the audited consolidated financial statements fairly presents USAA's financial position, results of operations, and cash flows. A copy of the complete audited consolidated financial statements of USAA, including Ernst & Young LLP's unqualified independent auditor's report thereon, is available upon request to USAA headquarters in San Antonio.

USAA's internal controls are designed to reasonably ensure that USAA's assets are safeguarded from unauthorized use or disposition and that USAA's transactions are authorized, executed and recorded properly. In addition, USAA has a professional staff of internal auditors who monitor these controls on an independent basis. The Finance and Audit Committee of USAA's Board of

Directors engaged Ernst & Young LLP as independent auditors to audit USAA's financial statements and express an opinion thereon. Ernst & Young LLP's audit included consideration of USAA's internal controls over financial reporting as a basis for designing audit procedures that support their financial statement audit opinion, but not for the purpose of expressing an opinion on the effectiveness of USAA's internal controls over financial reporting. The Finance and Audit Committee of USAA's Board of Directors consists of members who are not officers or employees of USAA. This committee meets periodically with management, internal auditors and Ernst & Young LLP to ensure that management fulfills its responsibility for accounting controls and preparation of the consolidated financial statements and related data.



Stuart Parker
Chief Executive Officer



Laura Bishop
Chief Financial Officer

Consolidated Statements of Comprehensive Income

In 2018, USAA achieved almost \$2.3 billion in net income, slightly lower than 2017. This is after another devastating catastrophe season in which we paid out more than \$2 billion to thousands of members to help them recover from a series of natural disasters. Non-catastrophe losses grew as a result of an increase in the number of homeowner claims and rising costs for auto parts and repairs.

Operating results from our lines of business – including property and casualty, banking, life insurance, and investment management operations – contributed to solid net income. Investment returns, although lower than last year due to a more volatile market, were also strong.

This year, we invested in USAA's technology, processes and talent in order to keep pace with our overall growth and near doubling in members over the past decade. A key focus in 2018 was to strengthen our ability to meet regulatory expectations, over the long term enabling USAA to provide consistent member experiences. Despite these outlays, our conservative approach to financial management enabled our property and casualty company's operating expense ratio to be approximately 16 percentage points better than the industry.

In addition to paying higher member distributions in 2018, USAA is reinvesting the benefits of recent federal tax reform in ways that will benefit members and employees, including ensuring product competitiveness.

Years ended Dec. 31 (dollars in millions)	2016	2017	2018
REVENUES			
Insurance premiums, net	\$ 18,287	\$ 20,093	\$ 22,214
Investment returns:			
Interest and dividends earned, net	2,147	2,433	2,755
Gains (losses) on investments, net	295	793	(479)
Total investment return	2,442	3,226	2,276
Gains on sale of loans, net	650	542	459
Fees, sales and loan income, net	4,651	5,093	5,336
Real estate operations	499	428	483
Other income (e.g., miscellaneous product services and fees)	602	634	599
Total revenues	27,131	30,016	31,367
LOSSES, BENEFITS AND EXPENSES			
Net losses, benefits and settlement expenses	17,177	18,371	19,809
Deferred policy acquisition costs	594	641	682
Real estate expenses	221	136	113
Interest expense	208	193	210
Dividends to policyholders	118	142	173
Other operating expenses (e.g., personnel, IT costs, loan losses, premium taxes)	6,576	7,309	7,750
Total losses, benefits and expenses	24,894	26,792	28,737
Pre-tax income	2,237	3,224	2,630
Income tax expense	458	802	339
NET INCOME	\$ 1,779	\$ 2,422	\$ 2,291
Other comprehensive income (loss), net of tax	94	139	(806)
TOTAL COMPREHENSIVE INCOME	\$ 1,873	\$ 2,561	\$ 1,485

Consolidated Balance Sheets

Perhaps the best measure of USAA's ability to keep its commitments to members is net worth. In 2018, net worth increased nearly 2 percent to over \$31 billion, thanks in large part to our solid net income.

Assets grew 2 percent to almost \$159 billion. This increase was driven by cash inflows from member deposits, increase in investments and retained earnings.

Years ended Dec. 31 (dollars in millions)	2016	2017	2018
ASSETS			
Cash and cash equivalents	\$ 12,456	\$ 12,288	\$ 13,727
Investments	71,892	79,512	80,395
Loans, net	47,664	47,342	46,795
Premiums due from policyholders	3,504	3,999	4,258
Property, equipment and software, net	1,874	1,971	2,110
Securities lending collateral	200	63	123
Other assets (e.g., accounts receivable, pension plans)	9,700	10,216	11,099
TOTAL ASSETS	\$147,290	\$ 155,391	\$158,507
LIABILITIES			
Insurance reserves	\$ 23,001	\$ 25,054	\$ 26,912
Life insurance — funds on deposit	19,070	19,658	19,361
Bank deposits	68,130	70,882	71,741
Borrowings	2,470	2,834	2,837
Securities lending payable	200	63	123
Other liabilities (e.g., accounts payable, benefit plan obligations)	5,579	6,292	6,355
TOTAL LIABILITIES	\$ 118,450	\$ 124,783	\$ 127,329
NET WORTH			
Total net worth	28,840	30,608	31,178
TOTAL LIABILITIES AND NET WORTH	\$147,290	\$ 155,391	\$158,507

Member Distributions

One of the most important ways USAA shares its financial success is by returning a share of our profits to members. In 2018, USAA returned almost \$1.8 billion to our members through distributions, dividends, bank rebates and rewards. This represented a nearly 16 percent increase over 2017. For more than 20 years, we've returned no less than 20 percent of profits to members through distributions and policyholder dividends.

Years ended Dec. 31 (dollars in millions)	2016	2017	2018
Subscriber's Account distributions	\$ 246	\$ 299	\$ 404
Senior Bonus distributions*	277	283	287
Subscriber's Account terminations	197	210	225
Automobile policyholder dividends	72	97	129
Total property and casualty distributions	792	889	1,045
Life insurance policyholder dividends	46	45	44
Bank rebates and rewards	602	622	710
TOTAL DISTRIBUTIONS TO MEMBERS**	\$ 1,440	\$ 1,556	\$ 1,799

Past dividends or distributions are not a guarantee or promise of future dividends or distributions.

*Senior Bonus distributions represent additional Subscriber's Account distributions for eligible members of the association with more than 40 years of membership.

**Includes amounts returned to members, associates and other customers.