

American Airlines Federal Credit Union

Financial Report
December 31, 2025

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Independent Auditor's Report

RSM US LLP

Supervisory Committee
American Airlines Federal Credit Union

Opinion

We have audited the financial statements of American Airlines Federal Credit Union (the Credit Union), which comprise the statements of financial condition as of December 31, 2025 and 2024, the related statements of income, comprehensive income, members' equity and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Credit Union as of December 31, 2025 and 2024, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Credit Union and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Credit Union's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Credit Union's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Credit Union's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

RSM US LLP

Dallas, Texas
May 7, 2026

American Airlines Federal Credit Union

**Statements of Financial Condition
December 31, 2025 and 2024
(In Thousands)**

	2025	2024
Assets		
Cash and cash equivalents	\$ 417,163	\$ 805,628
Investments:		
Available for sale	3,126,660	2,590,872
Other	128,277	75,040
Loans	5,481,267	5,447,010
Less allowance for credit losses	(52,537)	(47,863)
Net loans	5,428,730	5,399,147
Accrued interest receivable	34,897	29,151
Share insurance fund deposit	71,829	70,117
Property and equipment, net	57,114	58,706
Other assets	38,493	38,218
	<u>\$ 9,303,163</u>	<u>\$ 9,066,879</u>
Liabilities and Members' Equity		
Liabilities:		
Members' shares	\$ 8,159,580	\$ 8,020,885
Dividends payable	16,824	18,514
Accrued expenses and other liabilities	62,827	56,389
Total liabilities	<u>8,239,231</u>	<u>8,095,788</u>
Commitments and contingencies (Notes 5 and 8)		
Members' equity:		
Retained earnings	1,066,156	998,409
Accumulated other comprehensive loss	(2,224)	(27,318)
Total members' equity	<u>1,063,932</u>	<u>971,091</u>
	<u>\$ 9,303,163</u>	<u>\$ 9,066,879</u>

See notes to financial statements.

American Airlines Federal Credit Union

Statements of Income
Years Ended December 31, 2025 and 2024
(In Thousands)

	2025	2024
Interest income:		
Loans	\$ 283,487	\$ 263,745
Investments and cash equivalents	<u>203,975</u>	<u>206,845</u>
	<u>487,462</u>	<u>470,590</u>
Interest expense:		
Members' shares	224,644	233,826
Interest on Federal Home Loan Bank (FHLB) advances	<u>64,598</u>	<u>70,579</u>
	<u>289,242</u>	<u>304,405</u>
Net interest income	198,220	166,185
Provision for credit losses	32,042	38,974
Net interest income after provision for credit losses	<u>166,178</u>	<u>127,211</u>
Noninterest income:		
Fee income	46,117	43,693
Other operating income	9,856	9,628
Gain on sale of investments	8	-
Other income	<u>358</u>	<u>116</u>
	<u>56,339</u>	<u>53,437</u>
Income before noninterest expenses	<u>222,517</u>	<u>180,648</u>
Noninterest expenses:		
Compensation and benefits	79,352	75,169
Facility occupancy	12,343	11,526
Educational and promotional	6,495	7,542
Office operations	40,173	38,322
Loan servicing	2,859	2,763
Professional and outside services	6,343	6,119
Gain on sale of other real estate	-	(6)
Other operating	7,307	4,290
(Gain) loss on sale of assets	<u>(102)</u>	<u>17</u>
	<u>154,770</u>	<u>145,742</u>
Net income	<u>\$ 67,747</u>	<u>\$ 34,906</u>

See notes to financial statements.

American Airlines Federal Credit Union

Statements of Comprehensive Income
Years Ended December 31, 2025 and 2024
(In Thousands)

	2025	2024
Net income	<u>\$ 67,747</u>	<u>\$ 34,906</u>
Other comprehensive income:		
Change in net unrealized gains on investments available for sale	25,102	46,395
Reclassification adjustment for gains realized in net income	(8)	-
Other comprehensive income	<u>25,094</u>	<u>46,395</u>
Comprehensive income	<u>\$ 92,841</u>	<u>\$ 81,301</u>

See notes to financial statements.

American Airlines Federal Credit Union

**Statements of Members' Equity
Years Ended December 31, 2025 and 2024
(In Thousands)**

	Undivided Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balance, January 1, 2024	\$ 963,503	\$ (73,713)	\$ 889,790
Net income	34,906	-	34,906
Other comprehensive income	-	46,395	46,395
Balance, December 31, 2024	998,409	(27,318)	971,091
Net income	67,747	-	67,747
Other comprehensive income	-	25,094	25,094
Balance, December 31, 2025	\$ 1,066,156	\$ (2,224)	\$ 1,063,932

See notes to financial statements.

American Airlines Federal Credit Union

Statements of Cash Flows
Years Ended December 31, 2025 and 2024
(In Thousands)

	2025	2024
Cash flows from operating activities:		
Net income	\$ 67,747	\$ 34,906
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization of premium of investment securities, net	211	324
Provision for credit losses	32,042	38,974
Depreciation and amortization	5,349	4,883
Gain on sale of investments	(8)	-
(Gain) loss on sale of assets	(102)	17
Net change in:		
Accrued interest receivable	(5,746)	(7,402)
Other assets	(275)	1,286
Accrued expenses, dividends payable and other liabilities	4,748	(20,383)
Net cash provided by operating activities	103,966	52,605
Cash flows from investing activities:		
Purchases of available for sale investments	(2,190,092)	(985,000)
Proceeds from maturities of available for sale investments	1,579,187	589,819
Proceeds from sales and calls of available for sale investments	100,008	-
Increase in other investments	(53,237)	(4,032)
Net increase in loans	(61,523)	(105,635)
Decrease in share insurance fund deposits	(1,712)	(2,808)
Purchases of property and equipment	(3,757)	(3,002)
Net cash used in investing activities	(631,126)	(510,658)
Cash flows from financing activities:		
Net increase in members' shares	138,695	366,607
Net cash provided by financing activities	138,695	366,607
Decrease in cash and cash equivalents	(388,465)	(91,446)
Cash and cash equivalents:		
Beginning	805,628	897,074
Ending	\$ 417,163	\$ 805,628
Supplemental disclosures of cash flow information:		
Dividends paid on members' shares	\$ 226,334	\$ 232,091
Interest paid on FHLB advances	\$ 64,598	\$ 70,579

See notes to financial statements.

American Airlines Federal Credit Union

Notes to Financial Statements

Note 1. Nature of Operations and Significant Accounting Policies

Nature of operations: American Airlines Federal Credit Union (the Credit Union) is a cooperative association holding a corporate charter under the provisions of the Federal Credit Union Act. The Credit Union provides a variety of financial services to its members. Primary deposit products are share and certificate accounts. The Credit Union's primary lending products are real estate and consumer loans. The Credit Union is subject to competition from other financial institutions and non-credit financial service companies. The Credit Union is subject to the regulation of certain federal agencies and undergoes periodic examination by the National Credit Union Administration (NCUA).

Significant accounting policies: The Credit Union follows the accounting standards set by the Financial Accounting Standards Board (FASB). The FASB establishes accounting principles generally accepted in the United States of America (GAAP). References to GAAP issued by the FASB in these footnotes are to the FASB Accounting Standards Codification (ASC), commonly referred to as the Codification or ASC.

Use of estimates: The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expense during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant changes in the near term relate to the determination of the allowance for credit losses and the fair value of investment securities available for sale.

Risks and uncertainties: Downturns in economic conditions outside the Credit Union's control, including but not limited to, inflationary economic conditions, pandemic economic impacts, or large groups of members of the Credit Union withdrawing funds from share accounts at the same time, could adversely impact the Credit Union's business, results of operations and financial condition. The Credit Union continues to monitor economic impacts and related risks, including those impacts to the Air Transportation Industry and American Airlines Group, Inc.'s (AAG) business.

Concentrations of credit risk: Membership in the Credit Union is open to those working in the Air Transportation Industry, their families and household members. Most of the Credit Union's business activity is with its members who are current or former employees of AAG. The Credit Union may be exposed to credit risk from a regional economic standpoint as a significant concentration of its borrowers reside in Texas. Although the Credit Union has a diversified loan portfolio, borrowers' ability to repay loans may be affected by the economic climate of either the air transportation industry or the overall geographic region in which they reside.

Fair value: The Codification defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurement. Fair value is a market-based measurement, not an entity-specific measurement, and the fair value hierarchy gives the highest priority to quoted prices in active markets. Fair value measurements are disclosed by level within the hierarchy. A summary of the Credit Union's financial instruments and other accounts subject to fair value, including methodologies and resulting values, is presented in Note 11 to these financial statements.

Cash flows: For purposes of the statements of cash flows, cash and cash equivalents consist of cash on hand and non-term savings deposits in various financial institutions. Amounts may exceed the federally insured limits, but the Credit Union has not experienced any losses. Cash flows are reported net for loans and share accounts, other investments, accretion of discount or amortization of premium of investment securities, changes in accrued interest receivable, other assets, accrued expenses, dividends payable and other liabilities.

American Airlines Federal Credit Union

Notes to Financial Statements

Note 1. Nature of Operations and Significant Accounting Policies (Continued)

Investments: Investments that the Credit Union intends to hold for an indefinite period of time, but not necessarily to maturity, are classified as available for sale and are carried at fair value. Unrealized losses on investments classified as available for sale have been accounted for as accumulated other comprehensive income (loss).

Gains and losses on the sale of available for sale investments are determined using the specific-identification method. Interest and dividends on investments are included in income when earned. Amortization of premiums and accretion of discounts are recognized in interest income over the period to maturity or until sold. Certain premiums on callable debt securities are amortized to the earliest call date.

For available-for-sale debt securities in an unrealized loss position, the Credit Union first assesses whether it intends to sell, or it is more likely than not that it will be required to sell the security before recovery of its amortized cost basis. If either of the criteria regarding intent or requirement to sell is met, the security's amortized cost basis is written down to fair value through income. For debt securities available for sale that do not meet the aforementioned criteria, the Credit Union evaluates whether the decline in fair value has resulted from credit losses or other factors. In making this assessment, management considers the extent to which fair value is less than amortized cost, any changes to the rating of the security by a rating agency, and adverse conditions specifically related to the security, among other factors. If this assessment indicates that a credit loss exists, the present value of cash flows expected to be collected from the security are compared to the amortized cost basis of the security. If the present value of cash flows expected to be collected is less than the amortized cost basis, a credit loss exists and an allowance for credit losses is recorded for the credit loss, limited by the amount that the fair value is less than the amortized cost basis. Any impairment that has not been recorded through an allowance for credit losses is recognized in other comprehensive income (loss).

Changes in the allowance for credit losses are recorded as credit loss expense (or reversal). Losses are charged against the allowance when management believes the uncollectibility of an available for sale security is confirmed or when either of the criteria regarding intent or requirement to sell is met.

Other investments are classified separately and are stated at cost.

Loans: The Credit Union grants real estate, consumer and business loans to members. The ability of members to honor their contracts may be impacted by the real estate and/or general economic conditions of their particular area of residence.

Loans are stated at the amount of unpaid principal balances and net deferred fees and costs, reduced by an allowance for credit losses. Purchased loans are stated net of unamortized premiums and unaccreted discounts. Interest on loans is recognized over the terms of the loans and is calculated on principal amounts outstanding. Accrued interest receivable totaled \$34,897,000 and \$29,151,000 at December 31, 2025 and 2024, respectively, and was reported in accrued interest receivable on the statements of financial condition and is excluded from the estimate of credit losses.

Accrual of interest income is discontinued when loans become 90 days delinquent. Income is subsequently recognized on a cash basis until the loan's delinquency status is less than 90 days.

Loan fees and origination costs are deferred, with the net fee or cost recognized as an adjustment to interest income using the interest method over the expected life of the related loan or until the loan is modified or paid in full.

American Airlines Federal Credit Union

Notes to Financial Statements

Note 1. Nature of Operations and Significant Accounting Policies (Continued)

Allowance for credit losses: The allowance for credit losses is a significant estimate in the Credit Union's financial statements, affecting both earnings and members' equity. The allowance for credit losses is a valuation account that is deducted from the portfolio loans' amortized cost basis to present the net amount expected to be collected on the portfolio loans. Portfolio loans are charged off against the allowance for credit losses when management believes the uncollectibility of a loan balance is confirmed. Recoveries will be recognized up to the aggregate amount of previously charged-off balances. The allowance for credit losses is established through provision for credit loss expense charged to income.

The Credit Union has estimated its allowance on the amortized cost basis, exclusive of accrued interest receivable, unaccreted net fees and unamortized net charges. The Credit Union writes off uncollectible accrued interest receivable in a timely manner and has elected to not measure an allowance for accrued interest receivable. The Credit Union presents the aggregate amount of accrued interest receivable for all financial instruments in accrued interest receivable on the statements of financial condition.

The measurement of expected credit losses is based on relevant information about past events, including historical experience, current conditions and reasonable and supportable forecasts that affect the collectability of the amortized cost basis. Adjustments to historical loss information are made for differences in current loan-specific risk characteristics such as differences in underwriting standards, portfolio mix, delinquency level, as well as for changes in environmental conditions such as changes in unemployment rates, property values, various factors impacting AAG, and other relevant factors. The calculation also contemplates that the Credit Union may not be able to make or obtain such forecasts for the entire life of the financial assets and requires a reversion to historical credit loss information.

The Credit Union utilizes the advanced vintage methodology for consumer loans. The advanced vintage methodology is a random sampling loss rate methodology that takes into account the Credit Union's loss history by vintage year. Yearly loss rates are estimated for each year in the remaining life of the vintage group to produce a lifetime loss rate for a vintage group. The Credit Union did not select the forecast adjustment option in the advanced vintage methodology, provided by their third-party provider, and elected to include such forecasting through application of qualitative and environmental factors through adjustments to historical losses.

The Credit Union utilizes a probability of default methodology for real estate loans, student refinance loans and purchased mortgage and auto loans. The probability of default model has a forecast period of one year with reversion towards a longer-term average over the period of an additional calendar year after the first year forecast, and applied through the remaining term of the loan. The purchased loan probability of default methodology has a forecast period of the estimated remaining lifetime of the loans with a reversion to the mean over that period.

Ongoing impacts of the CECL methodology will be dependent upon changes in economic conditions and forecasts, originated and purchased loan portfolio composition, credit performance trends, portfolio duration, and other factors.

American Airlines Federal Credit Union

Notes to Financial Statements

Note 1. Nature of Operations and Significant Accounting Policies (Continued)

Allowance for credit losses on off-balance-sheet exposures: The Credit Union estimates expected credit losses over the contractual period in which the Credit Union is exposed to credit risk via a contractual obligation to extend credit, unless that obligation is unconditionally cancellable by the Credit Union. The allowance for credit losses on off-balance-sheet credit exposures is adjusted through credit loss expense. The estimate includes consideration of the likelihood that funding will occur and an estimate of expected credit losses on commitments expected to be funded over its estimated life. Off-balance-sheet credit exposures are not material as of December 31, 2025 and 2024.

Management has determined bankrupt loans do not perform the same as non-bankrupt loans and therefore are considered individually evaluated loans and segregated into a separate pool to estimate the allowance for credit losses.

Property and equipment: Building, leasehold improvements and furniture and equipment are carried at cost, less accumulated depreciation and amortization. Building and furniture and equipment are depreciated using the straight-line method over the estimated useful life of the asset. Estimated useful lives are approximately three to 10 years for furniture and equipment, with building life extending to 30 years.

Leasehold improvements are generally amortized using the straight-line method over the lesser of five years or the term of the related lease.

Leases: The Credit Union's leases are accounted for under ASC Topic 842, Leases. For operating leases with a term greater than one year, the Credit Union recognizes operating right-of-use (ROU) lease assets and operating lease liabilities, which are recorded in other assets and accrued expenses and other liabilities, respectively, in the statements of financial condition. The balances of the operating ROU lease assets and operating lease liabilities are approximately \$8,575,000 and \$8,873,000, respectively, as of December 31, 2025, and \$7,040,000 and \$7,258,000, respectively, as of December 31, 2024.

Revenue recognition: ASC Topic 606, Revenue from Contracts with Customers (ASC 606), establishes principles for reporting information about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts to provide goods or services to customers. The core principle requires an entity to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration that it expects to be entitled to receive in exchange for those goods or services recognized as performance obligations are satisfied. The majority of the Credit Union's revenue-generating transactions are not subject to ASC 606, including revenue generated from financial instruments, such as loans and investment securities.

Other revenue recognition: Revenue from service charges and fees on member deposits is recognized as the services are provided.

National Credit Union Share Insurance Fund (NCUSIF) deposit: The deposit in the NCUSIF is in accordance with NCUA regulations, which requires the maintenance of a deposit by each federally insured credit union in an amount equal to 1% of its insured members' shares. The deposit would be refunded to the credit union if its insurance coverage was terminated, if it converted its insurance coverage to another source, or if management of the fund was transferred from the NCUA Board.

American Airlines Federal Credit Union

Notes to Financial Statements

Note 1. Nature of Operations and Significant Accounting Policies (Continued)

Members' shares: Members' shares are the deposit accounts of the owners of the Credit Union. Share ownership entitles members to vote in the annual election of the Board of Directors. Irrespective of the amount of shares owned, no member has more than one vote. Dividends on members' shares, excluding share certificates, are based on available earnings at the end of a dividend period and are not guaranteed by the Credit Union. Dividend rates are approved by the Credit Union's Board of Directors.

Income taxes: By statute, the Credit Union is exempt from federal and state income taxes.

Comprehensive income: Comprehensive income consists of net income and other comprehensive income. Other comprehensive income includes unrealized gains and losses on available for sale investments and reclassified realized gains and losses.

Subsequent events: The Credit Union has evaluated subsequent events for potential recognition and disclosure through May 7, 2026, the date on which the financial statements were available to be issued.

Note 2. Cash and Cash Equivalents

Cash and cash equivalents held by the Credit Union include short-term investments. During the years ended December 31, 2025 and 2024, the Credit Union borrowed funds on the FHLB line of credit (Note 7) for the purpose of earning interest income on the proceeds. Borrowed funds are generally drawn on the first business day of the month, held as short-term investments and repaid on the second to last business day of the same month borrowed.

Note 3. Investments

Investments classified as available for sale consist of the following (in thousands):

	December 31, 2025			
	Amortized Cost	Gross Unrealized		Fair Value
		Gains	Losses	
Government agencies	\$ 1,335,655	\$ 845	\$ (257)	\$ 1,336,243
Negotiable certificates	1,325,000	732	(17)	1,325,715
Mortgage-backed securities	468,229	65	(3,592)	464,702
	<u>\$ 3,128,884</u>	<u>\$ 1,642</u>	<u>\$ (3,866)</u>	<u>\$ 3,126,660</u>
	December 31, 2024			
	Amortized Cost	Gross Unrealized		Fair Value
		Gains	Losses	
Government agencies	\$ 1,398,283	\$ 131	\$ (22,026)	\$ 1,376,388
Negotiable certificates	635,000	488	-	635,488
Mortgage-backed securities	584,907	115	(6,026)	578,996
	<u>\$ 2,618,190</u>	<u>\$ 734</u>	<u>\$ (28,052)</u>	<u>\$ 2,590,872</u>

Residential and commercial mortgage-backed securities held by the Credit Union are issued by U.S. government-sponsored enterprises.

American Airlines Federal Credit Union

Notes to Financial Statements

Note 3. Investments (Continued)

Gross realized gains on sales of investments available for sale were \$8 in 2025 and \$0 in 2024. There were no gross realized losses on sales of investments available for sale in 2025 and 2024.

Investments by maturity as of December 31, 2025, are summarized as follows (in thousands):

	Available for Sale	
	Amortized Cost	Fair Value
One to five years maturity	\$ 2,660,655	\$ 2,661,957
Mortgage-backed securities	468,229	464,703
	<u>\$ 3,128,884</u>	<u>\$ 3,126,660</u>

As of December 31, 2025 and 2024, there were no securities pledged.

Gross unrealized losses and fair value by length of time that the individual securities have been in a continuous unrealized loss position at December 31, 2025 and 2024, are as follows (in thousands):

Description of Securities	2025			
	Fair Value	Continuous Unrealized Losses Existing For		Total Unrealized Losses
		Less Than 12 Months	More Than 12 Months	
Government agencies	\$ 465,325	\$ 59	\$ 198	\$ 257
Negotiable certificates	174,983	17	-	17
Mortgage-backed securities	442,343	25	3,567	3,592
	<u>\$ 1,082,651</u>	<u>\$ 101</u>	<u>\$ 3,765</u>	<u>\$ 3,866</u>

Description of Securities	2024			
	Fair Value	Continuous Unrealized Losses Existing For		Total Unrealized Losses
		Less Than 12 Months	More Than 12 Months	
Government agencies	\$ 1,036,140	\$ 10	\$ 22,016	\$ 22,026
Negotiable certificates	-	-	-	-
Mortgage-backed securities	544,286	-	6,026	6,026
	<u>\$ 1,580,426</u>	<u>\$ 10</u>	<u>\$ 28,042</u>	<u>\$ 28,052</u>

American Airlines Federal Credit Union

Notes to Financial Statements

Note 3. Investments (Continued)

As of December 31, 2025, the investment portfolio included 186 securities, 132 of which had unrealized losses that existed for longer than one year and 16 of which had unrealized losses that existed for less than one year. As of December 31, 2024, the investment portfolio included 193 securities, 166 of which had unrealized losses that existed for longer than one year and one of which had unrealized losses that existed for less than one year. All of these securities are considered to be acceptable credit risks. Based upon an evaluation of the available evidence, including recent changes in market rates, credit rating information and information obtained from regulatory filings, management believes the decline in fair value for these securities is temporary and driven by an increase in market interest rates. In addition, the Credit Union has the intent and ability to hold these investment securities for a period of time sufficient to allow for recovery, and it is more likely than not that the Credit Union will not be required to sell the securities before anticipated recovery. There were no credit losses on the Credit Union's available-for-sale debt securities as of December 31, 2025 and 2024.

Other investments consist of the following (in thousands):

	2025	2024
Member capital account in corporate credit union	\$ 656	\$ 656
Federal Home Loan Bank (FHLB) stock	127,621	74,384
	<u>\$ 128,277</u>	<u>\$ 75,040</u>

As of December 31, 2025 and 2024, FHLB stock and Catalyst Corporate Federal Credit Union Perpetual Contributed Capital (member capital account in corporate credit union) are classified with no contractual maturity.

Although the stock is an equity interest in the FHLB, it does not have a readily determinable fair value as ownership is restricted and a market does not exist. The stock can be sold back to the FHLB or another member institution at its par value, subject to approval by the FHLB.

Management periodically evaluates the carrying amount of the stock for impairment and has determined that no impairment occurred during the years ended December 31, 2025 and 2024.

American Airlines Federal Credit Union

Notes to Financial Statements

Note 4. Loans and Allowance for Credit Losses

Loans consist of the following at December 31 (in thousands):

	2025	2024
Real estate loans:		
Mortgage loans	\$ 2,605,051	\$ 2,496,716
Home equity loans	439,998	390,779
Total real estate loans	<u>3,045,049</u>	<u>2,887,495</u>
Consumer loans:		
Vehicle loans	983,431	1,066,750
Other consumer loans	1,453,550	1,494,594
Total consumer loans	<u>2,436,981</u>	<u>2,561,344</u>
Total loans receivable	<u>5,482,030</u>	<u>5,448,839</u>
Deferred net loan origination fees	(763)	(1,829)
Allowance for credit losses	<u>(52,537)</u>	<u>(47,863)</u>
	<u>\$ 5,428,730</u>	<u>\$ 5,399,147</u>

The Credit Union originates real estate, consumer and business loans to its members. The loan balances, interest rates, loan terms and collateral requirements vary according to the type of loan offered and creditworthiness of the borrowing member.

Real estate: The Credit Union grants long-term mortgage loans secured by real property belonging to members. Home equity fixed-rate loans with maturities up to 20 years and home equity lines of credit with maturities up to 25 years are also offered. Acceptable property types include single-family detached or attached housing, single condominium units, single units in a planned-unit-development and one to four family residences. The Credit Union requires an analysis of collateral value and creditworthiness to determine the capacity of the borrower to repay the obligation.

Consumer: The Credit Union grants consumer loans which consist of vehicle, share secured and unsecured products. The Credit Union generally requires an analysis of creditworthiness to determine the capacity of the borrower to repay the obligation.

Business: The Credit Union grants loans to business members, which consist of one to four family dwellings that are not a member's primary residence, commercial real estate, term loans (secured), revolving lines of credit (secured and unsecured) and unsecured credit cards. The Credit Union requires an analysis that includes collateral valuation (where applicable) and projected income and cash flow that allows for adequate coverage of required payments and obligations. As of December 31, 2025 and 2024, total business loans amounted to \$5,965,000 and \$6,867,000, respectively. These loans are included in mortgage and other consumer loans above.

Workout: The Credit Union grants workout loans to members who may be experiencing a change in financial condition and who have demonstrated a willingness and ability to repay their debts. Depending on the specific circumstance, workout options include loan refinance or loan modification for consumer loans and repayment plan/forbearance agreement, loan modification or loan refinance for real estate loans. As of December 31, 2025 and 2024, total workout loans amounted to \$8,892,000 and \$9,028,000, respectively. These loans are included in real estate and consumer loans above.

American Airlines Federal Credit Union

Notes to Financial Statements

Note 4. Loans and Allowance for Credit Losses (Continued)

Individually evaluated: In some instances, management may determine that individual loans exhibit unique risk characteristics which differentiate the loans from other loans within the Credit Union's loan pools. Loans that do not share the same risk characteristics are excluded from the collectively reviewed pool and credit losses are measured on the risk characteristics of the loans. As of December 31, 2025 and 2024, individually evaluated loans within the Consumer loan segment were either secured through vehicles, or unsecured. There were no individually evaluated mortgage loans. As of December 31, 2025 and 2024, loans with an amortized cost basis of approximately \$2,694,000 and \$2,408,000, respectively, were individually evaluated, with related allowance for credit losses of \$1,018,000 and \$938,000, respectively. The Credit Union determines credit losses on individually evaluated loans through an estimation process based either on the fair value of collateral or discounted cash flows.

The schedule below presents the recorded investment in nonaccrual loans by loan category as of December 31 (in thousands):

	2025	2024
Mortgage loans	\$ 7,504	\$ 7,143
Home equity loans	2,357	2,183
Vehicle loans	3,683	4,473
Other consumer loans, excluding credit cards and purchased loans	5,008	4,665
	<u>\$ 18,552</u>	<u>\$ 18,464</u>

The Credit Union's policy is to stop accruing interest when the loan becomes 90 days delinquent, and the Credit Union generally charges off loans that have been past due for over 180 days. As of December 31, 2025 and 2024, loans past due over 180 days which have not been charged off were approximately \$6,898,000 and \$6,387,000, respectively. These loans are not charged off for various reasons, such as bankruptcy, in-process repossessions, or modifications to the loan agreement. Loans are classified by delinquency status. All nonaccrual loans have a credit loss allowance applied either through the model implemented under ASC 326, or on an individually evaluated basis.

American Airlines Federal Credit Union

Notes to Financial Statements

Note 4. Loans and Allowance for Credit Losses (Continued)

The Credit Union's credit quality indicator is performance determined by delinquency status. Performing loans are those which are accruing and less than 90 days past due. Nonperforming loans are loans placed on nonaccrual status and greater than or equal to 90 days past due. Delinquency status is updated daily by the Credit Union's loan systems. For each segment of loans, the following presents the investment in loans by credit quality indicator as of December 31, 2025 and 2024 (in thousands):

	2025					
	30-59 Days	60-89 Days	90 Days	Total	Loans Not	Total
	Past Due	Past Due	or Greater Past Due			
Real estate loans:						
Mortgage loans	\$ 8,865	\$ 5,238	\$ 7,504	\$ 21,607	\$ 2,583,444	\$ 2,605,051
Home equity loans	2,912	1,200	2,357	6,469	433,529	439,998
Total real estate loans	<u>11,777</u>	<u>6,438</u>	<u>9,861</u>	<u>28,076</u>	<u>3,016,973</u>	<u>3,045,049</u>
Consumer loans:						
Vehicle	7,704	2,067	3,683	13,454	969,977	983,431
Other consumer loans	6,672	4,461	8,566	19,699	1,433,851	1,453,550
Total consumer loans	<u>14,376</u>	<u>6,528</u>	<u>12,249</u>	<u>33,153</u>	<u>2,403,828</u>	<u>2,436,981</u>
	<u>\$ 26,153</u>	<u>\$ 12,966</u>	<u>\$ 22,110</u>	<u>\$ 61,229</u>	<u>\$ 5,420,801</u>	<u>\$ 5,482,030</u>
	2024					
	30-59 Days	60-89 Days	90 Days	Total	Loans Not	Total
	Past Due	Past Due	or Greater Past Due			
Real estate loans:						
Mortgage loans	\$ 12,592	\$ 3,359	\$ 7,143	\$ 23,094	\$ 2,473,622	\$ 2,496,716
Home equity loans	2,680	669	2,183	5,532	385,247	390,779
Total real estate loans	<u>15,272</u>	<u>4,028</u>	<u>9,326</u>	<u>28,626</u>	<u>2,858,869</u>	<u>2,887,495</u>
Consumer loans:						
Vehicle	10,618	3,441	4,473	18,532	1,048,218	1,066,750
Other consumer loans	8,976	5,164	7,510	21,650	1,472,944	1,494,594
Total consumer loans	<u>19,594</u>	<u>8,605</u>	<u>11,983</u>	<u>40,182</u>	<u>2,521,162</u>	<u>2,561,344</u>
	<u>\$ 34,866</u>	<u>\$ 12,633</u>	<u>\$ 21,309</u>	<u>\$ 68,808</u>	<u>\$ 5,380,031</u>	<u>\$ 5,448,839</u>

American Airlines Federal Credit Union

Notes to Financial Statements

Note 4. Loans and Allowance for Credit Losses (Continued)

The tables below present the activity in the allowance for credit losses and the recorded investment in loans by portfolio segment based on impairment method as of and for the years ended December 31 (in thousands):

	December 31, 2025				
	Real Estate		Consumer		Total
	Mortgage	Home Equity	Vehicle	Other	
Allowance for credit losses:					
Beginning balance	\$ 4,773	\$ 706	\$ 10,789	\$ 31,595	\$ 47,863
Provision for credit losses	1,170	135	6,943	23,794	32,042
Loans charged to allowance	(70)	(45)	(7,375)	(26,233)	(33,723)
Recoveries of loans previously charged off	160	171	1,004	5,020	6,355
Balance, end of the year	<u>\$ 6,033</u>	<u>\$ 967</u>	<u>\$ 11,361</u>	<u>\$ 34,176</u>	<u>\$ 52,537</u>

	December 31, 2024				
	Real Estate		Consumer		Total
	Mortgage	Home Equity	Vehicle	Other	
Allowance for credit losses:					
Beginning balance	\$ 3,372	\$ 404	\$ 7,425	\$ 28,793	\$ 39,994
Provision for credit losses	1,297	241	10,785	26,651	38,974
Loans charged to allowance	-	(59)	(7,900)	(27,379)	(35,338)
Recoveries of loans previously charged off	104	120	479	3,530	4,233
Balance, end of the year	<u>\$ 4,773</u>	<u>\$ 706</u>	<u>\$ 10,789</u>	<u>\$ 31,595</u>	<u>\$ 47,863</u>

Note 5. Property and Equipment

Property and equipment as of December 31 are summarized as follows (in thousands):

	2025	2024
Building	\$ 60,016	\$ 60,016
Furniture and equipment	40,827	40,172
Leasehold improvements	14,882	14,291
Construction in process	607	452
	<u>116,332</u>	<u>114,931</u>
Accumulated depreciation and amortization	(59,218)	(56,225)
	<u>\$ 57,114</u>	<u>\$ 58,706</u>

For the years ended December 31, 2025 and 2024, depreciation and amortization expense was \$5,349,000 and \$4,883,000, respectively. During the years ended December 31, 2025 and 2024, \$2,356,000 and \$671,000, respectively, of property and equipment were retired, with no gains incurred during the years ended December 31, 2025 and 2024.

American Airlines Federal Credit Union

Notes to Financial Statements

Note 5. Property and Equipment (Continued)

The Credit Union owns substantially all its property and equipment, however, it does have multiple office leases and a land lease. The operating leases contain renewal options and provisions requiring the Credit Union to pay property taxes and operating expenses over base period amounts. All rental payments are dependent only upon the lapse of time.

Minimum rental payments under operating leases with initial or remaining terms of one year or more, and month-to-month leases with likelihood of renewal, at December 31, 2025, are as follows (in thousands):

Years ending December 31 (in thousands):

2026	\$ 4,436
2027	1,332
2028	923
2029	687
2030	411
Subsequent years	<u>2,033</u>
Total minimum payments	9,822
Difference in present value of future minimum payments and cash required	<u>(949)</u>
Lease liability	<u><u>\$ 8,873</u></u>

Rental expense for the years ended December 31, 2025 and 2024, for all facilities leased under operating leases totaled \$2,212,000 and \$2,051,000, respectively.

Note 6. Members' Shares

Members' shares as of December 31 are summarized as follows (in thousands):

	<u>2025</u>	<u>2024</u>
Regular shares	\$ 3,824,450	\$ 3,783,941
Share draft accounts	730,559	708,221
401(k) shares	952,635	985,032
Individual retirement account shares	16,854	16,369
Certificates	<u>2,635,082</u>	<u>2,527,322</u>
	<u><u>\$ 8,159,580</u></u>	<u><u>\$ 8,020,885</u></u>

Certificates by maturity as of December 31, 2025, are summarized as follows (in thousands):

One year or less	\$ 2,355,685
Greater than one year to two years	85,016
Greater than two years to three years	87,098
Greater than three years to four years	55,704
Greater than four years to five years	<u>51,579</u>
	<u><u>\$ 2,635,082</u></u>

Regular, share draft, 401(k) and individual retirement account shares have no contractual maturity. Certificate accounts have maturities of five years or less.

American Airlines Federal Credit Union

Notes to Financial Statements

Note 6. Members' Shares (Continued)

Beginning in 2022, the Credit Union entered into an agreement with a third-party to move most of the Credit Union's individual retirement account shares to be held by various unrelated third-party credit unions. The Credit Union remains the servicer for these accounts which are now held at other credit unions and banks. Members were given the option to opt-out of this transaction. As of December 31, 2025 and 2024, the balance of the individual retirement account shares held by various third-party credit unions was approximately \$90,256,000 and \$98,860,000, respectively.

NCUSIF insures members' share accounts up to a maximum federal deposit insurance level of \$250,000 per member per ownership category (for example single accounts, joint accounts, certain retirement accounts, etc.). The aggregate amount of certificates in denominations of \$250,000 or more at December 31, 2025 and 2024, is approximately \$458,217,000 and \$417,105,000, respectively.

Note 7. Borrowings

The Credit Union has a \$3,585,239,000 and \$1,361,213,000 line of credit available with the FHLB at December 31, 2025 and 2024, respectively. The line of credit is secured by the general assets of the Credit Union and accrues interest at variable interest rates, which depend on market interest rates. As of December 31, 2025 and 2024, there were no amounts outstanding under this line of credit. There is no expiration on this line of credit.

The Credit Union has a \$95,000,000 line of credit available with Catalyst Corporate Federal Credit Union at December 31, 2025 and 2024. This line of credit is secured by the general assets of the Credit Union with variable interest rates, which depend on market interest rates. As of December 31, 2025 and 2024, there were no amounts outstanding under this line of credit. There is no expiration on this line of credit.

Note 8. Commitments and Contingencies

The Credit Union is a party to various legal actions normally associated with the collection of loans and other business activities of financial institutions, the aggregate effect of which, in management's opinion, would not have a material adverse effect on the financial condition or results of operations of the Credit Union.

The Credit Union is party to conditional commitments to lend funds in the normal course of business to meet the financing needs of its members. These commitments represent financial instruments to extend credit which include lines of credit, credit cards and home equity lines that involve, to varying degrees, elements of credit and interest rate risk in excess of amounts recognized in the financial statements. The Credit Union follows the same credit policies in making commitments as it does for those loans recorded in the financial statements.

Outstanding mortgage loan commitments at December 31, 2025 and 2024, total approximately \$141,548,000 and \$156,426,000, respectively.

American Airlines Federal Credit Union

Notes to Financial Statements

Note 8. Commitments and Contingencies (Continued)

Unfunded loan commitments under lines of credit at December 31 are summarized as follows (in thousands):

	2025	2024
Home equity	\$ 236,427	\$ 221,978
Credit card	824,664	739,774
Other consumer	379,533	399,461
	<u>\$ 1,440,624</u>	<u>\$ 1,361,213</u>

Commitments to extend credit are agreements to lend to a member consistent with conditions established in the contract. Certain commitments have fixed expiration dates or other termination clauses. Because some of the commitments are expected to expire without being drawn on, the total commitment amount does not necessarily represent future cash requirements. The amount of collateral obtained to secure borrowing on the lines of credit is based on management's credit evaluation of the member.

Unfunded commitments under revolving credit lines are commitments for possible future extensions of credit to existing members. Credit cards and other consumer lines of credit are generally uncollateralized but may be protected by a cross-collateralization clause or statutory lien if the member has other secured consumer loans or deposits with the Credit Union, and usually do not contain a specified maturity date and ultimately may not be drawn upon to the total extent to which the Credit Union is committed.

Note 9. Regulatory Matters

The Credit Union is subject to various regulatory capital requirements administered by the NCUA. Failure to meet minimum capital requirements can initiate certain mandatory—and possibly additional discretionary—actions by regulators that, if undertaken, could have a direct material effect on the Credit Union's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Credit Union must meet specific capital guidelines that involve quantitative measures of the Credit Union's assets, liabilities and certain off-balance-sheet items as calculated under GAAP.

Quantitative measures established by regulation to ensure capital adequacy require the Credit Union to maintain minimum amounts and ratios (set forth in the table, which follows) of net worth to total assets.

As of December 31, 2025 and 2024, the Credit Union has not elected implementation of the Complex Credit Union Leverage Ratio (CCULR) framework. Therefore, the risk-based capital (RBC) framework is effective and the RBC requirement to be adequately capitalized as of December 31, 2025 and 2024 is 8%.

The net worth ratio requirement to be adequately capitalized as of December 31, 2025 and 2024, is 6% or greater.

Management believes, as of December 31, 2025 and 2024, that the Credit Union meets all capital adequacy requirements to which it is subject.

American Airlines Federal Credit Union

Notes to Financial Statements

Note 9. Regulatory Matters (Continued)

Key aspects of the Credit Union's minimum capital amounts and ratios are summarized as follows as of December 31 (in thousands):

	December 31, 2025					
	Actual Amount		Minimum to be Adequately Capitalized Under Prompt Corrective Action Provisions		Minimum to be Well Capitalized Under Prompt Corrective Action Provisions	
			Amount	Ratio	Amount	Ratio
Net worth	\$ 1,066,156	11.46%	\$ 558,190	6.00%	\$ 651,221	7.00%
Risk-based capital requirement	1,046,877	24.94%	744,253	8.00%	930,316	10.00%

	December 31, 2024					
	Actual Amount		Minimum to be Adequately Capitalized Under Prompt Corrective Action Provisions		Minimum to be Well Capitalized Under Prompt Corrective Action Provisions	
			Amount	Ratio	Amount	Ratio
Net worth	\$ 998,409	11.01%	\$ 544,013	6.00%	\$ 634,682	7.00%
Risk-based capital requirement	976,171	23.01%	725,350	8.00%	906,688	10.00%

Note 10. Related-Party Transactions

Compensation and benefits of approximately \$79,352,000 and \$75,169,000 in 2025 and 2024, respectively, represent costs of payroll and benefits that are paid by AAG, and reimbursed by the Credit Union. In addition, AAG provides facilities at its headquarters and at various airports and provides other services to the Credit Union. Reimbursement to AAG for such items was approximately \$4,780,000 and \$4,316,000 in 2025 and 2024, respectively.

In the normal course of business, the Credit Union extends credit to its Directors, Supervisory Committee members and officers (related parties) on the same terms and conditions as to other Credit Union members. The aggregate loans to related parties at December 31, 2025 and 2024, were approximately \$4,047,000 and \$4,784,000, respectively. Member shares from related parties at December 31, 2025 and 2024, amounted to approximately \$8,049,000 and \$7,229,000, respectively.

Note 11. Fair Value Measurements

Accounting guidance on fair value measurements defines fair value, establishes a framework for measuring fair value using a hierarchy system and requires disclosure of fair value measurements. The hierarchy is intended to maximize the use of observable inputs and minimize the use of unobservable inputs and includes three levels based on the valuation techniques used. The three levels are as follows:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

American Airlines Federal Credit Union

Notes to Financial Statements

Note 11. Fair Value Measurements (Continued)

Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

A description of the valuation methodologies used for assets and liabilities measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy, is set forth below.

Investments available for sale: Where quoted prices are available in an active market, investments are classified within Level 1 of the valuation hierarchy. Level 1 investments would include highly liquid government bonds and exchange-traded equities. If quoted market prices are not available, then fair values are estimated by using quoted prices of investments with similar characteristics for Level 2 investments or using pricing models or discounted cash flows for Level 3 investments. Level 2 would include U.S. agency securities, mortgage-backed agency securities, obligations of states and political subdivisions and certain corporate, asset-backed and other securities. In certain cases where there is limited activity or less transparency around inputs to the valuation, investments are classified within Level 3 of the valuation hierarchy.

Assets recorded at fair value on a nonrecurring basis: The Credit Union may be required, from time to time, to measure certain assets and liabilities at fair value on a nonrecurring basis, such as when there is evidence of credit loss. Assets measured at fair value on a nonrecurring basis include individually evaluated loans with a fair value of approximately \$1,730,000 and \$1,470,000 as of December 31, 2025 and 2024, respectively. Individually evaluated loans, which consist of bankrupt consumer loans, are measured at fair value using Level 3 inputs within the fair value measurement hierarchy.

There have been no changes in valuation techniques used for any assets or liabilities measured at fair value during the year ended December 31, 2025, and no transfers between levels.

American Airlines Federal Credit Union

Notes to Financial Statements

Note 11. Fair Value Measurements (Continued)

The following tables represent assets and liabilities reported on the statements of financial condition at their fair value as of December 31 by level within the fair value measurement hierarchy (in thousands):

		2025				
		Fair Value Measurements Using				
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)		
Total						
Measured on a recurring basis:						
Assets:						
Government agencies	\$ 1,336,243	\$ -	\$ 1,336,243	\$ -		
Negotiable certificates	1,325,715	-	1,325,715	-		
Mortgage-backed securities	464,702	-	464,702	-		
		2024				
		Fair Value Measurements Using				
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)		
Total						
Measured on a recurring basis:						
Assets:						
Government agencies	\$ 1,376,388	\$ -	\$ 1,376,388	\$ -		
Negotiable certificates	635,488	-	635,488	-		
Mortgage-backed securities	578,996	-	578,996	-		