

The Numbers

Being financially strong enables USAA to better serve our members every day. In 2017, USAA carefully managed its financial resources to fulfill our commitments, whether that involved helping thousands of members recover from devastating storms, paying claims or investing in technologies and expertise to keep member transactions convenient and safe.

Despite an extraordinary hurricane season that included three Category 4 storms and wildfires that devastated parts of California, USAA strengthened its financial foundation. USAA achieved solid earnings, increased net worth and was able to return more than \$1.5 billion to members in the form of distributions, dividends, bank rebates and rewards. In addition, all three major credit rating agencies continue to give USAA very strong ratings for financial strength.

USAA's financial strength allowed us to pay out nearly

\$15 BILLION

in total claims—

while still returning more than

\$1.5 BILLION

to you in distributions, dividends, bank rebates and rewards—

and standing strong at over

\$30 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 reported \$2.4 billion in net income, up 36 percent from 2016. This was in a year we faced another record catastrophe season and paid out more than \$2 billion to thousands of members who relied on USAA to recover from multiple natural disasters. In addition, non-catastrophe losses increased as a result of normal growth in the number of auto policies, industry-wide trends in rising costs for auto parts and repairs and an increase in the number of homeowner claims.

Even with these higher losses, USAA operations remain solid, as reflected by increasing premium growth and healthy member retention. Our diverse business model—including banking, life insurance, and investment management operations—all helped contribute positively to USAA's net income. The strong stock and commercial real-estate markets, along with improved bond yields—a result of higher interest rates—helped propel USAA's investment income to \$3.2 billion.

Normal growth in our business, as well as continued investments in the future, led to increased expenses. These investments included tools and resources to enhance the member experience and to achieve the highest service levels as well as capabilities to ensure member information is secure from cyberattacks. We are also building the tools, processes and expertise required to make sure USAA remains fully compliant in an increasingly complex regulatory landscape.

Thanks to USAA's conservative financial management, we kept overall expense ratios low. Our Property and Casualty Company achieved an operating expense ratio approximately 17 percent better than the industry.

Years ended Dec. 31 (dollars in millions)	2015	2016	2017
REVENUES			
Insurance premiums, net	\$ 16,786	\$ 18,287	\$ 20,093
Investment returns:			
Interest and dividends earned, net	1,937	2,147	2,433
Gains (losses) on investments, net	(100)	295	793
Total investment return	1,837	2,442	3,226
Gains on sale of loans, net	368	650	542
Fees, sales and loan income, net	4,365	4,651	5,093
Real estate operations	382	499	428
Other income (e.g., miscellaneous product services and fees)	623	602	634
Total revenues	24,361	27,131	30,016
LOSSES, BENEFITS AND EXPENSES			
Net losses, benefits and settlement expenses	14,559	17,177	18,371
Deferred policy acquisition costs	555	594	641
Real estate expenses	190	221	136
Interest expense	218	208	193
Dividends to policyholders	179	118	142
Other operating expenses (e.g., personnel, IT costs, loan losses, premium taxes)	5,972	6,576	7,309
Total losses, benefits and expenses	21,673	24,894	26,792
Pretax income	2,688	2,237	3,224
Income tax expense	422	458	802
NET INCOME	\$ 2,266	\$ 1,779	\$ 2,422
Other comprehensive income (loss), net of tax	(224)	94	139
TOTAL COMPREHENSIVE INCOME	\$ 2,042	\$ 1,873	\$ 2,561

Consolidated Balance Sheets

Net worth is one of the best measures of USAA's financial strength and stability and helps ensure our ability to meet the commitments we make to our members. In 2017, net worth increased 6 percent to over \$30 billion, primarily from our solid net income.

Assets grew over 5 percent to \$155 billion. This increase was driven in part by an almost 11 percent growth in investments that benefited from strong equity market appreciation and cash inflows from member deposits, as well as continued product growth.

Years ended Dec. 31 (dollars in millions)	2015	2016	2017
ASSETS			
Cash and cash equivalents	\$ 10,378	\$ 12,456	\$ 12,288
Investments	66,008	71,892	79,512
Loans, net	46,505	47,664	47,342
Premiums due from policyholders	3,156	3,504	3,999
Property, equipment and software, net	1,691	1,874	1,971
Securities lending collateral	171	200	63
Other assets (e.g., accounts receivable, pension plans)	9,166	9,700	10,216
TOTAL ASSETS	\$ 137,075	\$ 147,290	\$ 155,391
LIABILITIES			
Insurance reserves	\$ 21,082	\$ 23,001	\$ 25,054
Life insurance - funds on deposit	18,208	19,070	19,658
Bank deposits	62,549	68,130	70,882
Borrowings	2,127	2,470	2,834
Securities lending payable	171	200	63
Other liabilities (e.g., accounts payable, benefit plan obligations)	5,164	5,579	6,292
TOTAL LIABILITIES	\$ 109,301	\$ 118,450	\$ 124,783
NET WORTH			
Total net worth	27,774	28,840	30,608
TOTAL LIABILITIES AND NET WORTH	\$ 137,075	\$ 147,290	\$ 155,391

Member Distributions

When USAA succeeds, we like to share that success with our members. One of the features of our membership—and a key way to reward the loyalty of our members—is returning money to our members in the form of distributions, dividends, bank rebates and rewards.

In 2017, USAA returned more than \$1.5 billion to our members, an 8 percent increase over 2016. In the past 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)	2015	2016	2017
Subscriber's Account distributions	\$ 468	\$ 246	\$ 299
Senior Bonus distributions*	259	277	283
Subscriber's Account terminations	181	197	210
Automobile policyholder dividends	134	72	97
Total property and casualty distributions	1,042	792	889
Life insurance policyholder dividends	45	46	45
Bank rebates and rewards	579	602	622
TOTAL DISTRIBUTIONS TO MEMBERS**	\$ 1,666	\$ 1,440	\$ 1,556

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.