USAA Federal Savings Bank

Pillar 3 Regulatory Capital Disclosures

For the Quarterly Period Ended June 30, 2026

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Introduction and Scope of Application

United Services Automobile Association (USAA) is a membership-based association that, together with its wholly-owned subsidiaries, serves current and former commissioned and non-commissioned United States (U.S.) military officers, enlisted and retired military personnel and their families.

Our mission is to be the #1 choice for the military community and their families - delivering exceptional service, trusted advice, competitive products and meaningful advocacy to achieve financial security.

USAA Federal Savings Bank (Bank or FSB) is a full-service retail bank that offers credit cards, consumer loans, residential real estate loans and a range of deposit products. With its home office designated in Arizona and its headquarters located in San Antonio, Texas, the Bank operates primarily by electronic commerce through usaa.com, mobile banking, call centers and direct mail. FSB's primary federal regulator is the Office of the Comptroller of the Currency (OCC). The Bank is also regulated by the Federal Deposit Insurance Corporation (FDIC) and the Consumer Financial Protection Bureau (CFPB).

The following provides a description of certain Bank affiliates:

- USAA is a Texas-based reciprocal inter-insurance exchange founded in 1922 that provides property and casualty insurance products. Through its various subsidiaries, USAA provides financial products and services, including personal lines of insurance, retail banking, investments and retirement products. USAA is subject to supervision by the Board of Governors of the Federal Reserve System.

- USAA Capital Corporation (CapCo) is a direct, wholly-owned subsidiary of USAA organized as a Delaware corporation. 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 Residential Real Estate Services, Inc. (RRES) was a licensed real estate broker which provided services for members who were contemplating moving, to facilitate the sale or purchase of a home, through a contractual agreement with a relocation services company. The company is still in existence, however the real estate broker license expired on December 31, 2020. For accounting purposes, RRES is a consolidated subsidiary of the Bank. However, for regulatory capital purposes, RRES is a nonfinancial subsidiary that is required to be deducted from the calculation of the Bank's regulatory capital.

There are no insurance subsidiaries included in the Bank's consolidated group. FSB does not have any subsidiaries that are subject to minimum capital requirements.

Restrictions on capital and transfer of funds between affiliates are limited to applicable regulatory requirements. Prior to any transfer, the Bank engages the appropriate regulatory authorities to complete notification and other requirements.

Risk Management

The Bank's Risk Governance Framework (RGF) provides the Bank's strategic foundation for identifying, measuring, assessing, controlling, monitoring and reporting risks in a manner that promotes prudent decision-making, manages risk-reward, and instills accountability for risk in fulfilling the Bank's strategy and USAA's mission. This structure is designed to ensure the ongoing safety and soundness of the Bank and is facilitated through management committees that report to FSB Board of Directors (Board). "

- The Board is responsible for overseeing the Bank's compliance with safe and sound banking practices, including through review of the Bank's business and its financial results. The Board sets and reinforces, with executive management, an appropriate "Tone at the Top" that supports a culture of effective challenge and actively oversees the Bank's risk-taking activities and holds Bank management and Enterprise Affiliate Services accountable for adherence to the RGF and applicable Service Level Agreements.

- The Board's Risk Committee (BRC) has oversight responsibility of the Bank-wide risk management and governance framework, including the RGF and the strategies, policies, procedures, processes, governance structures, and systems established by management to identify, assess, measure, and manage the FSB's Principal Risks. This committee reports its activities and decisions to the Board.

- The Bank Risk Management Committee (BRMC) has been established by a grant of authority from the Bank President to provide a forum in which Bank Second Line of Defense (SLOD) oversees the Bank's risk-taking activities and assesses the Bank's material risks. The Asset/Liability Management Committee (ALCO) has been granted authority by the Bank President and the BRMC as a dual first line and SLOD committee (with appropriate safeguards for SLOD independence) (1) to direct the overall balance sheet strategies, approve the terms of new asset and liability products, as well as changes in existing products, to control cash flow / liquidity risk and interest rate risk, ensure compliance with the qualified thrift lender requirement, and to ensure capital adequacy, and 2) to provide SLOD oversight and monitoring of such first line activities. The Co-Chairs of the BRMC shall escalate certain significant matters to the Bank President or the Bank Board (or committee thereof) as appropriate. The Co-Chairs of ALCO shall escalate certain significant matters to the Bank President and BRMC for joint consideration and action. The Bank Credit Risk Management Committee (BCRMC) is a subcommittee of the BRMC responsible for monitoring credit risk.

Risk Appetite refers to the aggregate level and types of risk the Board and Management are willing to assume in the pursuit of the organization's strategic objectives and business plan, consistent with applicable capital, liquidity, and other regulatory requirements. As set forth in the RGF, the Bank's Risk Appetite is integral in guiding management to make prudent decisions in support of mission fulfillment. Risks taken by the Bank are expected to remain within Risk Appetite, which is approved annually by the Bank Board's Risk Committee. The Bank's Chief Risk Officer independently monitors risks through a comprehensive system of appetites and triggers. Breaches of Risk Appetite and trigger limits are escalated through the Bank's Risk Appetite governance structure.

Basel Capital Framework

In 2013, the OCC made changes to the way banks are required to compute and manage regulatory capital and added certain financial disclosure requirements. The effective date of these changes as they apply to the Bank was January 1, 2015, though certain requirements were phased in over several years (referred to within as "the Basel III Standardized Approach Requirements"). The Bank is compliant with the fully phased-in 2019 capital requirements pursuant to the final regulatory capital rules; the Bank implemented the simplifications to the capital rule in Q2 2020 and the interim final rule pertaining to the eligible retained income is reflected in Exhibit 7 of this document.

These changes are in large part aligned with the Basel capital framework, which consists of the three "pillars" described below.

- Pillar 1: Minimum Capital Requirements - This pillar provides a framework for calculating regulatory capital and is segmented by credit risk, operational risk and market risk.

- Pillar 2: Supervisory Review - This pillar describes how the regulatory agencies should review a bank's operations to ensure that it will continue to be financially strong should adverse circumstances arise.

- Pillar 3: Risk Disclosure and Market Discipline - This pillar requires a bank to make public disclosures that describe its capital structure and major risks.

The Bank's Pillar 3 Regulatory Disclosures document satisfies the OCC's risk disclosure and market discipline requirements.

Capital Structure

Regulatory Capital Instruments

The Bank's regulatory capital instruments consist of common stock and noncumulative perpetual preferred stock, which are solely owned by CapCo. The Bank's current regulatory capital instruments are provided below.

Exhibit 1: Regulatory Capital Instruments
Information as of June 30, 2026

Capital Instrument	Callable	Previous Declared Rate	Shares Authorized; Issued and Outstanding
Adjustable Non-Cumulative Perpetual Preferred Series E Stock, $100 Par Value	Yes[a]	4.40%	20,000,000; 2,750,000
Common Stock, $90 Par Value	No	N/A	10,000,000; 200,000

(a) Shares are callable at the Bank's option for cash after five years, in whole or in part, at par value plus accrued but unpaid dividends on Dec. 15 of each year, or on such other date as may be agreed to by the Bank and the holders of all the shares of Series E. The preferred stock has a liquidation value equal to its redemption value and has preference over the common stock with respect to dividends and liquidation rights. Consistent with 12 CFR 3.20, the issuer and holder understand that the preferred stock is not to be called within the first five years of its issuance and have not been called as of 6/30/2026.

Regulatory Capital

The Bank is subject to minimum regulatory capital requirements that are prescribed by the OCC. These requirements include maintaining adequate capital levels across several regulatory capital categories, which include common equity Tier 1 (CET1), Tier 1, Total risk-based capital (Total RBC) and leverage. CET1, Tier 1 and Total RBC are evaluated in relation to risk-weighted assets (RWA), which are calculated using categories across the Bank's balance sheet and OCC prescribed risk-weighting percentages. Leverage is evaluated by comparing Tier 1 capital to average total assets.

CET1 capital includes retained earnings, common stock and paid-in capital. Tier 1 capital includes CET1 as well as preferred stock. Total RBC includes Tier 1 capital and the allowance for credit losses (ACL[1]) up to 1.25% of total RWA.

All regulatory capital measures require deduction of intangible assets and certain other items. The regulatory capital ratios are computed as follows:

- CET1: CET1 capital divided by RWA
- Tier 1: Tier 1 capital divided by RWA
- Total RBC: Total RBC divided by RWA
- Leverage: Tier 1 capital divided by adjusted average total assets

The Bank's capital adequacy management program ensures that appropriate capital levels are held in consideration of its overall size, complexity and risk profile. The Bank is required to maintain regulatory prescribed minimum capital ratios, which are provided in the following exhibit along with a summary of the Bank's regulatory capital amounts, RWA, average total assets and capital ratios.

Exhibit 2: Capital Ratios

All dollars in millions; information as of June 30, 2026

Regulatory Capital and Assets	Basel III Standardized Approach Dollars
Common Equity Tier 1 Capital	$ 9,596
Tier 1 Capital	9,871
Total Capital	10,596
Risk-Weighted Assets	56,818
Total Assets for the Leverage Ratio	106,203

Capital Ratios	Regulatory Well-Capitalized Levels	Regulatory Minimum Capital Levels	Basel III Standardized Approach Percentage
Common Equity Tier 1	6.5%	4.5%	16.9%
Tier 1	8.0%	6.0%	17.4%
Total Risk-Based	10.0%	8.0%	18.6%
Leverage	5.0%	4.0%	9.3%

[1] The bank adopted the Current Expected Credit Losses (CECL) standards as of January 1, 2023 and as of 1Q2026 the CECL impact is now fully phased into regulatory capital.

Components of Capital

The following exhibit presents a reconciliation of the Bank's total equity to the components of regulatory capital.

Exhibit 3: Components of Regulatory Capital

All dollars in millions; information as of June 30, 2026

Components of Regulatory Capital		Basel III Standardized Approach Dollars
Common Stock	$	18
Contributed Capital		3,149
Retained Earnings		6,437
Accumulated Other Comprehensive Income (Loss)		(4,059)
Common Equity Tier 1 Capital Before Adjustments and Deductions		5,545
Adjustments for:		
Less: Intangible Assets		—
Less: Deferred Tax Assets that Arise from Net Operating Loss and Tax Credit Carry Forwards		4
Less: Accumulated Other Comprehensive Income (Loss) – Available for Sale Securities		(873)
Less: Accumulated Other Comprehensive Income (Loss) – Cash Flow Hedges		(61)
Less: Accumulated Other Comprehensive Income (Loss) – Held to Maturity Securities that are included in AOCI		(3,124)
Less: Subsidiaries Required to Be Deducted		3
Less: 25% Common Equity Tier 1 Capital Threshold Deductions		—
Less: Other		—
Common Equity Tier 1 Capital		9,596
Plus: Preferred Stock		275
Plus: Other		—
Tier 1 Capital		9,871
Plus: Allowance for Credit Losses Includable as Tier 2 Capital		725
Plus: Other		—
Total Capital	$	10,596

Table may not foot due to rounding

Capital Adequacy

The Bank's capital adequacy management program aligns to the Bank's risk management practices which is carried out by the ALCO. To assess the Bank's capital adequacy, the ALCO utilizes several tools to actively monitor trends, review scenario and stress test analytics, and benchmark the metrics provided by this information in relation to internal and regulatory thresholds. These tools enable the Bank's management to maintain an effective monitoring program and provide important inputs to the Bank's planning efforts.

The ALCO's monitoring activities include the ongoing review of regulatory capital ratios, described in the section titled, "Regulatory Capital." The results for the most recent quarter-end are provided in the following exhibits.

Exhibit 4: Risk-Weighted Assets

All dollars in millions; information as of June 30, 2026

Risk-Weighted Assets	Dollars
Exposures to Sovereign Entities	$ —
Exposures to Certain Supranational Entities	—
Exposures to Depository Institutions	1,513
Exposures to Public Sector Entities	—
Corporate Exposures	—
Residential Mortgage Exposures	1,789
Statutory Multifamily Mortgages and Pre-sold Construction Loans	—
High Volatility Commercial Real Estate Loans	—
Past Due Loans	680
Cleared Transactions	4
Default Fund Contributions	—
Unsettled Transactions	—
Securitization Exposures	—
Equity Exposures	52
Other Assets [(a)]	53,950
Total Risk-Weighted Assets Before Deduction of Excess Allowance for Credit Losses	57,988
Less: Excess Allowance for Credit Losses	1,170
Total Standardized Risk-Weighted Assets	$ 56,818

Table may not foot due to rounding

[(a)] *Comprises primarily consumer and credit card loans*

The following exhibit presents a summary of regulatory capital ratios.

Exhibit 5: Capital Ratios
Information as of June 30, 2026

Basel III Standardized Approach Capital Ratios	Ratio
Common Equity Tier 1	16.9 %
Tier 1	17.4 %
Total Risk-Based Capital	18.6 %
Leverage	9.3 %

Capital Conservation Buffer

The Bank is required to maintain a capital conservation buffer (CCB) equal to at least 2.5% of total RWA above the regulatory minimum for the most constraining capital ratio (i.e., CET1, Tier 1 or Total RBC). In addition, the OCC requires disclosures of "eligible retained income under the CCB framework," which is defined as the greater of 1) the Bank's net income, calculated in accordance with the instructions to the Call Report, for the four calendar quarters preceding the current calendar quarter, net of any distributions and associated tax effects not already reflected in net income; and 2) the average of the national bank's or federal savings association's net income, calculated in accordance with the instructions to the Call Report, for the four calendar quarters preceding the current calendar quarter. The Bank's CCB and eligible retained income are provided in the following exhibits.

Exhibit 6: Capital Conservation Buffer
Information as of June 30, 2026

Capital Conservation Buffer	Ratio
Total Risk-Based Capital Ratio	18.6 %
Less: Minimum Total Risk-Based Capital Ratio	8.0 %
Capital Conservation Buffer	10.6 %
Required Capital Conservation Buffer	2.5 %

Table may not foot due to rounding

Exhibit 7: Eligible Retained Income Under Capital Conservation Buffer Framework
All dollars in millions; information as of June 30, 2026

Eligible Retained Income Under Capital Conservation Buffer Framework	Dollars
Net Income Over Four Previous Quarters	$ 660
Less: Dividends Paid Over Four Previous Quarters	—
Total Eligible Retained Income Over Four Previous Quarters (1)	660
Average Net Income Over Four Previous Quarters (2)	165
Total Eligible Retained Income | Greater of (1) or (2)	$ 660

Table may not foot due to rounding

The Bank is not subject to any limitations on distributions and discretionary bonus payments given a CCB in excess of 2.5%. The maximum amount of distributions the Bank can make is a function of its eligible retained income.

Credit Risk: General Disclosures

The Bank provides credit card, auto, residential mortgage and other consumer loans to its members, which creates Credit Risk. Deposit products offered by the Bank also create credit risk through member account overdrafts. Credit Risk represents the potential for the Bank to incur a financial loss if its members become unable or unwilling to repay their loans. To effectively manage Credit Risk, the Board governs the Bank's lending programs through lending policies and ongoing monitoring activities through the BCRMC. The BCRMC enables the Bank to comply with lending policies by establishing and monitoring lending guidelines and actively monitoring Credit Risk exposures.

- Nonaccrual and Charge-Off Methodologies: Management, considering current information and events regarding the borrowers' ability to repay their obligations, considers a loan to be impaired when it is probable that the Bank will be unable to collect all amounts due according to the contractual terms of the loan agreement. The type of loan and status will guide management through established criteria to determine when a loan qualifies for nonaccrual treatment or return to accrual. When a loan is placed on nonaccrual status, previously accrued but uncollected interest is reversed. Payments received on loans in nonaccrual status are applied first to the principal balance, with excess payments applied to outstanding interest and fees.

  Return to accrual status of a nonaccrual loan occurs based on established criteria. The loan status is monitored to determine if certain required conditions are met to restore it to accrual status, including criteria required for: 1) bankruptcy accounts, 2) deceased accounts, 3) workout accounts and 4) greater than 90 days delinquent accounts. An account may be returned to accrual status when 1) no further nonaccrual conditions apply for the account, 2) certain workout program completion has been fulfilled and 3) the borrower has resumed paying the full amount of the scheduled contractual interest, and principal payments to bring the loan fully current, and a sustained period of repayment performance exists (a minimum of 6 months) by the borrower to bring the loan current in accordance with the contractual terms involving payments of cash or cash equivalents.

Credit cards, lines of credit and mortgage loans are charged off on the last business day of the month after the account is 180 days past due. Auto and other consumer loans are charged off at 120 days past due. Deposit accounts are charged off when overdrawn for at least 55 consecutive days. Consumer loans (secured and unsecured), home equity lines of credit and credit cards in bankruptcy are charged off within 60 days of receipt of notification of filing. Unsecured Credit cards, unsecured consumer lines of credit, and unsecured home equity lines of credit of deceased individuals are charged off by the end of the following month, once the member's death is reported to the credit reporting agencies. Secured products follow the terms of the existing contract agreement and are not subject to the accelerated estate charge-off process. Charge offs due to fraud occur when the Bank determines the amounts are uncollectible. Residential mortgages are subject to impairment accounting based on the estimated fair value of the underlying collateral, less estimated selling costs. Residential mortgages and other secured loans are secured debt with collateral and, accordingly, may be subject to foreclosure or liquidation.

- Allowance Methodology: The purpose of the Allowance for Credit Losses (ACL) is to maintain a reserve sufficient to cover total credit losses expected to be realized from assets held by FSB as of the estimation date. The ACL is maintained at a level that is appropriate to absorb expected losses from assets held by FSB and is evaluated quarterly. Additions and reductions to the ACL through periodic provisions or benefits are recorded in Provision for Credit Losses in the Consolidated Statements of Comprehensive Income. FSB adopted the CECL Accounting Standard with an effective date of January 1, 2023. CECL is a measurement methodology that estimates Expected Credit Loss (ECL) of a financial asset utilizing forward-looking information. The ACL for on-balance sheet assets is determined using a factor-based credit loss measurement approach based on the estimate of ECL on the unpaid principal balance component of the Amortized Cost Basis (ACB) of a loan instrument. CECL does not require an entity to measure ECL on obligations to extend credit which are unconditionally cancellable for off-balance sheet commitments. FSB has determined that all credit card products are unconditionally cancellable at the option of FSB in accordance with the guidance in the Standard. As such, FSB estimates ECL on only the funded credit card balance at each reporting date. HELOCs are not unconditionally cancellable due to regulatory conditions in the Truth in Lending Act

(TILA). As such, ECL on the funded balance and unfunded available line is estimated. The ECL on the funded balance is included as part of the ACL and the ECL on the unfunded portion is held in a Liability for Unfunded Commitments (LUC) account.

The determinations of the ACL amounts are based on a combination of quantitative and qualitative calculation methods and consider all available information relevant to assessing collectability. This may include internal information, external information, or a combination of both relating to past events, current conditions, and reasonable and supportable forecasts. FSB will consider and may qualitatively adjust for conditions, changes and trends in loan portfolios that may not be captured in the quantitative modeled results. These qualitative adjustments represent management's judgment of the imprecision and risks inherent in the processes and assumptions used in establishing the ACL, including but not limited to economic uncertainty, portfolio composition and industry comparisons.

- Credit Exposures by Type, Industry/Counterparty and Geographic Distribution: The Bank's membership is geographically dispersed throughout the U.S. and the Bank's underwriting and risk management practices are not differentiated by region. The Bank employs sound underwriting standards that meet or exceed all state and federal regulations. Other concentrations (e.g., subprime exposure, credit bands, product concentration risk, geographical economic health, membership eligibility exposure) are actively managed and monitored by senior management and the BCRMC.

The following exhibits provide the Bank's total loan exposures by regulatory reporting category, industry/counterparty and geographic distribution.

Exhibit 8: Credit Exposures by Type, Industry/Counterparty and Geographic Distribution[(a)]

All dollars in millions; information as of June 30, 2026

Credit Exposures by Type, Industry and Counterparty		Dollars
Residential Real Estate	$	3,209
Commercial Real Estate		—
Consumer		42,984
Other		23
Sub-Total Loan Exposures - Industry: Retail Credit		46,216
Off-Balance Sheet Loan Commitments: Retail Credit[(b)]		64,680
Due From Depository Institutions - Industry: Financial, Government		10,163
Debt Securities - Industry: Government, Other		48,500
Over-The-Counter (OTC) Derivatives - Industry: Financial		11
Total Credit Exposures	$	169,570

Table may not foot due to rounding

(a) All geographic distribution is within the U.S.

(b) Primarily comprised of unused commitments on retail credit card lines

The following exhibit provides the Bank's credit exposures by regulatory reporting category on an average basis.

Exhibit 9: Average Credit Exposures by Type

All dollars in millions; information for the three months ended June 30, 2026

Average Credit Exposure by Type		Dollars
Residential Real Estate	$	2,602
Commercial Real Estate		—
Consumer		42,349
Other		33
Sub-Total: Loan Exposures		44,984
Off-Balance Sheet Loan Commitments[(a)]		64,536
Due from Depository Institutions		8,107
Debt Securities		50,399
OTC Derivatives		15
Total All Credit Exposures	$	168,041

Table may not foot due to rounding

(a) Primarily comprised of unused commitments on retail credit card lines

The following exhibit provides the Bank's credit exposures by type with the associated remaining contractual maturity.

Exhibit 10: Credit Exposures by Type and Remaining Contractual Maturity[(a)(b)]

All dollars in millions; information as of June 30, 2026

Credit Exposures by Type and Remaining Contractual Maturity	Up to 1 Year	1 to 5 Years	Over 5 Years	Total
Residential Real Estate	$ 2,062	$ 63	$ 967	$ 3,092
Commercial Real Estate	—	—	—	—
Consumer	18,088	15,672	8,849	42,609
Other	23	—	—	23
Total Loan Exposures	20,173	15,735	9,816	45,724
Off-Balance Sheet Loan Commitments[(c)]	64,680	—	—	64,680
Due from Depository Institutions	10,163	—	—	10,163
Debt Securities	5,828	6,352	36,321	48,500
OTC Derivatives	11	—	—	11
Total Credit Exposures	$ 100,855	$ 22,087	$ 46,137	$ 169,078

Table may not foot due to rounding

(a) Remaining maturity for installment loans and next repricing date for revolving lines of credit

(b) Excludes loans in nonaccrual status

(c) Primarily comprised of unused commitments on retail credit card lines

The following exhibit provides the Bank's impaired total loan exposures by regulatory reporting category and geographic distribution.

Exhibit 11: Impaired Loans by Type and Geographic Distribution[(a)]

All dollars in millions; information as of June 30, 2026

Impaired Loans by Type	Modifications under ASU 2022-02 (Performing)	Past Due 30 Through 89 Days and Still Accruing	Nonaccrual	Total
Residential Real Estate	$ 10	$ 13	$ 118	$ 141
Commercial Real Estate	—	—	—	—
Consumer	20	270	375	665
Other	—	4	—	4
Total Impaired Loans	$ 30	$ 287	$ 493	$ 810

Table may not foot due to rounding

(a) All geographic distribution is within the U.S.

The following exhibit provides the Bank's ACL by category.

Exhibit 12: Allowance for Credit Losses[(a)]

All dollars in millions; information is year to date as of June 30, 2026

Allowance for Credit Losses	Dollars
Residential Real Estate	$ 7
Commercial Real Estate	—
Consumer	1,880
Other	8
Total ACL	$ 1,894

Table may not foot due to rounding

(a) It is not the Bank's practice to allocate ACL by geographic region

The following exhibit provides the Bank's gross charge-offs by regulatory reporting category.

Exhibit 13: Gross Charge-Offs

All dollars in millions; information is year to date as of June 30, 2026

Gross Charge-Offs	Dollars
Residential Real Estate	$ 5
Commercial Real Estate	—
Consumer	$ 560
Other	29
Total	$ 594

Table may not foot due to rounding

The following exhibit provides a reconciliation of the changes in the Bank's ACL.

Exhibit 14: Reconciliation of Changes in Allowance for Credit Losses

All dollars in millions; information year to date as of June 30, 2026

Reconciliation of Changes in Allowance for Credit Losses	Dollars
Balance at Beginning of Year	$ 1,902
Recoveries	125
Less: Charge-Offs	594
Less: Write-Downs Arising from Transfers of Loans to Held-for-Sale	—
Provision for Credit Losses	461
Adjustments	—
Balance at End of Current Period	$ 1,894
Uncollectible Retail Credit Card Fees and Finance Charges Reversed Against Income	41

Table may not foot due to rounding

Counterparty Credit Risk-Related Exposures: General Disclosures

To manage interest rate risk, the Bank engages in hedging activities. These hedging activities utilize over-the-counter (OTC) and centrally cleared derivative contracts. The goal of these hedging activities is to mitigate the interest rate risk associated with providing these products and to protect the Bank's financial security.

The Bank meets member home financing needs through its residential mortgage loan product suite. When mortgage loans are sold to the Government-Sponsored Enterprise (GSEs), the mortgage servicing rights (MSRs) are sold to the market via the GSE-sponsored marketplace. MSRs represent the net present value of future cash flows for performing specified mortgage servicing activities. Servicing activities include collecting principal, interest and escrow payments from borrowers, making tax and insurance payments on behalf of borrowers, monitoring delinquencies and executing foreclosure proceedings.

Derivative Activities

OTC derivative activities are described below, while centrally cleared activities are not described further as these activities generate exposure to the clearing house, but do not create direct exposure to counterparties similar to OTC contracts.

- Collateral Arrangements: A third party independently calculates the Bank's credit risk exposure for each trading counterparty on a daily basis. If this calculation results in the need for action to mitigate the exposure, funds are exchanged between the Bank and its counterparties (generally referred to as margin activities). Policy limits, established by the ALCO and approved by the Board, guide the Bank's margin activities.

- Primary Types of Collateral: The Bank enters into contractual agreements with its trading counterparties, and these agreements identify the types of collateral that are eligible to be utilized in maintaining collateral arrangements. Currently, USAA only exchanges cash as margin collateral.

- Potential Collateral Requirements: Daily changes in market interest rates determine the amount of collateral (referred to as variation margin) that needs to be exchanged between the Bank and its counterparties.

The Bank did not purchase or sell any credit derivatives or engage in any margin lending transactions during the quarter-to-date period ended June 30, 2026.

Repurchase Activities

- Collateral Arrangements: To help manage liquidity, the Bank enters into tri-party repurchase (repo) transactions, which is a short-term collateralized form of borrowing/lending. With regards to triparty repo transactions, a collateral agent/custodian bank independently provides to the Bank and the counterparty collateral valuation for each transaction on a daily basis where the term of the trade is greater than one day. Margin maintenance activities can include the following: changes in valuation resulting in the need to bring pledged collateral back into alignment with the terms of the repo transaction or eligible collateral is exchanged/substituted between the Bank and its counterparties.

- Primary Types of Collateral: The Bank enters into contractual agreements with its trading counterparties and these agreements identify the types of collateral and haircuts that are eligible to be utilized in tri-party repurchase transactions.

- Potential Collateral Margin Maintenance: Daily changes in market valuations determine the amount of collateral that potentially needs to be exchanged between the Bank and its counterparties.

During Q2 2026, the quarterly average amount for repo and reverse repo transactions was $37 million and $3 million, respectively.

The following exhibit provides information about the Bank's OTC derivative contracts. The gross positive fair value of derivative contracts is the greater of the positive mark-to-market of each individual trade or zero. As indicated in the table, there were OTC derivative contracts with positive fair values. The Bank also had contracts with the same counterparty with gross negative fair values which are netted based on legally enforceable netting agreements. The counterparties posted collateral according to counterparty agreements, which in some cases, can be greater than the net contract exposure due to minimum transfer thresholds and timing. The net counterparty exposure was $6.4 million.

Exhibit 15: Counterparty Exposures

All dollars in millions; information as of June 30, 2026

Over-the-Counter Derivative Contracts	Dollars
Notional Amount of Contracts	$ 2,248.0
Gross Positive Fair Value of Contracts	2.5
Less: Gross Negative Fair Value of Contracts	5.3
Net Exposure of Contracts	(2.8)
Collateral Held	(8.8)
Unadjusted Exposure to Counterparties	6.1
Counterparty exposure to USAA	0.3
Net Exposure to Counterparties	$ 6.4

Table may not foot due to rounding

Credit Risk Mitigation

The Bank engages in credit risk mitigation activities, which include accepting collateral on certain loans. Collateral types include automobiles, motorcycles, boats, recreational vehicles, leisure vehicles, certificates of deposit, non-commercial residential property and land, where the borrower’s intent is to build a house that they intend to occupy as their primary residence.

- Credit Concentration: The Bank routinely monitors segments across its loan portfolio to monitor concentrations by product, geographic location, credit quality and borrower. The Bank frequently analyzes the loan portfolio to identify additional segments and adjust monitoring oversight appropriately. The results from these monitoring activities are provided to senior management and the BCRMC for review and to inform the decision-making process.

- Loan Workout Programs: The Bank enters into loan modification agreements with certain members who are experiencing financial distress. The loan workout program attempts to reduce the potential financial loss the Bank might otherwise experience by restructuring the member's loan terms and/or conditions in a way that enables the member to repay the loan to try and prevent charge-off, repossession or foreclosure. Members are approved for loan workout programs after they meet specific criteria, which include their willingness and ability to repay the debt.

- Counterparties: Policy limits constrain the credit risk exposure that arises from OTC transactions. The BCRMC routinely monitors credit risk to maintain exposure within acceptable parameters and establishes and enforces counterparty credit limits. The ALCO also monitors market risk to identify possible events or future changes in economic conditions that could have unfavorable effects on the Bank's credit exposures and to assess the Bank's ability to withstand such changes. The ALCO actively engages in contingency planning and escalation activities and monitors ongoing capital planning activities to provide independent oversight and monitoring of the linkage between capital allocation and market risks. The ALCO routinely monitors the results from operations and directs action to ensure compliance with policy as necessary. These monitoring activities include the ongoing evaluation of concentrations, credit ratings and the Bank's financial exposure to each counterparty (i.e., value at risk).

Securitization

A participant in the securitization market is typically an originator, servicer, sponsor or investor. The Bank's primary securitization-related activity is serving as an originator and/or servicer in securitizations.

Bank as Securities Issuer

As part of its capital and liquidity management programs, the Bank enters into securitization transactions as an issuer or sponsor. In a securitization transaction, loans originated by the Bank are transferred to a special purpose entity (SPE), referred to as an Auto Owner Trust (AOT), which then issues asset-backed securities or other beneficial interests to investors. The Bank typically receives cash proceeds upon transfer of the loans to the AOT. Additionally, the Bank services the loans after the transfers and retains the right to repurchase those receivables from the AOTs if the outstanding balance of the receivables falls to a level where the cost exceeds the benefits of servicing.

All securitizations conducted by the Bank and USAA are completed in accordance with applicable regulations and accounted for in conformity with U.S. GAAP. Securitization transactions may be structured as either sales or secured borrowings. Securitization transactions completed prior to 2023 met the criteria for sale accounting. Securitization transactions since 2023 have met the U.S. GAAP criteria for secured borrowing accounting, with the underlying auto loans remaining on the Bank's balance sheet and the issued notes recorded as debt.

There are three SPEs outstanding associated with the Bank's consumer loan securitizations as of June 30, 2026: AOT 2025-A, AOT 2024-A, and AOT 2023-A. For each of these securitizations, the Bank retained its rights to any residual interests through its retention of the AOTs certificates. The Bank retained a 5% vertical interest in the notes issued by each AOT to satisfy the SEC Regulation RR. Additionally for each AOT, the Bank retained the remaining 95% of the Class A-1 notes and the Class B notes. All three outstanding AOTs are variable interest entities (VIEs) for which the Bank is the primary beneficiary and therefore consolidates the trusts.

As of June 30, 2026, the Bank does not have any synthetic securitization exposure and does not act as a sponsor of any third-party securitizations.

As of June 30, 2026, the Bank had no auto loans classified as held for sale.

Equities Not Subject to the Market Risk Rule

The Bank's equity holdings are limited to assets held within money market mutual funds by its custodian that arise from facilitating investment portfolio activities and the required level of stock in the Federal Home Loan Bank of Dallas.

The following exhibit provides the book and fair values of these investments as well as their impact to risk-weighted assets for the current quarter.

Exhibit 16: Equities Not Subject to the Market Risk Rule, Carrying and Fair Value
All dollars in millions; information as of June 30, 2026

Equities Not Subject to the Market Risk Rule	Carrying Value	Fair Value
Non-Publicly Traded	$ 248	$ 248
Publicly Traded	15	15
Total	$ 263	$ 263

Table may not foot due to rounding

Exhibit 17: Equities Not Subject to the Market Risk Rule by Risk Weight Bands

All dollars in millions; information as of June 30, 2026

Risk Weights	Carrying Value	Risk-Weighted Asset Amount	Capital Impact of RWA[(a)]
0-20%	$ 263	$ 53	$ 4.2
21-100%	—	—	—
101-500%	—	—	—
501-1,250%	—	—	—
Total Exposures	$ 263	$ 53	$ 4.2

Table may not foot due to rounding

(a) The capital impact of RWA is calculated by multiplying risk-weighted assets by the minimum total risk-based capital ratio of 8%

For these equity investments any realized or unrealized gains or losses were appropriately reflected in the Bank's financial statements.

Interest Rate Risk for Nontrading Activities

The Bank is exposed to nontrading interest rate risk that arises from member decisions to use loan and deposit products, as well as the Bank's investment and capital management actions. For example, the interest rate the Bank charges for a three-year auto loan is fixed for the three-year period. However, the interest rate that the Bank pays its members for holding funds in their deposit accounts is influenced by market rates, which could change on a daily basis. In this example, the difference in the repricing and maturity characteristics of retail loans, investments and deposits drives the Bank's exposure to nontrading interest rate risk. The bank utilizes interest rate risk hedges to manage its sensitivity to interest rates. As of June 30, 2026, the Bank has $11.5 billion of receive fixed, pay floating interest rate hedges to manage interest rate risk exposure.

The potential financial impact from nontrading interest rate risk is measured and evaluated on a frequent basis. The Bank's current estimates for a +/- 100 basis point and +/- 200 basis point parallel shift in interest rates are provided in the following exhibit.

Exhibit 18: Interest Rate Risk Simulation of Net Interest Income (NII)

Simulation as of March 31, 2026

Interest Rate Risk Simulation of Net Interest Income	% Change in 1-Yr Net Interest Income
+200 basis points	0.93
+100 basis points	0.55
-100 basis points	-1.68
-200 basis points	-4.10