

DEMONSTRATING RESILIENCE WHEN WE NEED IT MOST

2020 | ANNUAL REPORT TO MEMBERS





A MESSAGE FROM THE CHAIRMAN

DEAR FELLOW MEMBERS,

Each of us can name a myriad of challenges that we have faced in our lives, from personal or professional obstacles to defining moments, where we had to deal with unique adversity. Last year tested us all to new levels of fortitude as we dealt with the global pandemic. USAA acted immediately to this unprecedented event and ensured the continued service to our members and the preservation of the financial strength of the association.

USAA was built on an unwavering commitment to serve members through even the toughest times. That aspiration is captured in our association's mission, and was demonstrated every day in the hearts, minds and actions of USAA's 36,000 dedicated employees in 2020. More than 20% of our [workforce](#) has a direct connection to the military, either through their own service or as a military spouse. As such, respect for the core values of military life is interwoven naturally into the tapestry of USAA's culture and operations.

USAA's [strong financial position](#) illustrates our association's resiliency through the economic shocks of 2020, cultivated over nearly 100 years of diversification. Examples of that strength include revenue of \$36.3 billion, net income of almost \$4 billion and net worth of \$40 billion. Because USAA's primary mission is to serve its members, the association gratefully shares its success with them through annual dividends. In 2020, those included \$1.1 billion in special dividends paid to auto policyholders because they drove less during the pandemic and saved USAA money with fewer claims. Our members' best interests are always top of mind.



TOM FARGO

Admiral, USN (Ret.)
Chairman, USAA Board of Directors

ON THE COVER

USAA deployed its mobile catastrophe response unit, Eagle One, on five separate occasions from our headquarters in San Antonio to assist our members who were affected by natural disasters.



A MESSAGE FROM THE CHAIRMAN

Our [commitment to corporate responsibility](#) and engagement in the communities where we live are a way of life for USAA. Last year, USAA and The USAA Foundation, Inc. committed \$87 million to nonprofit organizations in support of pandemic-related relief, racial equality, and other critical needs across our communities. This included \$20 million for U.S. military aid societies and organizations serving active-duty military, veterans and their families.

The philanthropy continued throughout our organization, with employees donating more than \$10 million to nonprofit organizations. Despite the physical limitations imposed by the pandemic, USAA employees safely volunteered more than 185,000 hours to help support their communities.

While I am proud of USAA's performance in 2020, I am not surprised. Our association's noble mission to help members achieve their financial goals is our North Star, guiding us to deliver the highest levels of care and service for those who have sacrificed for our country. Thank you for letting USAA serve you.

TOM FARGO

Admiral, USN (Ret.)

Chairman, USAA Board of Directors

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A MESSAGE FROM THE CEO

DEAR FELLOW MEMBERS,

Throughout an unprecedented year of social, emotional and physical challenges, I am pleased to share that USAA remained strong and continued to serve members in 2020 with relevant advice and competitive banking and insurance products. I hope you'll review the details of this annual report to learn more about how your association stood by members and our employees through one of the toughest periods in recent history.

While last year may be remembered most for COVID-19, the global pandemic shared headlines with economic, social and political unrest, as well as [record-breaking weather-related disasters](#) in our country. This was our time to serve members. Seventy-one catastrophes affected 45 states last year. Members filed 80% more claims than in 2019 as a result of wildfires, hurricanes and the strongest wind and rain to hit the Midwest in 22 years. In 2020, we paid out more than \$2 billion to cover those catastrophe claims, more than twice the losses paid the previous year.

Restoring hope and helping members rebuild their financial security after a loss are important ways that USAA's passionate workforce brings our mission to life. We also rely on our association's financial strength, built through decades of diligent management.

Despite the challenges of 2020, USAA's net worth grew by 14% to \$40 billion, and our assets increased by 15% to \$200 billion. Because of this resilience we were able to return more than \$3 billion to members in distributions, dividends, and bank rebates and rewards – a 28% increase over 2019. And we supported more than one million members with [special offers of assistance](#) during last year's uncertainty and financial strains.



WAYNE PEACOCK
President and Chief Executive Officer



A MESSAGE FROM THE CEO

The changes brought about by the pandemic accelerated [technology enhancements](#) already under way to serve you better. We are modernizing our systems, processes and how we work to serve you, with more competitively priced products and improved digital capabilities to speed up claims and make mobile banking even easier.

We're doing all this while improving the excellent service you expect and deserve from USAA. Serving you well today, tomorrow and long into our second century is a legacy we are determined and proud to carry forward.

I am confident that 2021 will be a year of recovery for our country and the global economy. USAA is committed to doing our part by supporting the military community and members like you while uplifting the communities where we live and work.

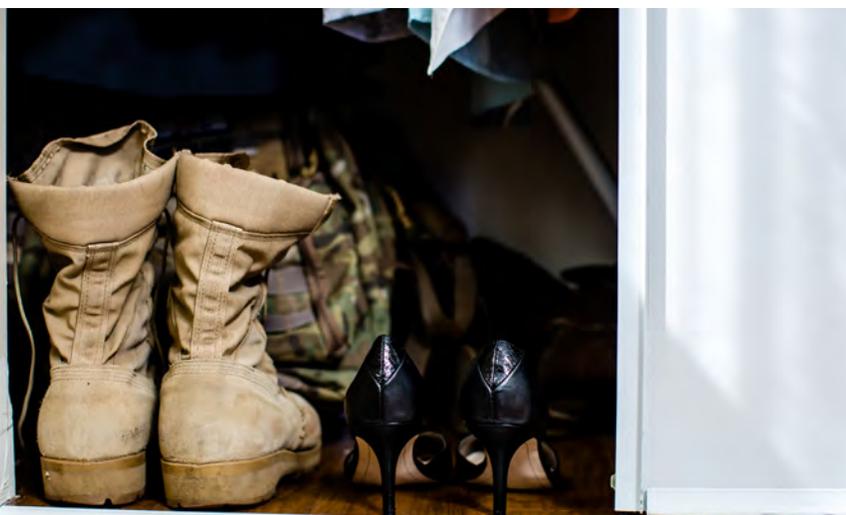
We know you have a choice in financial providers, and we're so glad you chose membership in USAA. Our dedicated employees work every day to earn your trust, because serving members is our purpose, our passion and our privilege.

WAYNE PEACOCK

President and Chief Executive Officer

“

USAA IS COMMITTED TO DOING OUR PART BY SUPPORTING THE MILITARY COMMUNITY AND MEMBERS LIKE YOU, WHILE UPLIFTING THE COMMUNITIES WHERE WE LIVE AND WORK.”





RESPONSIVE & RESILIENT

CHOOSING TO SERVE IN THE military comes with great sacrifice and challenges. Service members learn how to overcome adversity and emerge more resilient as a result of their experiences and training. But even for the strongest, the pandemic and social unrest of the past year have affected many lives. At USAA, we are made to serve those who serve our country, especially during unprecedented times like these.

ENSURING EMPLOYEE SAFETY

When the global pandemic began to spread in the United States in early 2020, USAA acted quickly to ensure employee safety was a top priority. Our team proved just how resilient we were when we successfully transitioned 30,000 employees to continue fulfilling our mission from their homes in just 10 days. Not only was this the right thing to do, but it also ensured our employees were

ready to support our members facing challenges resulting from the pandemic.

While employees were safer working from home, many began feeling the impact of food and grocery shortages. We responded by using the food contracting services within our facilities to allow our employees to place online food orders for pick up on our campuses at discounted prices until shortages were resolved. We also approved three weeks of emergency leave that employees could use to address any COVID-related challenges, from supporting children learning at home to taking care of themselves or family members who contracted the virus.

PROCESSING CLAIMS REMOTELY

Our mission is to facilitate the financial security of our members, especially when challenges like a global pandemic arise.

RESPONSIVE & RESILIENT

Like the military, we continuously plan and prepare to respond and adapt in the most challenging circumstances.

Over the past few years, USAA has digitally transformed our property and casualty insurance claims experience, leveraging technology to assess vehicle and property damage based on digital images. While members could report a claim using usaa.com or the USAA Mobile App prior to the pandemic, the percentage of self-reported claims jumped from 20% in 2019 to 40% in 2020, reducing claim payment time for many members.

Likewise, USAA has been testing the use of aerial imagery and drones to inspect damaged homes and streamline claims following catastrophic events. Given COVID-19 protocols and the record number of devastating events in 2020, we increased this technology's usage to assist in processing more than 273,000 catastrophe claims last year, ensuring members could repair their homes quickly while protecting our members and employees alike.

RETURNING \$1.1 BILLION IN SPECIAL DIVIDENDS

With fewer drivers on the road due to the COVID-19 pandemic, USAA did not face the same level of costs to provide world-class service to our members. As a result, USAA's CEO and Board of Directors approved the return of \$1.1 billion in special auto policyholder dividends last year. This was just one of many examples of our ongoing commitment to serve members and help them be resilient—whatever the circumstances.



"It's the heart of our mission to serve members with exceptional service every day," said Wayne Peacock, USAA President and CEO. "That commitment for the past 99 years is ever more important during challenging times."

RELYING ON REMOTE DEPOSIT CAPTURE TECHNOLOGY

More than a decade ago, USAA Bank was the first financial institution to launch remote deposit capture technology, allowing members to deposit checks remotely using their personal devices. That technology resulted from a significant investment of time and resources to transform our technology and ensure that we were there for our members. During the COVID-19 pandemic, we saw an increase of \$1.8 billion in funds deposited through remote deposit capture.



\$1.1 B

in special auto policyholder dividends returned throughout last year.



RESPONSIVE & RESILIENT

Furthermore, USAA Bank offered special payment assistance programs for eligible members, including credit card payment deferrals, payment extensions on consumer loans, and mortgage and home equity line of credit payment assistance. We also specially handled transfers of stimulus payments so that members with USAA bank accounts—including those with negative balances and closed accounts—received access to their full payments.

SUPPORTING MILITARY-RELATED CAUSES

To help the many military families who experienced financial difficulties during the pandemic, USAA committed \$30 million to more than two dozen nonprofit organizations through the Military Family Relief Initiative, representing the most significant one-time philanthropic contribution in our nearly century-long history.

This initiative included \$20 million in support to U.S. military aid societies and organizations, including the Army Emergency Relief, Navy-Marine Corps Relief Society, Air Force Aid Society, Coast Guard Mutual Assistance, and the Enlisted Association of the National Guard of the United States for zero-interest loans and emergency grants to service members facing financial emergencies. This contribution provides a lasting benefit to these military aid organizations; as interest-free loans are repaid, they can help new recipients. An additional \$10 million in funds was dedicated to helping veterans and spouses in their employment searches, assisting with the cost of childcare, virtual education and emotional support for military children.



\$30M

to more than two dozen nonprofit organizations to help military families through the Military Family Relief Initiative.

“THIS PHILANTHROPIC COMMITMENT UNDERSCORES OUR DEDICATION TO OUR MILITARY FAMILIES AND BEING THERE FOR THEM WHEN THEY NEED US THE MOST,” SAID VICE ADMIRAL (RET.), JOHN BIRD, SENIOR VICE PRESIDENT OF MILITARY AFFAIRS.

“CARING FOR MILITARY FAMILIES IS AT THE HEART OF WHAT WE DO, AND WORKING TOGETHER WITH THESE MILITARY AID SOCIETIES AND ORGANIZATIONS, WE CAN DELIVER ON OUR MISSION OF SUPPORTING THE MILITARY COMMUNITY.”





SERVING THOSE WHO SERVE

AT USAA, WE TAKE PRIDE IN serving those who serve, providing insurance, banking, investment and retirement solutions to more than 13 million members of the U.S. military, veterans who have honorably served and their families. Whether during a global pandemic or when they have just lost a loved one, USAA has been there to support our members when they need us most.

SERVING OUR MEMBERS DURING THE COVID-19 PANDEMIC

When the COVID-19 pandemic emerged, it brought uncertainty into the lives of Lacey Sladky and her younger brother Jeremy Edge, both veterans and USAA members. Sladky's husband was diagnosed with COVID-19 early on, and their family remained isolated to ensure they didn't spread the virus. Meanwhile, Jeremy and his wife had to adjust to working remotely.

But their military service had made them resilient enough to overcome those obstacles. Lacey thought back to her U.S. Naval Academy training when she learned about having hope for the future from the story of Vice Admiral, James Bond Stockdale, a U.S. Navy aviator who was a prisoner of war for seven years during the Vietnam War. Meanwhile, Jeremy thought back to his time in the Army when he had the grit to push through his deployments in 110-degree heat and a lack of showers.

Likewise, USAA was there when our members needed us most. When COVID-19 disrupted the lives of our members last year, we created special offers that provided financial assistance to approximately 1 million members who faced hardships throughout the pandemic. We continued to ensure our members had the support they needed.



1M

We created special services that provided financial assistance to about 1 million members who faced hardships throughout the pandemic.



SERVING THOSE WHO SERVE



I'D LIKE TO THANK USAA TODAY FOR BEING PROACTIVE AND WELCOMING. I'M GRATEFUL FOR THEIR PRESENCE,"

Lacey said. Her brother echoes that sentiment. "There's been no lapse in service; if anything, it's become even better."



SUPPORTING GOLD STAR FAMILIES WITH COMPASSION

While serving in the U.S. Army together, USAA member Amber Baum met her husband, Ryan. They dated, married, and began living military family life together. About a week before Ryan was to deploy to Iraq, they learned that Amber was pregnant. His deployment was difficult because of the radio silence, with the two of them speaking only a few times over the phone.

Just three days before her baby's due date, tragedy struck. While expecting Ryan to come home for the birth of their child, Amber was greeted at the door of their home by a chaplain bearing the news that Ryan had died. She was overwhelmed by the news and decided to travel to be with her family where she gave birth to her daughter.

Following Ryan's death, USAA's Survivor Relations Team, whose mission is to support members during the loss of a loved one and navigate the complexities, reached out to Amber to thank her for her husband's service and let her know that we were there to support her when she was ready to have those conversations.



WATCH THESE VIDEOS TO LEARN THE FULL STORIES OF THESE USAA MEMBERS.



IN THAT MOMENT, THEY CARED MORE ABOUT ME, THEY CARED MORE ABOUT OUR DAUGHTER, THEY CARED MORE ABOUT RYAN'S SERVICE TO THE COUNTRY, AND THAT'S GREAT RESPECT, HONOR, AND TRIBUTE,"

said Amber. "And it was in that moment that I knew I was a USAA-er for life. I just want to say my most sincere and profound thank you."





SERVING IN TIMES OF GREAT NEED

NOTHING TESTS A COMMUNITY'S resilience quite like a natural disaster, and USAA's mission is to help our members recover and regain a little peace of mind during these difficult and unexpected situations. On top of an already challenging year, last year was further aggravated by the record-breaking number of hurricanes and wildfires disrupting many of our members' lives.

USAA was ready and prepared. Ahead of each of the 71 declared catastrophic events that struck in 2020, USAA sent preparedness messaging reaching more than 5.5 million members in 49 states. And after each of those disasters, USAA response teams quickly came to aid members, processing more than 273,000 catastrophe claims, an 80% increase from 2019, leveraging drone technology to assess property damage more quickly while protecting our members and employees.

DEPLOYING OUR MOBILE CATASTROPHE RESPONSE TEAM

Last year, USAA deployed our mobile catastrophe response unit, Eagle One, on five separate occasions from our headquarters in San Antonio to assist our members who were affected by natural disasters, traveling more than 18,000 miles through 16 states. More specifically, Eagle One supported approximately 1,500 USAA members in Louisiana following Hurricane Laura, more than 600 members in Louisiana following Hurricane Sally, and together with the mobile response unit, nearly 250 members in Oregon following one of the worst wildfire seasons the state has ever experienced.

When dealing with each of these natural disasters, the Eagle One response teams faced an added challenge of keeping our members and team members safe amid the



EAGLE ONE SUPPORTED:

~1,500

members in Louisiana following Hurricane Laura

600+

members in Louisiana following Hurricane Sally

~250

members in Oregon following one of the worst wildfire seasons the state has ever experienced



SERVING IN TIMES OF GREAT NEED

ongoing COVID-19 pandemic, which included following public health protocols implemented in each state that they visited.

“IN THIS MOST CHALLENGING OF YEARS, WE ARE PROUD OF OUR CATASTROPHE RESPONSE TEAMS THAT TRAVELED ACROSS THE COUNTRY TO SERVE OUR MEMBERS DURING THEIR GREATEST TIME OF NEED,” SAID VADM (RET) JIM SYRING, PRESIDENT OF PROPERTY AND CASUALTY INSURANCE GROUP.

“Our goal is to deliver a world-class customer service experience to members in the most challenging of circumstances.”

RESPONDING ALL ACROSS THE COUNTRY

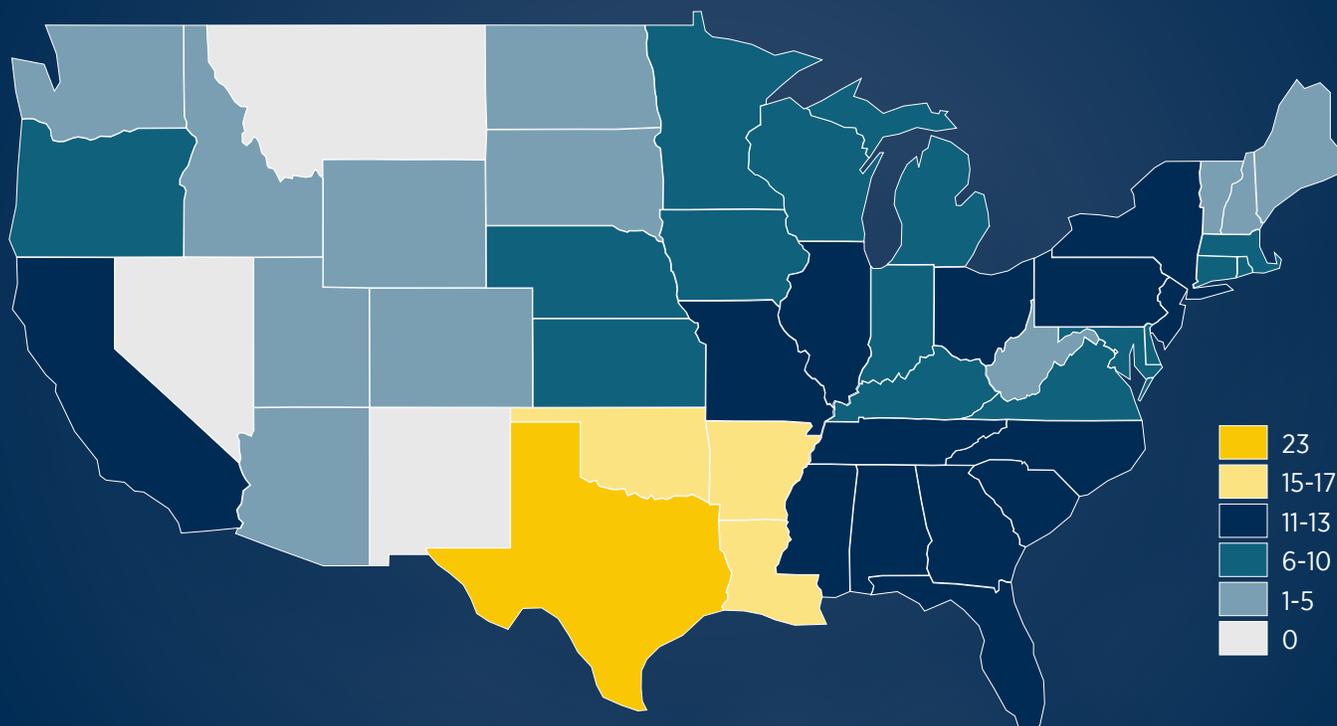
USAA helped members recover from natural disasters across the country in 2020, including the six hurricanes that made landfall on the Atlantic Coast, 17 wildfires across four Western states and 140-mph winds—some of the strongest derecho winds since 1998—that affected 11 upper-Midwest states. Throughout the year, USAA was there for our members when they needed it the most, processing catastrophic claims across 45 states, the District of Columbia and Puerto Rico. And we’re preparing to help our members be even more resilient when faced with natural disasters in the future.



ON THE ROAD

Inside Eagle One, which—on one of its missions—supported nearly 1,500 USAA members following Hurricane Laura.

NUMBER OF CATASTROPHE RESPONSE UNITS PER STATE





UNIQUELY RESPONSIBLE

A **USAA NEARS ITS 100TH** anniversary in 2022, we're proud of our continued commitment to more than 13 million members of the U.S. military, veterans who have honorably served, and their families. Providing unique and uncompromising support for the military community is an idea USAA has fostered since day one, and it continues to prove invaluable to accomplish our mission today.

WE KNOW WHAT IT MEANS TO SERVE

Headquartered in San Antonio, Texas, USAA has offices in seven U.S. cities and three overseas locations. We employ 36,000 people globally, and more than 20% of our employees identify as veterans or military spouses. We have more than 40 Military Affairs representatives operating near major military installations and conducted more than 5,000 sponsorship, deployment and

transition events in 2020. When we say, "We know what it means to serve," we mean it.

"My first day at USAA was one of the most emotional days of my life," says Jourdan, a USAA fraud investigative analyst. "Not only was it the day I started my new job, but it was also the day that my spouse in the U.S. Army left on his first deployment. At USAA, I spoke to military members in my spouse's shoes, and I was surrounded by coworkers and employees who had been in my shoes. It gave me the strength—emotional and physical strength—to be able to continue forward."

Over the past year, we have continued to diversify our ranks to reflect our diverse membership, with 47% of USAA employees now identifying as a person of color and 53% being women. Among those is Chief Diversity, Equity, Inclusion, and Corporate Responsibility Officer Harriet Dominique,



36,000
employees globally

20%+
identify as veterans or military spouses



UNIQUELY RESPONSIBLE

a 32-year USAA employee who understands the unique situations that members face.

“It’s clear that if we don’t respond to the challenges, expectations, and identities of our service members in a meaningful way, they’ll choose someone else to help them reach financial security,” says Dominique. “Equally important is our focus on our employees’ unique needs and aspirations. We must support them so that we are better positioned to serve our membership and our community.”

At USAA, we know we cannot fulfill our mission if we are not actively looking to serve the specific needs of all groups.

ADVANCING RACIAL EQUITY

While our mission is to serve military families, a community that reflects our nation’s racial, social and economic diversity, we recognize the powerful discussions about racial and social equity that have occurred during the past year. We believe that it’s part of our duty to continue helping close inequity gaps. So we have recommitted ourselves to addressing the employment, education, and economic disparities among

people of color and low-income military communities.

In Q4 2020, USAA made a three-year, \$50 million philanthropic commitment to nonprofit organizations to help close gaps in education, job training, employment, and income. Through this commitment to charitable contributions to qualified nonprofits, USAA will provide scholarships to 600 Black and Hispanic science, technology, engineering, and mathematics (STEM) students, increase wages for 450 low- and moderate-income Black and Hispanic training course participants and reduce debt for 1,000 participants in USAA-funded debt counseling programs. Our goal is to help level the playing field by creating more pathways to jobs within USAA and other organizations for minorities.

“This commitment extends to the communities in which we live and work. It’s our mission to care for military families, a community that reflects our nation’s racial, social and economic diversity—and the complex issues that come with it,” said USAA President and CEO Wayne Peacock. “We recognize that there is more USAA can do to help close inequity gaps, and these investments are a fundamental part of our efforts.”



600

Provide scholarships to 600 Black and Hispanic science, technology, engineering, and mathematics (STEM) students

450

Increase wages for 450 low- and moderate-income Black and Hispanic training course participants

1,000

Reduce debt for 1,000 participants in USAA-funded debt counseling programs



IT’S CLEAR THAT IF WE DON’T RESPOND TO THE CHALLENGES, EXPECTATIONS, AND IDENTITIES OF OUR SERVICE MEMBERS IN A MEANINGFUL WAY, THEY’LL CHOOSE SOMEONE ELSE TO HELP THEM REACH FINANCIAL SECURITY.”

HARRIET DOMINIQUE

Chief Diversity, Equity, Inclusion and Corporate Responsibility Officer



POSITIONING OURSELVES FOR THE FUTURE

INNOVATION AT USAA IS PURPOSE driven. That purpose is our mission, facilitating the financial security of the military community while delivering excellent service. At USAA, we nurture a culture that supports member-focused innovation to help make their lives easier and ensure they remain resilient into the future. We're excited to showcase some of our most recent innovations and pilot programs, which include new features, products, services, and tools being developed.

EXPANDING ACCESS TO INVESTMENT PRODUCTS AND SERVICES

This past year, USAA took an important step toward ensuring that our members have greater access to wealth management and investment brokerage services by transitioning our USAA brokerage and USAA Managed Portfolio accounts to Schwab. We believe this transaction will bring

more value to our members by providing access to Schwab's wide selection of highly competitive investment products, services and capabilities.

Under a new agreement, Schwab is the exclusive provider of wealth management and brokerage services for USAA members.

LAUNCHING INNOVATIVE ANNUITY PRODUCTS

Meanwhile, USAA Life Insurance Company continued to expand its suite of annuity products to support our members planning for and living in retirement. We launched a 3-Year Fixed Guaranteed Growth Annuity and continued to expand the availability of our annuity products, including our Protected Deferred Annuity, through industry leaders such as Fidelity Investments® and Schwab.

POSITIONING OURSELVES FOR THE FUTURE

RECOGNITION AND LOOKING AHEAD

In November, USAA achieved the highest overall customer satisfaction score in the J.D. Power 2020 U.S. Life Insurance Study for the seventh year in a row for life insurance, and the second year in a row for annuities. In 2021, we plan to introduce several new products, two that will not require medical underwriting and one that can only be acquired through USAA's digital channels.

SOLUTIONS TO SUPPORT OUR ENLISTED

In 2021, we started offering personalized renters packages for members living in barracks and military dorms. The average premium is 40% lower than for our traditional renters products and is tailored for our junior enlisted service members.

INSPIRING SAFE DRIVING

At USAA, we've seen members become increasingly interested in telematics and behavior-based insurance programs. In 2020, enrollments in our SafePilot™ app, which offers policy discounts of up to 30% for safe driving behaviors, increased by 200%. Today, nearly half of the new policyholders in states where the program was available have opted in.

The SafePilot™ app instructs, inspires, and rewards safe driving habits while lowering insurance premiums. Enrolled USAA members can learn about their driving habits and see how they can improve. Throughout 2021, we're planning to continue the roll-out of the SafePilot™ app in the majority of states.



SUPPORT FOR SMALL BUSINESS

Following nearly 30 years of offering veterans and their families who own small businesses insurance from unaffiliated companies, USAA will start writing our own policies for the first time. While we are initially offering coverage in five states—Arizona, Colorado, Illinois, South Carolina and Tennessee—we plan to continue that roll-out to other states throughout 2021.

WE KNOW THAT FOR SMALL BUSINESS OWNERS, THEIR BUSINESS IS THEIR LIFE AND LIVELIHOOD.

As USAA approaches its 100th anniversary, we continue to be proud of our legacy of serving those who serve and always putting members first. We believe that our investments in innovation allow us to continue our legacy of helping members stay financially resilient for the next 100 years and beyond.

USAA is not eligible to be included with the rankings of J.D. Power's study due to our membership restrictions

A close-up photograph of a person's hand holding a blue USAA Visa Signature credit card. The card displays the USAA logo, the text "USAA REWARDS", the card number "4000 1234 5678 9010", the name "MEMBER", and the "VISA Signature" logo. In the background, a computer monitor and keyboard are visible on a desk.

THE NUMBERS

The past year left an indelible impact on our nation and our members, and USAA's financial strength served our association and membership well in the face of historic challenges.

In addition to the global pandemic, USAA faced external headwinds that included uncertainty about the pace and composition of economic recovery, historically low interest rates, and intense and increasing competition. Internally, we continued to make significant investments to meet the heightened regulatory expectations of a large financial services provider. We also continued efforts to focus our business model in insurance and banking to deliver highly competitive products and services, including completing the sale of USAA Investment Management Company (IMCO) assets to Schwab, as well as the sale of a controlling interest in USAA Real Estate Company.

THE NUMBERS

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The management of USAA is responsible for the integrity and objectivity of the financial information presented in the Annual Report to Members. 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.

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). 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.



WAYNE PEACOCK
President and Chief Executive Officer

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 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 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.



JEFF WALLACE
Chief Financial Officer





THE NUMBERS

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Amid unprecedented challenge, USAA responded by supporting our members and delivering solid financial results, achieving almost \$4 billion in net income. This financial performance allowed us to significantly increase dividends to our auto policyholders.

Despite significant headwinds from low interest rates and the macroeconomic environment, revenues increased almost 2% from the prior year. The growth was driven by a solid 6% improvement in insurance premiums earned combined with the impact of the sale of the assets of IMCO to Schwab.

Expenses rose 3% from the prior year and were also significantly impacted by the events of 2020. A historic year in catastrophes drove \$2.4 billion of catastrophe losses and loss adjustment expenses, more than twice the previous year. These losses, however, were more than offset by reduced non-catastrophe losses, which were lower by \$2.7 billion, as members drove fewer miles and had fewer accidents amid the COVID-19 pandemic shutdown. This allowed us to increase auto policyholder dividends to \$1.3 billion. Elevated levels of investment in compliance and risk management capabilities and infrastructure also contributed to expense growth.

| YEARS ENDED DECEMBER 31 (DOLLARS IN MILLIONS) | 2018 | 2019 | 2020 |
|---|----------------|----------------|----------------|
| REVENUES | | | |
| Insurance premiums, net | \$22,214 | \$23,972 | \$25,388 |
| Investment returns: | | | |
| Interest and dividends earned, net | 2,755 | 3,028 | 2,922 |
| Gains (losses) on investments, net | (479) | 778 | 633 |
| Total investment return | 2,276 | 3,806 | 3,555 |
| Gains on sale of loans, net | 459 | 674 | 726 |
| Fees, sales and loan income, net | 5,336 | 5,220 | 4,446 |
| Real estate operations | 483 | 594 | 373 |
| Other income (e.g., miscellaneous product services and fees and gain on sale ^{1,2}) | 599 | 1,351 | 1,808 |
| Total revenues | 31,367 | 35,617 | 36,296 |
| LOSSES, BENEFITS AND EXPENSES | | | |
| Net losses, benefits and settlement expenses | 19,809 | 20,099 | 18,831 |
| Amortization of deferred policy acquisition costs | 682 | 696 | 746 |
| Real estate expenses | 112 | 112 | 129 |
| Interest expense | 210 | 350 | 244 |
| Dividends to policyholders | 173 | 229 | 1,302 |
| Other operating expenses (e.g., personnel, IT costs, loan losses, premium taxes) | 7,750 | 9,362 | 10,523 |
| Total losses, benefits and expenses | 28,736 | 30,848 | 31,775 |
| Pretax income | 2,631 | 4,769 | 4,521 |
| Income tax expense | 339 | 762 | 606 |
| NET INCOME | \$2,292 | \$4,007 | \$3,915 |
| Less: Net income attributable to noncontrolling interests | 1 | 1 | 8 |
| Other comprehensive income (loss), net of tax | (806) | 1,512 | 2,183 |
| TOTAL COMPREHENSIVE INCOME | \$1,485 | \$5,518 | \$6,090 |

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

²The 2020 amount also includes gain on sale of USAA investment Management Company assets to Schwab.



THE NUMBERS

CONSOLIDATED BALANCE SHEETS

USAA's financial strength - built over the decades from diversified businesses and prudent management decisions - meant that the current crisis affected our earnings for the year, but not our capital, liquidity or overall financial standing. Net worth in 2020 grew by 14% to \$40 billion. This growth was driven by strong net income results and unrealized gains in USAA's investment portfolios from falling interest rates.

Assets grew by 15%, or \$27 billion, to \$200 billion. This is a result of a \$32 billion growth in our investment portfolios, which were fueled in part by higher Bank deposits and higher unrealized gains in our bond portfolio. USAA's strong capital and liquidity

position allowed us to manage portfolio assets strategically, with the capacity to withstand 2020's extreme market volatility.

Bank loans were 17% lower than the previous year due to impacts from the pandemic, including reduced member demand for loans. Additionally, the Bank increased its loan loss reserves in response to the pandemic.

Liabilities also grew by 16%, primarily due to a \$17 billion increase in Bank deposits. This was driven primarily by COVID-19 impacts from economic stimulus programs and lower member spending driving higher balances in checking and savings accounts.

| YEARS ENDED DECEMBER 31 (DOLLARS IN MILLIONS) | 2018 | 2019 | 2020 |
|---|------------------|------------------|------------------|
| ASSETS | | | |
| Cash and cash equivalents | \$13,727 | \$10,508 | \$13,555 |
| Investments | 80,395 | 96,541 | 128,324 |
| Loans, net | 46,795 | 48,893 | 40,601 |
| Premiums due from policyholders | 4,258 | 4,448 | 4,898 |
| Property, equipment and software, net | 2,110 | 2,035 | 1,996 |
| Securities lending collateral | 123 | 98 | 179 |
| Other assets (e.g., accounts receivable, pension plans, reinsurance recoverables) | 11,099 | 11,209 | 10,796 |
| Total assets | \$158,507 | \$173,732 | \$200,349 |
| LIABILITIES | | | |
| Bank deposits | \$71,741 | \$77,514 | \$94,179 |
| Insurance reserves | 26,912 | 29,056 | 29,898 |
| Life insurance - funds on deposit | 19,361 | 20,343 | 21,557 |
| Borrowings | 2,837 | 2,692 | 2,457 |
| Securities lending payable | 123 | 98 | 179 |
| Other liabilities (e.g., accounts payable, benefit plan obligations) | 6,355 | 8,702 | 11,640 |
| Total liabilities | \$127,329 | \$138,405 | \$159,910 |
| NET WORTH | | | |
| Total net worth | \$31,178 | \$35,327 | \$40,439 |
| TOTAL LIABILITIES AND NET WORTH | \$158,507 | \$173,732 | \$200,349 |

THE NUMBERS

MEMBER DISTRIBUTIONS

In 2020, USAA returned more than \$3 billion to our members through distributions, dividends, and bank rebates and rewards, a 28% increase over 2019. Automobile policyholder dividends of \$1.3 billion drove the growth. USAA returned \$1.1 billion of these dividends to our members in three rounds of special payments, starting in April. These dividends,

intended to provide relief to members in an economically challenging year, reflected lower non-catastrophe losses from fewer member miles driven. Similar to last year, USAA used some of the proceeds of the sale of the IMCO assets to Schwab to maintain a heightened level of discretionary distributions to Subscriber's Accounts.

| YEARS ENDED DECEMBER 31 (DOLLARS IN MILLIONS) | 2018 | 2019 | 2020 |
|---|----------------|----------------|----------------|
| Subscriber's Account distributions | \$404 | \$883 | \$618 |
| Senior Bonus distributions ³ | \$287 | \$291 | \$296 |
| Subscriber's Account terminations | \$225 | \$243 | \$248 |
| Automobile policyholder dividends | \$129 | \$186 | \$1,260 |
| Total property and casualty distributions | \$1,045 | \$1,603 | \$2,422 |
| Life insurance policyholder dividends | \$44 | \$43 | \$42 |
| Bank rebates and rewards | \$710 | \$736 | \$595 |
| TOTAL DISTRIBUTIONS TO MEMBERS⁴ | \$1,799 | \$2,382 | \$3,059 |

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

³Senior Bonus distributions represent additional Subscriber's Account distributions for eligible members of the association with more than 40 years of membership.

⁴Includes amounts returned to members, associates and other customers.



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