



**USAA FEDERAL
SAVINGS BANK**

**2022
FDIC Resolution Plan
PUBLIC SECTION**

*Unless otherwise noted, all information
is as of December 31, 2021.*



USAA Mission Statement

The mission of the association is to facilitate the financial security of its members, associates, and their families through provision of a full range of highly competitive financial products and services; in so doing, USAA seeks to be the provider of choice for the military community.

The USAA Standard

Keep our membership and mission first

Live our core values:

Service, Loyalty, Honesty, Integrity

Be compliant and manage risk

Build trust and help each other succeed

Embrace diversity and be purposefully inclusive
Innovate and build for the future

USAA®

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A. Executive Summary of Resolution Plan

USAA Federal Savings Bank (FSB or Bank) is publishing this public section of its Resolution Plan in accordance with Federal Deposit Insurance Corporation (FDIC) regulations and guidance in conjunction with the confidential Resolution Plan filed with the FDIC on or before December 1, 2022. This Resolution Plan describes how FSB could be resolved in a manner that ensures depositors receive timely access to their insured deposits, maximizes the net present value return from the sale or disposition of FSB's assets, and minimizes the amount of any loss to be realized by the Deposit Insurance Fund and FSB's creditors.

The principal mission of United Services Automobile Association (USAA), FSB's ultimate parent, is to provide, directly and through FSB and its other affiliates, for the financial security of its members, including those currently serving in the United States military, or who have honorably served in the past, and their families.

FSB is a wholly owned subsidiary of USAA Capital Corporation (CapCo), which in turn is a wholly owned subsidiary of USAA. The Bank is headquartered in San Antonio, Texas and was chartered in 1983. The Bank is a full-service retail bank that offers highly competitive banking products and services including deposits (checking, savings, certificate of deposits), credit cards, consumer loans, and real estate loans. FSB operates primarily by electronic commerce through usaa.com, mobile banking, call centers, and direct mail. As of December 31, 2021, the Bank had \$117 billion total assets and over 9.4 million members, FSB's primary source of funds is its retail deposit base.

B. Description of Material Entities

Material Entities were determined based on their functions with respect to FSB and their significance to the activities of Core Business Lines, see the descriptions below.

United Services Automobile Association (USAA)

Founded in 1922, USAA is a Texas-based reciprocal insurance company, headquartered in San Antonio, Texas, that directly offers property and casualty (P&C) insurance, life and health insurance products to members who are, or are family members of, current or retired members of the U.S. armed services. USAA and its subsidiaries offer a wide range of insurance and financial products, including property and casualty insurance, life and health insurance, annuities, and retail banking. As an insurance company, USAA is subject to the supervision and regulation of the Texas Department of Insurance (TDI).

USAA Capital Corporation (CapCo)

A Delaware corporation organized in 1985, CapCo is a direct, wholly-owned subsidiary of USAA. In addition to its holding company operations, CapCo serves as a USAA general purpose finance subsidiary. The Bank is a direct, wholly-owned subsidiary of CapCo.

USAA Federal Savings Bank (FSB)

FSB is an FDIC-insured Federal savings bank depository institution subject to primary regulation and supervision examination by the Office of the Comptroller of the Currency (OCC). FSB provides banking products and services including credit cards (through the subsidiary, USAA Savings Bank), consumer loans, deposit accounts, and real estate lending. FSB is also subject to regulation by the Consumer Financial Protection Bureau (CFPB) and is a member of the Federal Home Loan Bank System (FHLB).

USAA Savings Bank (USB)

USB is an FDIC-insured Nevada industrial loan company that is a direct, wholly-owned subsidiary of FSB. USB's primary regulators are the FDIC and the State of Nevada Department of Business and Industry's Division of Financial Institutions. USB is engaged in credit card lending and is the issuer of USAA-branded credit cards.



C. Description of Core Business Lines

FSB's Core Business Lines (CBLs) are those businesses that, under the FDIC's rule, represent the key business activities of FSB and reflect those assets, associated operations, services, and functions that, in the view of FSB, upon failure would result in a material loss of revenue, profit, or franchise value. FSB management has identified the following CBLs:

Credit Cards	Lines of credit made available via card products, including rewards programs and special military benefits.
Consumer Lending	Lending products available to members which include loans generally secured by automobile or other property and unsecured personal loans.
Deposits	The offering and management of transaction accounts (checking, savings), including check, debit card, ATM, and online services on behalf of members. Products include checking and savings accounts, and certificates of deposit.
Real Estate Lending	Lending and refinancing products available to members where the loan is secured by real estate. Loan options include conventional fixed-rate, adjustable, Veterans Affairs (VA), and jumbo loans.



D. Consolidated Financial Information Regarding Assets, Liabilities, and Capital and Major Funding Sources

Call Reports for FSB and USB, prepared as of December 31, 2021, which are attached at the end of this Public Section submission, summarize the assets, liabilities, and capital position for FSB as of that date.

Regulatory Capital

As of December 31, 2021, FSB reported tier 1 and total risk-based capital ratios of 17.5% and 18.8% respectively, and a leverage ratio of 8.1%, all of which are above the minimum regulatory requirements to be considered well-capitalized.

As of December 31, 2021	Actual		Minimum for Capital Adequacy Purposes		To be Well- Capitalized under Prompt Corrective	
	<u>Amount (millions)</u>	<u>Ratio</u>	<u>Amount (millions)</u>	<u>Ratio</u>	<u>Amount (millions)</u>	<u>Ratio</u>
Tier 1 leverage capital, and ratio to average total assets	\$ 9,216	8.1%	\$ 4,559	4.0%	\$ 5,699	5.0%
Common Equity Tier 1 and ratio to risk-weighted total assets	\$ 8,941	17.0%	\$ 2,369	4.5%	\$ 3,422	6.5%
Tier 1 risk-based capital, and ratio to RWA	\$ 9,216	17.5%	\$ 3,159	6.0%	\$ 4,212	8.0%
Total risk-based capital, and ratio to RWA	\$ 9,876	18.8%	\$4,212	8.0%	\$ 5,265	10.0%

Source: USAA FSB Pillar 3 Regulatory Capital Disclosures, Quarterly Period Ended Dec. 31, 2021

Liquidity and Major Funding Sources

Liquidity levels are maintained to ensure FSB's safety and soundness and provide an adequate base for growth and expansion. Liquidity risk management strategies are performed by Treasury and by FSB's Senior Financial Officer department to assure (1) FSB's ability to generate or obtain cash or cash equivalents (collateral) in a timely, cost-efficient manner so that obligations can be met as they fall due, and (2) that profitable business opportunities can be pursued through all market environments for an extended period of time without liquidating assets prematurely or raising additional funding on unattractive terms.

To oversee the Bank's liquidity position, Treasury and the Bank's Senior Financial Officer department monitor cash flows, financial, and non-financial information (such as member feedback and media coverage of USAA) at the Bank. Treasury also evaluates systemic and/or idiosyncratic events when they occur that could lead to liquidity positions outside risk triggers or policy thresholds. FSB relies on core deposits as its primary source of funds which are used to support loans and investments, with the remainder held as cash and cash equivalents. Cash, cash equivalents, and available for sale (AFS) investments are available to meet any immediate liquidity needs.

Additional Funding Sources Available

Additional sources of funds in a business-as-usual (BAU) environment include, but are not limited to, the following:

- Cash & short-term investments
- Federal Home Loan Bank of Dallas (FHLB Dallas)
- Commercial Paper and Medium-Term Note Debt Issuance
- Sale of securities from the Investment Portfolio
- Asset Backed Securitization (ABS)
- Federal Reserve Discount Window



E. Description of Derivative Activities

FSB engages in certain derivatives activities to hedge its balance sheet macro interest rate risk and mortgage loan originations. FSB does not make markets in derivatives products.

All aspects of the hedge program, including approved instruments, risk limits, counterparties, and traders are approved by FSB's Asset & Liability Committee (ALCO).



F. Description of Foreign Operations

FSB does not have any material components that are based or located outside the United States, including foreign branches, subsidiaries, and offices. The Bank also does not have any foreign locations, deposits, or assets.



G. Material Supervisory Authorities

FSB is a Federal Deposit Insurance Corporation-insured federal savings association subject to primary regulation and supervision examination by the Office of the Comptroller of the Currency. FSB is also subject to regulation and supervision of its consumer lending activities by the Consumer Financial Protection Bureau.

H. FSB Board of Directors

- Pat Phillips, Chair
- Wayne Peacock, Vice Chair
- Brad Conner
- David Darnell
- Karen Dyson
- Rhett Hernandez
- Karin Hirtler-Garvey
- Leo Mackay
- Wendy Murdock
- Robert Qutub
- Paul Vincent
- Patricia Watson





I. Resolution Planning Corporate Governance Structure and Processes Related to Resolution Planning

The development of the Resolution Plan leverages the existing business-as-usual (BAU) FSB governance structure, risk management principles, and control processes. These governance principles and processes serve as the basis on which FSB scopes, resources, and executes the completion of its Resolution Plan.

Resolution planning and ongoing maintenance at the Bank is coordinated through a cross-functional team, led by the Bank's Chief Risk Officer. The senior officer is responsible for ensuring policies and procedures are created to develop, maintain, implement, and submit a credible Plan. To that end, the officer is responsible for the design and subsequent approval of the Resolution Planning (RP) team governance framework, the oversight plans of future, and the communication with the Bank's Board. In addition to the RP Team within the Bank Risk Office, FSB created a Leadership Team and Working Group, consisting of senior members of FSB's Management team, to support the senior officer with Resolution Planning and the development of resolution strategies. The Working Group is charged with the development of resolution strategies and ensuring that these are aligned with the underlying assumptions. The working group also provides feedback and guidance to the work streams to validate and refine the content of the Resolution Plan during its development and completion.

In addition, FSB business lines, legal counsel, supporting functions, and operations groups assist in data gathering, analysis, and drafting of content for the Resolution Plan. As subject matter experts in their area of business or support function, these groups are essential to the Resolution Planning process, participating in strategy sessions and team discussions, while also providing ideas and recommendations to address the tactical implications of each Plan requirement for their respective area.

J. Description of Management Information Systems

FSB utilizes Management Information Systems (MIS) for accounting, cash management, risk management, financial and regulatory reporting, and internal management reporting and analysis. The Core Business Lines (CBLs) use MIS to perform necessary business functions. The Bank generates and distributes management reports on a periodic basis that are utilized by Executive Management to monitor the financial health, risks, and operation of FSB and its CBLs, and which are considered “key” and vital to the business and operations.

Systems and applications at FSB are essential to smooth and effective operations and are managed through a best practices Business Continuity approach. The program is built to ensure FSB’s commitment to its Parent’s mission to facilitate the financial security of its members, associates, and families.

The Bank utilizes MIS software developed internally by FSB (or by a USAA affiliate) or supplemented by third-party vendor developed applications and relies on them to produce reports with information on risk, financial stability, and operations of the Bank. Governance, control, and maintenance of critical applications are vital components of the technology process, which emphasizes minimal recovery times in the event of material financial distress or disruption.