American Airlines Federal Credit Union

Financial Report
December 31, 2024

Contents

RSM US LLP

Independent Auditor's Report

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, 2024 and 2023, 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, 2024 and 2023, 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
April 21, 2025

American Airlines Federal Credit Union

Statements of Financial Condition
December 31, 2024 and 2023
(In Thousands)

	2024	2023
Assets		
Cash and cash equivalents	**$ 805,628**	$ 897,074
Investments:		
Available for sale	**2,590,872**	2,149,620
Other	**75,040**	71,008
Loans	**5,447,010**	5,372,497
Less allowance for credit losses	**(47,863)**	(39,994)
Net loans	**5,399,147**	5,332,503
Accrued interest receivable	**29,151**	21,749
Share insurance fund deposit	**70,117**	67,309
Property and equipment, net	**58,706**	60,587
Other assets	**38,218**	39,504
Total assets	**$ 9,066,879**	$ 8,639,354
Liabilities and Members' Equity		
Liabilities:		
Members' shares	**$ 8,020,885**	$ 7,654,278
Dividends payable	**18,514**	16,779
Accrued expenses and other liabilities	**56,389**	78,507
Total liabilities	**8,095,788**	7,749,564
Commitments and contingencies (Notes 5 and 8)		
Members' equity:		
Retained earnings	**998,409**	963,503
Accumulated other comprehensive loss	**(27,318)**	(73,713)
Total members' equity	**971,091**	889,790
Total liabilities and members' equity	**$ 9,066,879**	$ 8,639,354

See notes to financial statements.

American Airlines Federal Credit Union

Statements of Income
Years Ended December 31, 2024 and 2023
(In Thousands)

	2024	2023
Interest income:		
Loans	$ 263,745	$ 230,621
Investments and cash equivalents	206,845	175,072
	470,590	405,693
Interest expense:		
Members' shares	233,826	176,310
Interest on Federal Home Loan Bank (FHLB) advances	70,579	67,908
	304,405	244,218
Net interest income	166,185	161,475
Provision for credit losses	38,974	23,526
Net interest income after provision for credit losses	127,211	137,949
Noninterest income:		
Fee income	43,693	41,663
Other operating income	9,628	9,483
Gain on sale of investments	-	198
Other income	116	161
	53,437	51,505
Income before noninterest expenses	180,648	189,454
Noninterest expenses:		
Compensation and benefits	75,169	69,498
Facility occupancy	11,526	11,033
Educational and promotional	7,542	7,214
Office operations	38,322	37,622
Loan servicing	2,763	2,076
Professional and outside services	6,119	6,974
(Gain) loss on sale of other real estate	(6)	715
Miscellaneous operating	4,290	4,169
Other loss (gain)	17	(126)
	145,742	139,175
Net income	$ 34,906	$ 50,279

See notes to financial statements.

American Airlines Federal Credit Union

Statements of Comprehensive Income
Years Ended December 31, 2024 and 2023
(In Thousands)

	2024	2023
Net income	**$ 34,906**	$ 50,279
Other comprehensive income:		
Change in net unrealized gains on investments available for sale	**46,395**	64,441
Reclassification adjustment for gains realized in net income	**-**	(198)
Other comprehensive income	**46,395**	64,243
Comprehensive income	**$ 81,301**	$ 114,522

See notes to financial statements.

American Airlines Federal Credit Union

Statements of Members' Equity
Years Ended December 31, 2024 and 2023
(In Thousands)

	Retained Earnings		Accumulated Other		
	Undivided Earnings		Comprehensive Income (Loss)		Total
Balance, January 1, 2023	$ 918,015	$	(137,956)	$	780,059
Cumulative change in accounting principle (Note 1)	(4,791)		-		(4,791)
Balance, January 1, 2023 (as adjusted for change in accounting principle)	913,224		(137,956)		775,268
Net income	50,279		-		50,279
Other comprehensive income	-		64,243		64,243
Balance, December 31, 2023	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**

See notes to financial statements.

American Airlines Federal Credit Union

Statements of Cash Flows
Years Ended December 31, 2024 and 2023
(In Thousands)

		2024		2023
Cash flows from operating activities:				
Net income	**$**	**34,906**	$	50,279
Adjustments to reconcile net income to net cash provided by operating activities:				
Amortization of premium of investment securities, net		**324**		2,792
Provision for credit losses		**38,974**		23,526
Depreciation and amortization		**4,883**		5,666
Gain on sale of investments		**-**		(198)
(Gain) loss on sale of assets		**17**		(126)
Other losses		**-**		4
Net change in:				
Accrued interest receivable		**(7,402)**		(243)
Other assets		**1,286**		(5,917)
Accrued expenses, dividends payable and other liabilities		**(20,383)**		4,775
Net cash provided by operating activities		**52,605**		80,558
Cash flows from investing activities:				
Purchases of available for sale investments		**(985,000)**		(100,000)
Proceeds from maturities of available for sale investments		**589,819**		400,198
Proceeds from sales and calls of available for sale investments		**-**		700,925
Net change in other investments		**(4,032)**		(3,697)
Net increase in loans		**(105,635)**		(210,947)
Increase (decrease) in share insurance fund deposits		**(2,808)**		6,764
Proceeds from sale of property and equipment		**-**		166
Purchases of property and equipment		**(3,002)**		(1,307)
Net cash (used in) provided by investing activities		**(510,658)**		792,102
Cash flows from financing activities:				
Net increase (decrease) in members' shares		**366,607**		(350,948)
Net cash provided by (used in) financing activities		**366,607**		(350,948)
(Decrease) increase in cash and cash equivalents		**(91,446)**		521,712
Cash and cash equivalents:				
Beginning		**897,074**		375,362
Ending	**$**	**805,628**	$	897,074
Supplemental disclosures of cash flow information:				
Dividends paid on members' shares	**$**	**232,091**	$	166,605
Interest paid on FHLB advances	**$**	**70,579**	$	67,908
Adoption of ASC 326, reclassification from undivided earnings to allowance for credit losses	**$**	**-**	$	(4,791)

See 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.

Reclassifications: Reclassifications of certain prior year amounts have been made to conform to the current year presentation. Such reclassifications had no impact on total members' equity and net income.

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 and changes in accrued interest receivable, other assets and accrued expenses, dividends payable and other liabilities.

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). Losses, if any, associated with credit impairments are recorded through operations.

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 evaluated 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 $29,151,000 and $21,749,000 at December 31, 2024 and 2023, 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.

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

Allowance for credit losses: Effective January 1, 2023, the Credit Union adopted ASC 326*, Financial Instruments – Credit Losses,* which replaced incurred loss methodology with an expected loss (CECL) methodology. The Credit Union adopted ASC 326 using a modified retrospective method for all related subsequent amendments thereto effective January 1, 2023, for all financial assets measured at amortized cost and off-balance-sheet exposures. The transition adjustment of the adoption of CECL included an increase in the allowance for credit losses of $4,778,000, and an increase in the allowance for credit losses on unfunded loan commitments of $14,000 as of the effective date.

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 bases 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.

A loan's amortized cost basis is comprised of the unpaid principal balance of the loan, accrued interest receivable, unamortized or unaccreted purchase premiums or discounts, and net deferred origination fees or costs. The Credit Union has estimated its allowance on the amortized cost basis, exclusive of accrued interest receivable. 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 nCino's forecast adjustment option in the advanced vintage methodology, and elected to include such forecasting through application of qualitative and environmental factors.

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.

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, 2024 and 2023.

Management has determined bankrupt consumer loans do not perform the same as non-bankrupt consumer 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, furniture and equipment are carried at cost, less accumulated depreciation and amortization. Building, 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 $7,040,000 and $7,258,000, respectively, as of December 31, 2024, and $8,130,000 and $8,296,000, respectively, as of December 31, 2023, and are included in other assets and accrued expenses and other liabilities, respectively, on the statements of financial condition.

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.

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 April 21, 2025, 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, 2024 and 2023, 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, 2024			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
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
	$ 2,618,190	$ 734	$ (28,052)	$ 2,590,872

	December 31, 2023			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Government agencies	$ 1,268,030	$ -	$ (59,425)	$ 1,208,605
Negotiable certificates	185,000	296	(14)	185,282
Mortgage-backed securities	770,303	-	(14,570)	755,733
	$ 2,223,333	$ 296	$ (74,009)	$ 2,149,620

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

Gross realized gains on sales of investments available for sale were $0 in 2024 and $198,000 in 2023. There were no gross realized losses on sales of investments available for sale in 2024 or 2023.

Note 3. Investments (Continued)

Investments by maturity as of December 31, 2024, are summarized as follows (in thousands):

	Available for Sale	
	Amortized Cost	Fair Value
Less than one year maturity	$ 1,387,671	$ 1,367,860
One to five years maturity	645,612	644,016
Mortgage-backed securities	584,907	578,996
	$ 2,618,190	$ 2,590,872

As of December 31, 2024 and 2023, 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, 2024 and 2023, are as follows (in thousands):

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

	2023			
		Continuous Unrealized Losses Existing For		
Description of Securities	Fair Value	Less Than 12 Months	More Than 12 Months	Total Unrealized Losses
Government agencies	$ 1,208,605	$ 945	$ 58,480	$ 59,425
Negotiable certificates	13,600	-	14	14
Mortgage-backed securities	14,570	7,879	6,691	14,570
	$ 1,236,775	$ 8,824	$ 65,185	$ 74,009

Note 3. Investments (Continued)

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 1 of which had unrealized losses that existed for less than one year. As of December 31, 2023, the investment portfolio included 196 securities, 64 of which had unrealized losses that existed for longer than one year and 128 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, 2024 or 2023.

Other investments consist of the following (in thousands):

	2024	2023
Share certificate in natural person credit union	$ -	$ 250
Member capital account in corporate credit union	656	750
Federal Home Loan Bank (FHLB) stock	74,384	70,008
	$ 75,040	$ 71,008

As of December 31, 2024 and 2023, FHLB stock and Catalyst Corporate Federal Credit Union Perpetual Contributed Capital (member capital account in corporate credit union) are classified with no contractual maturity, and the share certificate in a natural person credit union is classified with less than one year 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, 2024 and 2023.

Note 4. Loans and Allowance for Credit Losses

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

	2024	2023
Real estate loans:		
Mortgage loans	$ 2,496,716	$ 2,404,136
Home equity loans	390,779	288,082
Total real estate loans	2,887,495	2,692,218
Consumer loans:		
Vehicle loans	1,066,750	1,123,622
Other consumer loans	1,494,594	1,559,907
Total consumer loans	2,561,344	2,683,529
Total loans receivable	5,448,839	5,375,747
Deferred net loan origination fees	(1,829)	(3,250)
Allowance for credit losses	(47,863)	(39,994)
	$ 5,399,147	$ 5,332,503

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, 2024 and 2023, total business loans amounted to $6,867,000 and $7,712,000, 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, 2024 and 2023, total workout loans amounted to $9,028,000 and $8,324,000, respectively. These loans are spread among real estate and consumer loans above.

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, 2024 and 2023, individually evaluated loans within the Consumer loan segment were either secured through vehicles, or unsecured. As of December 31, 2024 and 2023, loans with an amortized cost basis of approximately $2,408,000 and $1,509,000, respectively, were individually evaluated, with related allowance for credit losses of $938,000 and $594,000, respectively. The Credit Union determines credit losses on individually evaluated loans through an estimation process based on historical experience.

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

	2024	2023
Mortgage loans	$ 7,143	$ 6,177
Home equity loans	2,183	653
Vehicle loans	4,473	3,577
Other consumer loans, excluding credit cards and purchased loans	4,665	3,724
	$ 18,464	$ 14,131

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, 2024 and 2023, loans past due over 180 days which have not been charged off were approximately $6,387,000 and $5,655,000, respectively. 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.

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, 2024 and 2023 (in thousands):

	2024					
	30-59 Days Past Due	60-89 Days Past Due	90 Days or Greater Past Due	Total	Loans Not Past Due	Total Loans
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	15,272	4,028	9,326	28,626	2,858,869	2,887,495
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	19,594	8,605	11,983	40,182	2,521,162	2,561,344
	$ 34,866	$ 12,633	$ 21,309	$ 68,808	$ 5,380,031	$ 5,448,839

	2023					
	30-59 Days Past Due	60-89 Days Past Due	90 Days or Greater Past Due	Total	Loans Not Past Due	Total Loans
Real estate loans:						
Mortgage loans	$ 12,265	$ 2,675	$ 6,177	$ 21,117	$ 2,383,019	$ 2,404,136
Home equity loans	2,355	450	653	3,458	284,624	288,082
Total real estate loans	14,620	3,125	6,830	24,575	2,667,643	2,692,218
Consumer loans:						
Vehicle	10,207	2,723	3,577	16,507	1,107,115	1,123,622
Other consumer loans	6,535	3,415	9,706	19,656	1,540,251	1,559,907
Total consumer loans	16,742	6,138	13,283	36,163	2,647,366	2,683,529
	$ 31,362	$ 9,263	$ 20,113	$ 60,738	$ 5,315,009	$ 5,375,747

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, 2024				
	Real Estate		Consumer		
	Mortgage	Home Equity	Vehicle	Other	Total
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	$ 4,773	$ 706	$ 10,789	$ 31,595	$ 47,863

	December 31, 2023				
	Real Estate		Consumer		
	Mortgage	Home Equity	Vehicle	Other	Total
Allowance for credit losses:					
Beginning balance, prior to adoption of ASC 326	$ 4,567	$ 387	$ 6,947	$ 20,817	$ 32,718
Adoption of ASC 326	1,076	72	920	2,723	4,791
Provision for credit losses	(2,385)	44	3,587	22,280	23,526
Loans charged to allowance	(1)	(152)	(4,531)	(20,270)	(24,954)
Recoveries of loans previously charged off	116	53	502	3,242	3,913
Balance, end of the year	$ 3,373	$ 404	$ 7,425	$ 28,792	$ 39,994

Note 5. Property and Equipment

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

	2024	2023
Building	$ 60,016	$ 60,016
Furniture and equipment	40,172	38,195
Leasehold improvements	14,291	14,339
Construction in process	452	50
	114,931	112,600
Accumulated depreciation and amortization	(56,225)	(52,013)
	$ 58,706	$ 60,587

For the years ended December 31, 2024 and 2023, depreciation and amortization expense was $4,883,000 and $5,666,000, respectively. During the years ended December 31, 2024 and 2023, $671,000 and $1,651,000, respectively, of property and equipment were retired, with no gains incurred during the year ended December 31, 2024, and incurred gains of $126,000 during the year ended December 31, 2023, recorded in other (gains) losses on the statements of income.

Note 5. Property and Equipment (Continued)

The Credit Union owns substantially all its property and equipment, however, 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, 2024, are as follows (in thousands):

Years ending December 31 (in thousands):		
2025	$	3,871
2026		1,252
2027		772
2028		359
2029		145
Subsequent years		1,625
Total minimum payments		8,024
Difference in present value of future minimum payments and cash required		(766)
Lease liability	$	7,258

Rental expense for the years ended December 31, 2024 and 2023, for all facilities leased under operating leases totaled $2,051,000 and $1,918,000, respectively.

Note 6. Members' Shares

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

	2024		2023	
Regular shares	$	3,783,941	$	4,018,704
Share draft accounts		708,221		694,211
401(k) shares		985,032		1,150,662
Individual retirement account shares		16,369		12,452
Certificates		2,527,322		1,778,249
	$	8,020,885	$	7,654,278

Shares by maturity as of December 31, 2024, are summarized as follows (in thousands):

One year or less	$	2,254,538
Greater than one year to two years maturity		76,367
Greater than two years to three years maturity		79,721
Greater than three years to four years maturity		62,684
Greater than four years to five years maturity		54,012
	$	2,527,322

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

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. Members were given the option to opt-out of this transaction. As of December 31, 2024 and 2023, the balance of the individual retirement account shares held by various third-party credit unions was approximately $98,860,000 and $110,639,000, respectively.

NCUSIF insures members' share accounts up to a maximum federal deposit insurance level of $250,000 per ownership category. The most common types of ownership categories are individual accounts, joint accounts, and certain retirement accounts, such as 401(k) and IRA accounts. 401(k) shares represent funds which participants of AAG's various 401(k) plans have elected to invest in the Credit Union cash option of those plans.

The aggregate amount of certificates in denominations of $250,000 or more at December 31, 2024 and 2023, is approximately $417,105,000 and $236,391,000, respectively.

Note 7. Borrowings

The Credit Union has a $1,361,213,000 and $1,573,024,000 line of credit available with the FHLB at December 31, 2024 and 2023, 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, 2024 and 2023, 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, 2024 and 2023. 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, 2024 and 2023, 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, 2024 and 2023, total approximately $156,426,000 and $87,064,000, respectively.

Note 8. Commitments and Contingencies (Continued)

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

	2024	2023
Home equity	$ 221,978	$ 188,741
Credit card	739,774	645,372
Other consumer	399,461	403,436
	$ 1,361,213	$ 1,237,549

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.

Beginning January 1, 2022, credit unions over $500,000,000 have the option to elect the Complex Credit Union Leverage Ratio (CCULR) framework which provides a streamlined alternative to the risk-based capital ratio and as of December 31, 2024 and 2023, the Credit Union has not elected implementation of the CCULR framework. Therefore, the risk-based capital (RBC) framework is effective and the RBC requirement to be adequately capitalized as of December 31, 2024 and 2023 is 8%.

The net worth ratio requirement to be adequately capitalized as of December 31, 2024 and 2023, is 6% or greater.

Management believes, as of December 31, 2024 and 2023, that the Credit Union meets all capital adequacy requirements to which it is subject.

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, 2024					
			Minimum to be Adequately Capitalized Under Prompt Corrective Action Provisions		Minimum to be Well Capitalized Under Prompt Corrective Action Provisions	
	Actual Amount	Ratio	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%

	December 31, 2023					
			Minimum to be Adequately Capitalized Under Prompt Corrective Action Provisions		Minimum to be Well Capitalized Under Prompt Corrective Action Provisions	
	Actual Amount	Ratio	Amount	Ratio	Amount	Ratio
Net worth	$ 963,503	11.15%	$ 518,361	6.00%	$ 604,755	7.00%
Risk-based net worth requirement	936,199	22.39%	691,148	8.00%	863,935	10.00%

Note 10. Related-Party Transactions

Compensation and benefits of approximately $75,169,000 and $69,498,000 in 2024 and 2023, 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 $4,316,000 and $5,109,000 in 2024 and 2023, 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, 2024 and 2023, were approximately $4,784,000 and $4,394,000, respectively. Member shares from related parties at December 31, 2024 and 2023, amounted to approximately $7,229,000 and $7,456,000, 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.

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 $1,470,000 and $914,000 as of December 31, 2024 and 2023, 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, 2024, and no transfers between levels.

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):

	2024			
	Fair Value Measurements Using			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
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	-

	2023			
	Fair Value Measurements Using			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Measured on a recurring basis:				
Assets:				
Government agencies	$ 1,208,605	$ -	$ 1,208,605	$ -
Negotiable certificates	185,282	-	185,282	-
Mortgage-backed securities	755,733	-	755,733	-