

The Numbers

We're pleased to report that USAA's financial strength remained solid in 2016, enabling us to promptly pay claims and serve our growing membership, while continuing to invest in ways that will help us better serve you in the future.

This year, USAA faced historic catastrophe losses and claims volumes and increasing auto losses, which resulted in lower net income. We still achieved solid earnings due to strong operating results from our diversified lines of business and investment portfolios, along with our continued sound financial management. In turn, our members received \$1.4 billion in distributions, dividends, bank rebates and rewards which represents a significant return of USAA's profits.

Net worth, one of the best measures of financial strength and our ability to meet our commitments, grew almost 4 percent, and assets were up by 7 percent. All three major ratings agencies reaffirmed USAA's financial strength ratings and we achieved better-than-industry expense ratios.

USAA'S FINANCIAL STRENGTH ALLOWED US TO PAY OUT

\$14 Billion

IN TOTAL CLAIMS

WHILE STILL RETURNING

\$1.4 Billion

TO YOU

IN DISTRIBUTIONS, DIVIDENDS,
BANK REBATES AND REWARDS

AND STANDING STRONG AT ALMOST

\$29 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.



Stuart Parker
Chief Executive Officer



Laura Bishop
Chief Financial Officer

Consolidated Statements of Comprehensive Income

USAA achieved nearly \$1.8 billion in net income — solid earnings in a year where we experienced historic catastrophe losses and claims volumes, and increasing automobile losses. In 2016, we faced our highest catastrophe year ever — more than double 2015 totals in losses and the number of claims. Non-catastrophe automobile losses also increased significantly due to more miles driven, more frequent accidents and rising costs for auto parts and repairs. Although net income is lower than previous years, USAA continues to thrive thanks to prudent financial management and a diversified business model. Strong and profitable operating results from our banking, life insurance and investment management lines of business, as well as strong investment returns, helped offset the higher claims losses.

Our investment portfolio also contributed \$2.4 billion to earnings, benefiting from consistent investment income and a strong equity market.

We continued to invest in cyber security, infrastructure and digital capabilities, as well as compliance and regulatory requirements. These expenditures help us better protect your information, make it easier to do business with USAA, and ensure we continue to earn your trust. We closely managed expenses and kept our industry-leading property and casualty operating expense ratio low — approximately 20 percentage points better than the industry.

Years ended Dec. 31 (dollars in millions)	2014	2015	2016
REVENUES			
Insurance premiums, net	\$ 15,621	\$ 16,786	\$ 18,287
Investment returns:			
Interest and dividends earned, net	2,080	1,937	2,147
Gains (losses) on investments, net	636	(100)	295
Total investment return	2,716	1,837	2,442
Gains on sale of loans, net	389	368	650
Fees, sales and loan income, net	4,124	4,365	4,651
Real estate operations	575	382	499
Other income (e.g., miscellaneous product services and fees)	608	623	602
Total revenues	24,033	24,361	27,131
LOSSES, BENEFITS AND EXPENSES			
Net losses, benefits and settlement expenses	12,998	14,559	17,177
Deferred policy acquisition costs	552	555	594
Real estate expenses	223	190	221
Interest expense	249	218	208
Dividends to policyholders	202	179	118
Other operating expenses (e.g., personnel, IT costs, loan losses, premium taxes)	5,505	5,972	6,576
Total losses, benefits and expenses	19,729	21,673	24,894
Pretax income	4,304	2,688	2,237
Income tax expense	899	422	458
NET INCOME	\$ 3,405	\$ 2,266	\$ 1,779
Other comprehensive (loss) income, net of tax	(88)	(224)	94
TOTAL COMPREHENSIVE INCOME	\$ 3,317	\$ 2,042	\$ 1,873

The table has been revised for 2014 and 2015 to reflect the adoption of an accounting standard update and for immaterial corrections. 2014 revised balances are unaudited.

Consolidated Balance Sheets

Our financial strength provides a solid foundation upon which USAA serves its members and is a key reason members remain loyal to USAA. In 2016, USAA built upon this foundation and is better positioned to meet your needs in the years ahead. Our net worth grew by almost 4 percent to nearly \$29 billion as a result of our solid net income. Assets also grew 7 percent, to \$147 billion, due to growth in our investment portfolios and cash inflows from member deposits.

Years ended Dec. 31 (dollars in millions)	2014	2015	2016
ASSETS			
Cash and cash equivalents	\$ 8,712	\$ 10,378	\$ 12,456
Investments	64,013	66,000	71,883
Loans, net	44,130	46,505	47,664
Premiums due from policyholders	2,922	3,156	3,504
Property, equipment and software, net	1,614	1,691	1,874
Securities lending collateral	405	171	200
Other assets (e.g., accounts receivable, pension plans)	8,458	9,174	9,709
TOTAL ASSETS	\$130,254	\$ 137,075	\$147,290
LIABILITIES			
Insurance reserves	\$ 19,413	\$ 21,082	\$ 23,001
Life insurance — funds on deposit	18,192	18,208	19,070
Bank deposits	58,682	62,549	68,130
Borrowings	1,585	2,127	2,470
Securities lending payable	405	171	200
Other liabilities (e.g., accounts payable, benefit plan obligations)	5,344	5,164	5,579
TOTAL LIABILITIES	\$ 103,621	\$ 109,301	\$ 118,450
NET WORTH			
Total net worth	26,633	27,774	28,840
TOTAL LIABILITIES AND NET WORTH	\$130,254	\$ 137,075	\$147,290

The table has been revised for 2014 and 2015 to reflect the adoption of an accounting standard update and for immaterial corrections. 2014 revised balances are unaudited.

Member Distributions

We take pride in sharing our success with you. It is one of the unique features of our membership and acknowledges your continued loyalty to USAA. Despite the highest catastrophe loss year in our history, USAA returned \$1.4 billion to our members in 2016 through distributions, dividends, bank rebates and rewards. While this is less than prior years due to our lower net income, these distributions to members represent a significant percentage of our profits. In fact, for more than 20 years, we've returned no less than 20 percent of profits to our members through distributions and policyholder dividends.

Years ended Dec. 31 (dollars in millions)	2014	2015	2016
Subscriber's Account distributions	\$ 434	\$ 468	\$ 246
Senior Bonus distributions*	237	259	277
Subscriber's Account terminations	168	181	197
Automobile policyholder dividends	157	134	72
Total property and casualty distributions	996	1,042	792
Life insurance policyholder dividends	45	45	46
Bank rebates and rewards	528	579	602
TOTAL DISTRIBUTIONS TO MEMBERS**	\$ 1,569	\$ 1,666	\$ 1,440

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.