

THE NUMBERS

In 2019, USAA continued to build its financial strength while also making significant investments in foundational capabilities to position the association for the long term. The company focused considerable resources on meeting the heightened regulatory expectations of a large financial-services provider and strengthening its infrastructure to deliver consistently excellent service in every member interaction.

Last July, the company sold USAA Asset Management Company to Victory Capital and announced the sale of USAA Investment Management Company (IMCO) assets to Charles Schwab Corporation, which is on track to close mid-year. Through our ongoing strategic relationship with each firm, we will continue to guide members to receive the most competitive investment products, brokerage services and managed portfolios. These transactions also simplified USAA product and service offerings, focusing on areas of competitive strength in property and casualty insurance, banking and life insurance.

USAA'S FINANCIAL STRENGTH
ALLOWED US TO PAY OUT ALMOST

\$15 BILLION

IN CATASTROPHE AND NON-CATASTROPHE
CLAIMS TO MEMBERS

WHILE STILL RETURNING ALMOST

\$2.4 BILLION

TO YOU IN DISTRIBUTIONS, DIVIDENDS,
BANK REBATES AND REWARDS

AND STANDING STRONG AT

\$35 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 to give basic and necessary financial information about USAA. Certain prior-year amounts were reclassified to conform to the current-year presentation. The selected financial information was prepared by USAA in accordance with Generally Accepted Accounting Principles (GAAP), except for key statutory data, which 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.



Wayne Peacock
Chief Executive Officer



Laura Bishop
Chief Financial Officer

Consolidated Statements of Comprehensive Income

In 2019, USAA achieved \$4.0 billion in net income – a 75% growth from 2018. Several factors contributed to this strong performance.

After two previous record-breaking catastrophe years marked by hurricanes, devastating wildfires and other storms, storm severity declined in 2019. As a result, USAA's catastrophe losses of \$1 billion were about half of what was experienced in 2018.

USAA's financial results also benefited from the sale of the USAA Asset Management Company to Victory Capital, which yielded approximately \$800 million in pre-tax gain. The announced sale of the assets of USAA Investment Management Company (IMCO) to Charles Schwab Corporation is expected to close by mid-2020 and, therefore, had minimal impact on 2019 results.

Investment revenue grew \$1.5 billion in 2019, up 67%, primarily as a result of unrealized gains from a stronger equity market in 2019.

Offsetting some of these positive drivers were increases in operating expenses, primarily from continued elevated investments in compliance and risk-management capabilities and infrastructure to close gaps and ensure consistent, compliant member experiences. Non-catastrophe losses continued to grow – up 6% over 2018 – on rising numbers of homeowner claims and increasing costs for auto parts and repairs. In total, USAA paid out almost \$15 billion in catastrophe and non-catastrophe claims to members in 2019, highlighting the need to maintain a solid financial foundation.

Years ended Dec. 31 (dollars in millions)	2017	2018	2019
REVENUES			
Insurance premiums, net	\$ 20,093	\$ 22,214	\$ 23,973
Investment returns:			
Interest and dividends earned, net	2,433	2,755	3,028
Gains (losses) on investments, net	793	(479)	778
Total investment return	3,226	2,276	3,806
Gains on sale of loans, net	542	459	674
Fees, sales and loan income, net	5,093	5,336	5,220
Real estate operations	428	483	594
Other income (e.g., miscellaneous product services and fees and gain on sale ¹)	634	599	1,350
Total revenues	30,016	31,367	35,617
LOSSES, BENEFITS AND EXPENSES			
Net losses, benefits and settlement expenses	18,371	19,809	20,099
Deferred policy acquisition costs	641	682	696
Real estate expenses	136	113	113
Interest expense	193	210	350
Dividends to policyholders	142	173	229
Other operating expenses (e.g., personnel, IT costs, loan losses, premium taxes)	7,309	7,750	9,362
Total losses, benefits and expenses	26,792	28,737	30,849
Pre-tax income	3,224	2,630	4,768
Income tax expense	802	339	762
NET INCOME	\$ 2,422	\$ 2,291	\$ 4,006
Other comprehensive income (loss), net of tax	139	(806)	1,512
TOTAL COMPREHENSIVE INCOME	\$ 2,561	\$ 1,485	\$ 5,518

¹ The 2019 amount also includes gain on sale of USAA Asset Management Company and USAA Shareholder Account Services to Victory Capital

Consolidated Balance Sheets

Net worth is a critical balance sheet metric because it measures USAA's ability to keep the commitments it makes to members today and into the future. In 2019, net worth increased 13% to \$35 billion. This was driven by growth in net income and unrealized gains in USAA's investment portfolios on falling interest rates and a strong stock market.

Assets rose almost 10% to \$174 billion, primarily due to growth in USAA's fixed income investment portfolios.

Years ended Dec. 31 (dollars in millions)	2017	2018	2019
ASSETS			
Cash and cash equivalents	\$ 12,288	\$ 13,728	\$ 10,508
Investments	79,512	80,395	96,541
Loans, net	47,342	46,795	48,893
Premiums due from policyholders	3,999	4,258	4,448
Property, equipment and software, net	1,971	2,110	2,035
Securities lending collateral	63	123	98
Other assets (e.g., accounts receivable, pension plans)	10,216	11,098	11,209
TOTAL ASSETS	\$ 155,391	\$ 158,507	\$ 173,732
LIABILITIES			
Insurance reserves	\$ 25,054	\$ 26,912	\$ 29,056
Life insurance — funds on deposit	19,658	19,361	20,343
Bank deposits	70,882	71,741	77,514
Borrowings	2,834	2,837	2,692
Securities lending payable	63	123	98
Other liabilities (e.g., accounts payable, benefit plan obligations)	6,292	6,355	8,702
TOTAL LIABILITIES	\$ 124,783	\$ 127,329	\$ 138,405
NET WORTH			
Total net worth	30,608	31,178	35,327
TOTAL LIABILITIES AND NET WORTH	\$ 155,391	\$ 158,507	\$ 173,732

Member Distributions

When USAA is successful, the company shares its financial success by returning a share of profits to members. In 2019, USAA returned almost \$2.4 billion to members through distributions, dividends and bank rebates and rewards, up 32% over 2018.

Discretionary Distributions to Subscriber's Account holders of \$883 million – more than double the year before – helped drive the increase. USAA used some of the proceeds of the sale of its asset management company to Victory Capital to increase distributions to members.

Years ended Dec. 31 (dollars in millions)	2017	2018	2019
Subscriber's Account distributions	\$ 299	\$ 404	\$ 883
Senior Bonus distributions*	283	287	291
Subscriber's Account terminations	210	225	243
Automobile policyholder dividends	97	129	186
Total property and casualty distributions	889	1,045	1,603
Life insurance policyholder dividends	45	44	43
Bank rebates and rewards	622	710	736
TOTAL DISTRIBUTIONS TO MEMBERS**	\$ 1,556	\$ 1,799	\$ 2,382

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.