Strong Financial History

2015 AMERICAN AIRLINES FEDERAL CREDIT UNION

80 YEARS
EIGHT DECADES OF HELPING OUR MEMBERS SOAR

This credit union is federally insured by the National Credit Union Administration.

American Airlines Federal Credit Union founder Victor Vernon (right) poses with a group of acquaintances while boarding an American Airlines Douglas DC-3 in 1945.

Photo courtesy of the Smithsonian National Air and Space Museum

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Letter from the CEO

BEFORE WE COULD WALK, WE KNEW HOW TO FLY.

The theme of our 80th anniversary in 2016 is “Eight decades of helping our members soar.” And while that phrase is certainly suitable, some of you might not know just how appropriate it is.

When American Airlines Federal Credit Union was in its infancy, our ambitious founders had already conquered the skies. Two of our original nine founders were aviation pioneers in their own right, so when they proposed the idea of a not-for-profit financial cooperative designed to help the employees of American Airlines at a time when our nation was still struggling to recover from economic turmoil, no one accused them of having their heads in the clouds.

At the forefront of this new financial institution, then known as American Airlines Employees Credit Union, was Victor Vernon, a renowned pilot who had trained with Glenn H. Curtiss, invested in his own hydroplane (known as a “flying boat”) and served as a flight instructor for some of the first pilots who went on to serve in World War I.

But as visionary as Vernon was, he probably couldn’t have imagined that this burgeoning cooperative would evolve into a multibillion-dollar financial institution that would expand eight decades later to 45 branches across the country with assets at the end of December 2015 totaling $5.96 billion. That’s quite a bit of growth from the Credit Union’s meager beginning assets of $750.

Those original nine members eventually grew to more than 257,000 by the end of 2015, with a record increase of 12,395 net new member-owners added this past year alone.

The Credit Union only had a few lending options available in the 1930s. Thanks to expanded products, some terrific promotional offers and outreach throughout 2015, we ended the year with some impressive numbers.

Mortgage loans reached new levels in 2015 with 1,432 member-owners able to realize the dream of home ownership thanks to their Credit Union participation.

Auto lending was another major success story, with 12 consecutive months of more than $20 million in loans, which translated to putting 14,700 drivers behind the wheel of a new or used automobile.

We added more than 17,300 net new checking accounts and more than 3,900 net new credit cards, which helped us end the year with a strong net worth of almost $623.4 million.

Finally, we were able to once again offer monthly dividend rates that surpassed the national average. We were also particularly proud to close out the year by offering a $13.3 million bonus dividend to our member-owners, which is our highest bonus dividend payout to date. This included a bonus for multiple product owners and it brought our total dividends returned to members for 2015 to more than $49 million.

A YEAR OF REACHING NEW HEIGHTS

We’re not the only ones celebrating a milestone anniversary, as American Airlines celebrates their 90th in 2016, as well. Our eight decades as part of the fabric of American has not wavered, and we continue to demonstrate our commitment to employees every day. At the beginning of 2015, the Credit Union supported a smooth transition for American management and support staff going through payroll changes. By offering loan deferrals and other options along with thorough communication throughout the process, we were able to help our American member-owners make the adjustment as smoothly as possible in partnership with American payroll and employee communication teams.

During the summer, we introduced an improved online banking experience that provides full-service access to all of our digital self-service functions across any device (online, phone and tablet). The system featured new payment functions, provided members access to all of the accounts they own (primary and joint) and many other enhancements. Since conversion, we’ve added approximately 33,000 new users, with significant growth in active accessing of accounts, overall logins and mobile app usage. And thanks in large part to the 360 view of their overall financial picture, members have nearly doubled the number of transfers made between accounts.

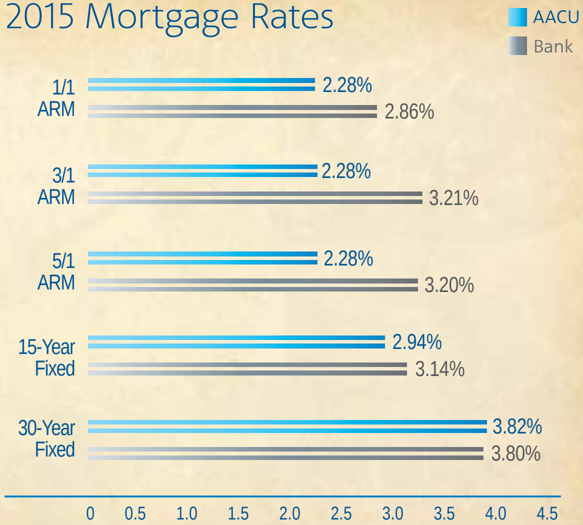
It was another busy year for expansion as well, with new branches opening in the Charlotte, Phoenix and Washington, D.C. airports and the American Airlines Training Center in Fort Worth. We also moved our Schiller Park branch to a new space in Rosemont, Illinois.

The rollout of our new chip-enabled credit cards was a huge success. By waiving replacement fees for members to update their cards, we estimate that approximately 80 percent of our cardholders are now using the new security-enhanced cards. These cards allow member-owners to benefit from even greater global acceptance when traveling abroad for business or pleasure.

Credit cards were just one factor in 2015’s boost in lending. By year’s end, we had reached a historical new benchmark of $1.08 billion in gross lending, adding 11,335 net new loans to a total of more than 27,000 net new products for the year.

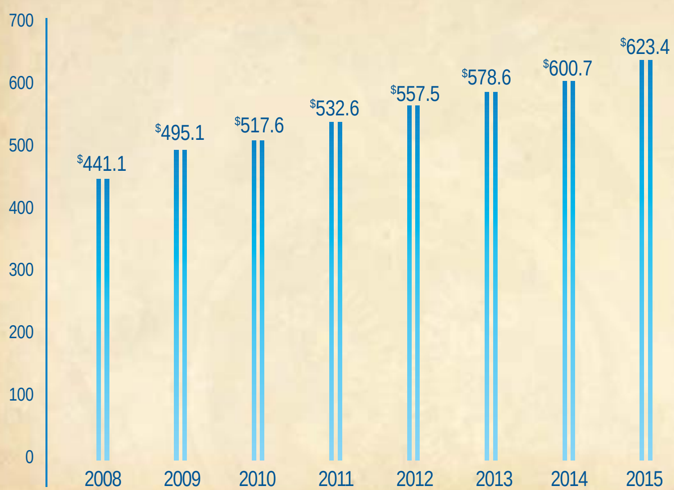
One of our most popular end-of-the-year products, our holiday loans, also broke new records with more than $10.8 million in loans made available to members who eagerly took advantage of our new automated loan process.

2015 Mortgage Rates



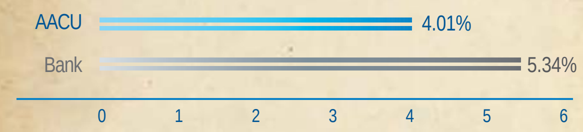
All rates based on the average rates offered in 2015. Bank data supplied by RateWatch. Accurate as of December 2015.

Net Worth (in millions)



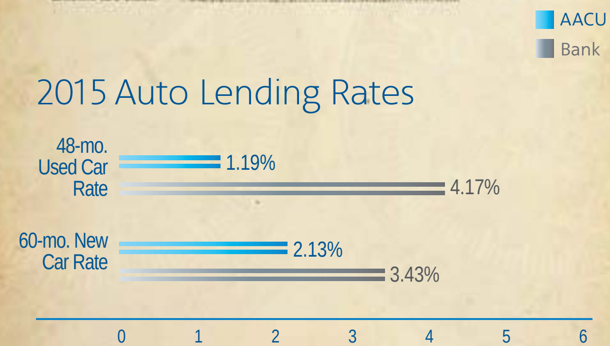
Accurate as of December 2015.

2015 Home Equity Line of Credit 80 Percent Loan to Value (LTV)



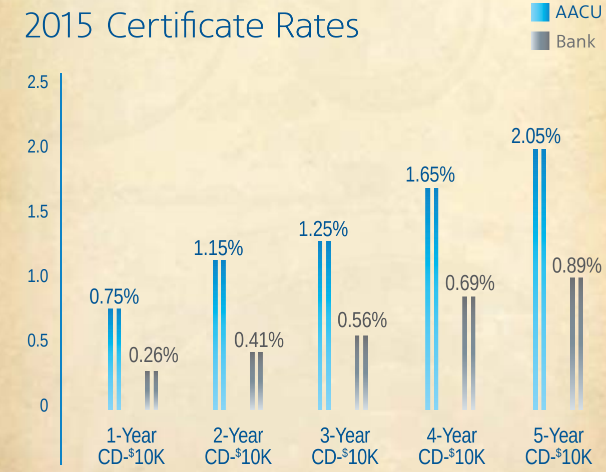
All rates based on the average rate paid by borrowers with a top-tier credit standing (A rating). Bank data supplied by RateWatch. Accurate as of December 2015.

2015 Auto Lending Rates



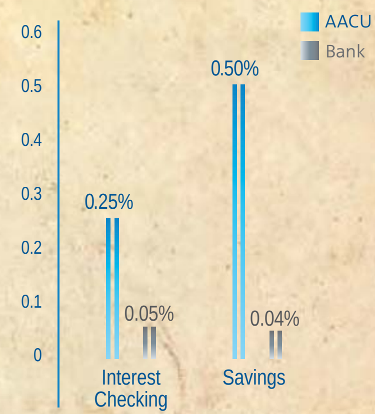
All rates based on the average 48-month used car rates and 60-month new car rates offered in 2015 with 0 percent down payment. Bank data supplied by RateWatch. Accurate as of December 2015.

2015 Certificate Rates



All rates based on the average rates offered in 2015. Bank data supplied by RateWatch. Accurate as of December 2015.

2015 Checking and Savings Rates



American Airlines Credit Union checking rate based on average Flagship Checking rate for 2015. Credit Union Savings rate based on average rate paid in 2015 on regular savings. Bank data supplied by RateWatch. Accurate as of December 2015.

Letter from the CEO

ALWAYS WILLING TO SHARE WITH THOSE IN NEED.

Credit Union employees continued our legacy of support for organizations and worthwhile charities that work to provide comfort, care and relief for those in need. Whether it is funds for research into debilitating diseases, aid to children facing any number of challenges or support for our own coworkers going through unexpected financial hardship, the Credit Union continued to demonstrate its commitment by lending a hand. We provided significant amounts of wish list items and comforts for our troops serving overseas and collected nearly 7,800 items (adding up to around 3,560 pounds) of food for the North Texas Food Bank. Throughout the year, we sponsored company-wide fundraising events and activities for a number of worthy causes and are proud to announce that the Credit Union and its staff raised more than $179,700 for organizations such as the Children's Miracle Network Hospitals, Something mAAgic/Wish Flight, American Cancer Society, American Heart Association, American Red Cross, Cystic Fibrosis Foundation, North Texas Food Bank, PetSmart Charities®, Susan G. Komen®, SafeHaven of Tarrant County and many other charities.

LOOKING TOWARD THE NEXT 80 YEARS.

Despite embracing nostalgia during this milestone anniversary we're celebrating, one of the traits that has kept the Credit Union strong and secure for the last 80 years is that we also have an eye on the future.

In 2016, our focus for online banking will be to continually improve the digital experience for all of our member-owners based on their ongoing feedback.

Additional new branches are planned for the Rio Building in Phoenix, the Training Center in Charlotte and the Integrated Operations Center in Fort Worth. These new additions are designed to broaden services to our member-owners in areas where they are most needed.

Our chip-enabled debit cards will be available in the second quarter, ensuring our members' transactions are more secure by helping avoid unauthorized use of their card information.

In celebration of our 80th anniversary, the Credit Union has planned a number of special offers, events and surprises throughout the year, including awarding $80,000 in scholarships, our highest educational awards total ever. We see it as an investment in the future of our youth and our company, which has never looked brighter.

Those nine original founders probably could not have imagined that their dream of providing financial assistance to fellow employees would still be flourishing after 80 years. But we're certain that they would be proud to see how their vision has evolved into an organization that facilitates and advocates for the financial health of airline employees and their families today and plans to do so for many more decades to come.

Angie Owens, President and CEO

Independent Auditor's Report

TO THE SUPERVISORY COMMITTEE

American Airlines Federal Credit Union | Fort Worth, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of American Airlines Federal Credit Union (a federally chartered credit union) which comprise the statements of financial condition as of December 31, 2015 and 2014, and the related statements of income, members' equity, comprehensive income and cash flows for the years then ended and the related notes to the financial statements, (collectively, financial statements).

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of American Airlines Federal Credit Union as of December 31, 2015 and 2014, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

RSM US LLP

Dallas, Texas
March 15, 2016

SUPERVISORY COMMITTEE REPORT

American Airlines Federal Credit Union
Year ended December 31, 2015

The Supervisory Committee is comprised of a group of volunteer members responsible for helping ensure the safety and soundness of American Airlines Credit Union. This responsibility is exercised in accordance with the Federal Credit Union Act and the Credit Union's bylaws. The Committee fulfilled their responsibilities through the engagement of an external financial auditor, supervision of the internal audit function and review of the National Credit Union Administration's (NCUA) recent examination results and related matters.

At the conclusion of the December 31, 2015, external financial audit, the Committee met with RSM US LLP representatives to discuss the external financial audit. The results of the external financial audit concluded that the financial statements of the Credit Union present fairly the financial position of the organization and the results of its operations and cash flows. The financial audit supports management's commitment to strong internal controls and accurate financial reporting.

The Committee also reviewed the results of the Credit Union's most recent regulatory examination, conducted by the NCUA. Results of the NCUA examination indicated that the Credit Union is financially sound. The Committee Chairman met with the NCUA examiners to review the exam report. Examination results, NCUA recommendations and regulatory guidance are timely and appropriately reviewed and acted upon by management. The Committee also reviews the results of internal audits and works with audit management to monitor management's commitment to strong internal controls.

The Committee is pleased to report that American Airlines Credit Union continues to be well-managed and in strong financial condition. If the Committee can be of assistance, we encourage you to contact the Committee. We would like to express our appreciation to the Board of Directors, management and staff for their dedication and commitment to serving the Credit Union and its members.

Robert D. Bagley, Chairman
Douglas Cotton
Daniel Cravens
Patricia Delgadillo
Steven Leist

Photo courtesy of the Smithsonian National Air and Space Museum

American Airlines Federal Credit Union founder Victor Vernon

Statements of FINANCIAL CONDITION

Years Ended December 31	2015	2014
	(in thousands)	
ASSETS		
Cash and cash equivalents	$793,905	$132,644
Investments		
Available for sale	1,769,348	2,287,027
Other	3,294	3,286
Loans, net	3,304,994	3,116,531
Accrued interest receivable	11,050	11,991
Share insurance fund deposit	47,752	46,997
Property and equipment, net	23,133	22,475
Other real estate owned (OREO), net	489	2,156
Other assets	7,235	5,657
TOTAL ASSETS	**$5,961,200**	**$5,628,764**
LIABILITIES AND MEMBERS' EQUITY		
Liabilities		
Members' shares	$5,298,797	$4,987,714
Dividends payable	3,004	5,940
Accrued expenses and other liabilities	36,254	30,681
Total liabilities	**5,338,055**	**5,024,335**
Commitments and contingencies (Notes 4 and 7)		
Members' equity		
Retained earnings	623,381	600,670
Accumulated other comprehensive (loss) income	(236)	3,759
Total members' equity	**623,145**	**604,429**
TOTAL LIABILITIES AND MEMBERS' EQUITY	**$5,961,200**	**$5,628,764**

The notes are an integral part of the statements. For complete notes, visit us at AACreditUnion.org and click on "Annual Reports" in the "About AA Credit Union" menu.

Statements of INCOME

Years Ended December 31	2015	2014
	(in thousands)	
INTEREST INCOME		
Loans	$126,759	$118,131
Investments and cash equivalents	11,797	12,676
Total interest income	**138,556**	**130,807**
INTEREST EXPENSE		
Members' shares	49,042	48,730
Net interest income	**89,514**	**82,077**
Provision for loan losses	9,179	3,664
Net interest income after provision for loan losses	**80,335**	**78,413**
NON-INTEREST INCOME		
Fee income	26,306	23,694
Other operating income	6,515	5,977
Gain on sale of investments	865	474
Other gains	790	553
Total non-interest income	34,476	30,698
Income before operating expenses	**114,811**	**109,111**
NON-INTEREST EXPENSES		
Compensation and benefits	44,718	43,761
Office occupancy	6,828	6,107
Office operations	24,531	21,556
Education and promotional	7,278	6,920
Loan servicing	1,695	2,180
Professional and outside services	2,934	2,706
Travel and conference	837	803
Loss on sale of OREO	81	103
Miscellaneous operating	3,198	2,903
Total non-interest expenses	**92,100**	**87,039**
NET INCOME	**22,711**	**$22,072**

The notes are an integral part of the statements. For complete notes, visit us at AACreditUnion.org and click on "Annual Reports" in the "About AA Credit Union" menu.

Statements of MEMBERS' EQUITY

(in thousands)

	Retained Earnings		Accumulated Other Comprehensive Income (Loss)	
	Regular Reserve	Undivided Earnings		Total
Balance at December 31, 2013	**$61,769**	**$516,829**	**$944**	**$579,542**
Net Income	–	22,072	–	22,072
Other comprehensive income	–	–	2,815	2,815
Balance at December 31, 2014	**$61,769**	**$538,901**	**$3,759**	**$604,429**
Net Income	–	22,711	–	22,711
Other comprehensive loss	–	–	(3,995)	(3,995)
BALANCE AT DECEMBER 31, 2015	**$61,769**	**$561,612**	**($236)**	**$623,145**

The notes are an integral part of the statements. For complete notes, visit us at AACreditUnion.org and click on "Annual Reports" in the "About AA Credit Union" menu.

Statements of COMPREHENSIVE INCOME

(in thousands)

Years Ended December 31	2015	2014
Net Income	$22,711	$22,072
Other comprehensive income		
Net unrealized (losses) gains on investments available for sale	(3,130)	3,289
Reclassification adjustment for gains realized in net income	(865)	(474)
Other comprehensive (loss) income	**(3,995)**	**2,815**
COMPREHENSIVE INCOME	**$18,716**	**$24,887**

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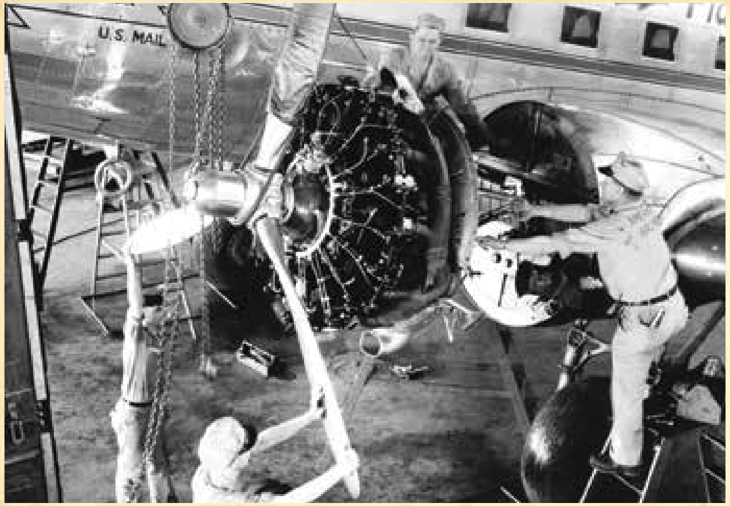


Photo courtesy of American Airlines

Mechanics check the engine of an American Airlines Douglas DC-3.

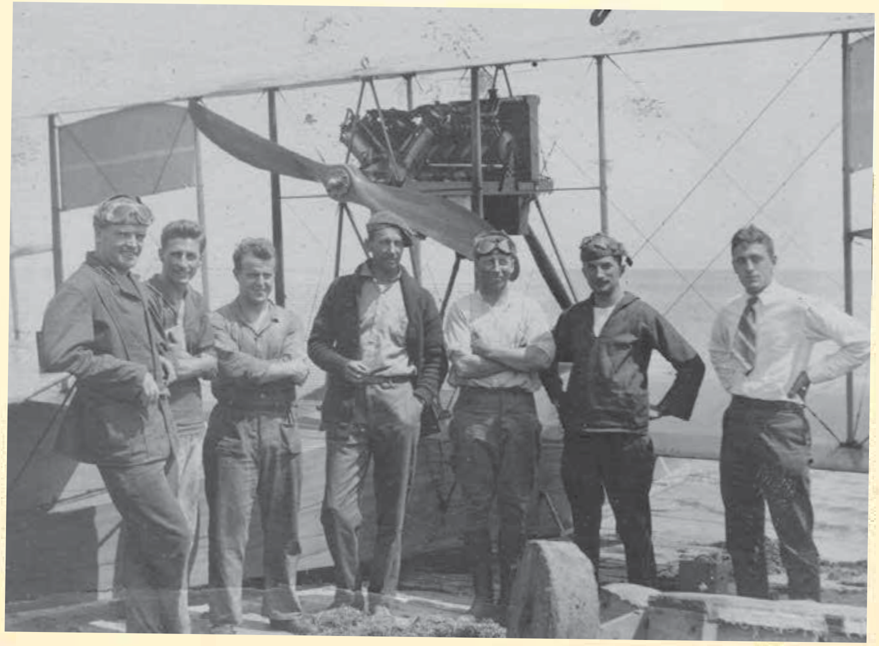


Photo courtesy of the Smithsonian National Air and Space Museum

Vernon (center) poses with a group of aviation students in front of a flying boat in 1916.

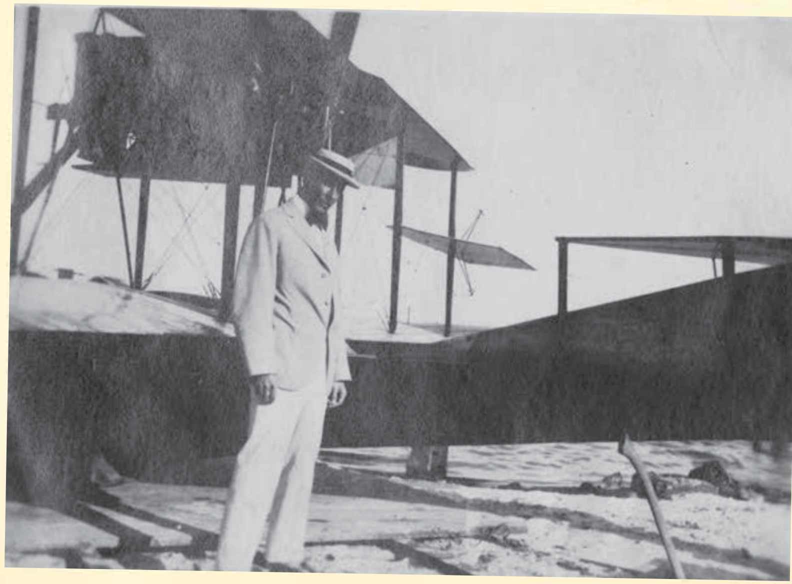


Photo courtesy of the Smithsonian National Air and Space Museum

Victor Vernon poses beside his flying boat "Betty V" in 1914.

Photo courtesy of American Airlines

The American Airlines Douglas DC-3 took its maiden voyage from Chicago to New York one month after the Credit Union opened at Chicago's Midway Airport in 1936.

Statements of CASH FLOWS

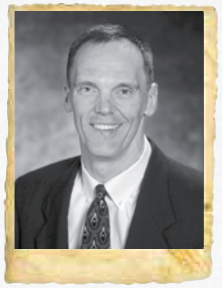
Years Ended December 31	2015	2014
	(in thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$22,711	$22,072
Adjustments to reconcile net income to net cash provided by operating activities:		
Loss on disposition of fixed assets	9	3
Amortization (accretion) of premium (discount) of investment securities, net	739	(175)
Provision for loan losses	9,179	3,664
Depreciation and amortization	4,105	3,563
Gain on sale of investments	(865)	(474)
Loss on sale of OREO	81	103
Net change in:		
Accrued interest receivable	941	(1,263)
Other assets	(1,578)	(864)
Accrued expenses, dividends payable and other liabilities	2,637	(4,844)
Net cash provided by operating activities	**37,959**	**21,785**
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of available-for-sale investments	(749,698)	(616,124)
Proceeds from maturities of available-for-sale investments	443,468	438,835
Proceeds from sales of available-for-sale investments	820,040	359,405
Net change in other investments	(8)	(58)
Net change in loans	(198,662)	(457,702)
(Increase) decrease in share insurance fund deposits	(755)	5
Proceeds from sale of OREO	2,606	3,153
Purchases of property and equipment	(4,772)	(3,474)
Net cash provided by (used in) investing activities	**312,219**	**(275,960)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase in members' shares	311,083	40,038
Net cash provided by financing activities	**311,083**	**40,038**
Increase (decrease) in cash and cash equivalents	**661,261**	**(214,137)**
CASH AND CASH EQUIVALENTS		
Beginning of year	132,644	346,781
Cash and cash equivalents, end of year	**793,905**	**$132,644**
SUPPLEMENTAL CASH FLOW INFORMATION		
Dividends paid on members' shares	**51,978**	**$49,037**
Loans transferred to other real estate owned	**1,107**	**$4,081**

The notes are an integral part of the statements. For complete notes, visit us at AACreditUnion.org and click on "Annual Reports" in the "About AA Credit Union" menu.

MANAGEMENT STAFF

Angie Owens
President and CEO

Faith L. Anderson
Senior Vice President
and General Counsel



Brad Aspgren
Senior Vice President
Technology and
Innovation

Gail K. Enda
Senior Vice President
Lending and Product
Management

Sean Gaven
Senior Vice President
Chief Financial Officer

Lori W. Hall
Senior Vice President
Marketing and
Member Services

Elidia Suchomel
General Auditor

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Patrick O'Keeffe
Vice Chair

Patrick C. Hancock Jr.
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Thomas J. Kiernan
Treasurer

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Bruce T. Chemel

Robert Ciminelli

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Christopher Ducey

Pedro Fabregas

Douglas G. Herring

Tim Lindemann

Angie Owens

Debra Valtman

Peter Warlick

Supervisory COMMITTEE

Robert D. Bagley
Chair

Douglas Cotton

Daniel Cravens

Patricia Delgadillo

Steven Leist

American Airlines Credit Union

American Airlines Federal Credit Union was founded on May 19, 1936, by aviation pioneer Victor Vernon, along with eight other employees of American Airlines at Chicago's Midway Airport. Their dream of creating a financial support system for the employees of American Airlines began with initial assets of only $750. Eighty years later, the Credit Union is a thriving, multibillion-dollar institution with 45 branches across the country, but our core ideals — integrity, respect, creativity, competence and compassion — remain the same. We continue to enlist people who have a passion for helping others and want to see them have better financial lives. It's one of the reasons we've spent eight decades helping our members soar.

BOSTON
CHARLOTTE
CHICAGO
FORT LAUDERDALE
FORT WORTH/DALLAS
LOS ANGELES
MIAMI
NASHVILLE
NEWARK
NEW YORK CITY
ORANGE COUNTY
PHILADELPHIA
PHOENIX
RALEIGH/DURHAM
ST. LOUIS
SAN FRANCISCO
TULSA
WASHINGTON, D.C.

MD 2100 P.O. BOX 619001, DFW AIRPORT, TX 75261-9001

For the branch locations nearest you, call our Member Advocacy Center at (800) 533-0035 or visit AACreditUnion.org.

American Airlines Federal Credit Union

Financial Statements
December 31, 2015 and 2014

THE POWER OF BEING UNDERSTOOD
AUDIT | TAX | CONSULTING

RSM

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RSM

Independent Auditor's Report

RSM US LLP

To the Supervisory Committee
American Airlines Federal Credit Union
Fort Worth, Texas

Report on the Financial Statements
We have audited the accompanying financial statements of American Airlines Federal Credit Union (a federally chartered credit union) which comprise the statements of financial condition as of December 31, 2015 and 2014, and the related statements of income, members' equity, comprehensive income and cash flows for the years then ended and the related notes to the financial statements, (collectively, financial statements).

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Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of American Airlines Federal Credit Union as of December 31, 2015 and 2014, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

RSM US LLP

Dallas, Texas
March 15, 2016

American Airlines Federal Credit Union

Statements of Financial Condition
December 31, 2015 and 2014
(In Thousands)

		2015		2014
Assets				
Cash and cash equivalents	**$**	**793,905**	$	132,644
Investments:				
Available for sale		**1,769,348**		2,287,027
Other		**3,294**		3,286
Loans, net		**3,304,994**		3,116,531
Accrued interest receivable		**11,050**		11,991
Share insurance fund deposit		**47,752**		46,997
Property and equipment, net		**23,133**		22,475
Other real estate owned (OREO), net		**489**		2,156
Other assets		**7,235**		5,657
Total assets	**$**	**5,961,200**	$	5,628,764
Liabilities and Members' Equity				
Liabilities:				
Members' shares	**$**	**5,298,797**	$	4,987,714
Dividends payable		**3,004**		5,940
Accrued expenses and other liabilities		**36,254**		30,681
Total liabilities		**5,338,055**		5,024,335
Commitments and contingencies (Notes 4 and 7)				
Members' equity:				
Retained earnings		**623,381**		600,670
Accumulated other comprehensive (loss) income		**(236)**		3,759
Total members' equity		**623,145**		604,429
Total liabilities and members' equity	**$**	**5,961,200**	$	5,628,764

See notes to financial statements

American Airlines Federal Credit Union

Statements of Income
Years Ended December 31, 2015 and 2014
(In Thousands)

	2015	2014
Interest income:		
Loans	$ 126,759	$ 118,131
Investments and cash equivalents	11,797	12,676
	138,556	130,807
Interest expense:		
Members' shares	49,042	48,730
Net interest income	89,514	82,077
Provision for loan losses	9,179	3,664
Net interest income after provision for loan losses	80,335	78,413
Non-interest income:		
Fee income	26,306	23,694
Other operating income	6,515	5,977
Gain on sale of investments	865	474
Other gains	790	553
	34,476	30,698
Income before operating expenses	114,811	109,111
Non-interest expenses:		
Compensation and benefits	44,718	43,761
Office occupancy	6,828	6,107
Office operations	24,531	21,556
Education and promotional	7,278	6,920
Loan servicing	1,695	2,180
Professional and outside services	2,934	2,706
Travel and conference	837	803
Loss on sale of OREO	81	103
Miscellaneous operating	3,198	2,903
	92,100	87,039
Net income	$ 22,711	$ 22,072

See notes to financial statements

American Airlines Federal Credit Union

Statements of Members' Equity
Years Ended December 31, 2015 and 2014
(In Thousands)

	Retained Earnings		Accumulated Other Comprehensive Income (Loss)	Total
	Regular Reserve	Undivided Earnings		
Balance, December 31, 2013	$ 61,769	$ 516,829	$ 944	$ 579,542
Net income	-	22,072	-	22,072
Other comprehensive income	-	-	2,815	2,815
Balance, December 31, 2014	61,769	538,901	3,759	604,429
Net income	-	22,711	-	22,711
Other comprehensive loss	-	-	(3,995)	(3,995)
Balance, December 31, 2015	**$ 61,769**	**$ 561,612**	**$ (236)**	**$ 623,145**

See notes to financial statements

American Airlines Federal Credit Union

Statements of Comprehensive Income
Years Ended December 31, 2015 and 2014
(In Thousands)

	2015	2014
Net income	**$ 22,711**	$ 22,072
Other comprehensive income:		
Net unrealized (losses) gains on investments available for sale	**(3,130)**	3,289
Reclassification adjustment for gains realized in net income	**(865)**	(474)
Other comprehensive (loss) income	**(3,995)**	2,815
Comprehensive income	**$ 18,716**	$ 24,887

See notes to financial statements

American Airlines Federal Credit Union

Statements of Cash Flows
Years Ended December 31, 2015 and 2014
(In Thousands)

		2015		2014
Cash flows from operating activities:				
Net income	$	22,711	$	22,072
Adjustments to reconcile net income to net cash provided by operating activities:				
Loss on disposition of fixed assets		9		3
Amortization (accretion) of premium (discount) of investment securities, net		739		(175)
Provision for loan losses		9,179		3,664
Depreciation and amortization		4,105		3,563
Gain on sale of investments		(865)		(474)
Loss on sale of OREO		81		103
Net change in:				
Accrued interest receivable		941		(1,263)
Other assets		(1,578)		(864)
Accrued expenses, dividends payable and other liabilities		2,637		(4,844)
Net cash provided by operating activities		37,959		21,785
Cash flows from investing activities:				
Purchases of available for sale investments		(749,698)		(616,124)
Proceeds from maturities of available for sale investments		443,468		438,835
Proceeds from sales of available for sale investments		820,040		359,405
Net change in other investments		(8)		(58)
Net change in loans		(198,662)		(457,702)
(Increase) decrease in share insurance fund deposits		(755)		5
Proceeds from sale of OREO		2,606		3,153
Purchases of property and equipment		(4,772)		(3,474)
Net cash provided by (used in) investing activities		312,219		(275,960)
Cash flows from financing activities:				
Net increase in members' shares		311,083		40,038
Net cash provided by financing activities		311,083		40,038
Increase (decrease) in cash and cash equivalents		661,261		(214,137)
Cash and cash equivalents:				
Beginning of year		132,644		346,781
End of year	$	793,905	$	132,644
Supplemental cash flow information:				
Dividends paid on members' shares	$	51,978	$	49,037
Loans transferred to other real estate owned	$	1,107	$	4,081

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™ 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 loan losses and the fair value of investment securities available for sale.

Concentrations of credit risk: Most of the Credit Union's business activity is with its members who are current or former employees of American Airlines Group, Inc. (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 10 to these financial statements.

Cash flows: For purposes of the statement of cash flows, cash and cash equivalents consist of cash on hand and non-term share 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.

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 gains and losses on investments classified as available for sale have been accounted for as accumulated other comprehensive income. Losses, if any, associated with credit impairments are recorded through operations.

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

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. Declines in the fair value of individual available for sale investments below their costs that are other than temporary would result in write-downs of the individual investments to their fair value. Factors affecting the determination of whether an other than temporary impairment has occurred include a downgrading of the investment by a rating agency, a significant deterioration in the financial condition of the issuer, or a determination that management would not have the ability to hold the investment for a period of time sufficient to allow for any anticipated recovery in fair value.

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, reduced by an allowance for loan losses and net deferred fees and costs. Purchased loans are stated net of unamortized premiums. Interest on loans is recognized over the terms of the loans and is calculated on principal amounts outstanding.

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 recognized as an adjustment to interest income using the interest method over the expected lives of the related loans or until such loans are modified or paid in full.

Allowance for loan losses: The allowance for loan losses is established as losses are estimated to have occurred through a provision for loan losses charged to earnings. Loan losses are charged against the allowance when management believes the collectability of a loan balance is unlikely. Subsequent recoveries, if any, are credited to the allowance.

The allowance for loan losses is evaluated on a regular basis by management and is based on management’s periodic review of the collectability of the loans in light of historical experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower’s ability to repay, and prevailing economic conditions. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available. While management uses the best information available to make its evaluations, further adjustments to the allowance may be necessary if there are significant changes to the economic conditions.

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

The Credit Union's allowance for loan losses is that amount considered adequate to absorb probable losses in the portfolio based on management's evaluations of the size and current risk characteristics of the loan portfolio. General allowances are established for loans that can be grouped into pools based on similar characteristics in compliance with GAAP and regulatory guidelines. In this process, general allowance factors are based on an analysis of historical charge-off experience and expected losses given default ratios derived from the Credit Union's internal risk rating process. These factors are developed and applied to the portfolio by loan type. The qualitative factors associated with the allowance are subjective and require a high degree of management judgment. These factors include credit quality statistics, recent economic uncertainty, losses incurred from recent events, and lagging data. Specific allowances are maintained for loans with characteristics that distinguish them from the pools of loans with similar, but non-specific characteristics (such as delinquencies of 60 days or more, bankruptcies, troubled debt restructures, impaired loans, etc.).

Property and equipment: Land is carried at cost. Buildings, leasehold improvements, and furniture and equipment are carried at cost, less accumulated depreciation and amortization. Buildings and furniture equipment are depreciated using the straight-line method over the estimated useful life of the asset. The cost of leasehold improvements is amortized using the straight-line method over the lesser of five years or the term of the related lease.

Other real estate owned and foreclosed assets: Other real estate owned is recorded at fair value less the estimated costs to sell the property at the date of transfer to other real estate owned, establishing a new cost basis. At the time a loan is transferred to other real estate owned, any carrying amount in excess of the fair value less estimated costs to sell the property is charged off to the allowance for loan losses. Subsequently, should the fair value of an asset, less the estimated costs to sell, decline to less than the carrying amount of the asset, the deficiency is recognized in the period in which it becomes known and is included in loss on sale of OREO. Maintenance costs of properties are included in non-interest expense. Gains and losses realized from sales of other real estate owned are recorded in loss on sale of OREO.

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 percent 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.

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. Members' shares are subordinated to all other liabilities of the Credit Union upon liquidation. 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 (loss). Other comprehensive income (loss) includes unrealized gains and losses on investments.

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

Recent accounting pronouncements: In January 2014, the FASB issued ASU 2014-04, *Receivables-Troubled Debt Restructurings by Creditors (Subtopic 310-40): Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans upon Foreclosure (a consensus of the FASB Emerging Issues Task Force)*. The ASU clarifies that an in-substance repossession or foreclosure occurs, and a creditor is considered to have received physical possession of the residential real estate property collateralizing the consumer mortgage loan, upon either (a) the creditor obtaining legal title to the residential real estate property upon completion of a foreclosure or (b) the borrower conveying all interest in the residential real estate property to the creditor to satisfy that loan through completion of a deed in lieu of foreclosure or through a similar legal agreement. Additionally, the amendments require interim and annual disclosures of both (a) the amount of foreclosed residential real estate property held by the creditor and (b) the recorded investment in consumer mortgage loans collateralized by residential real estate property that are in the process of foreclosure according to local requirements of the applicable jurisdiction. ASU 2014-04 is effective for annual periods beginning after December 15, 2014. Adoption did not have a material impact on the Credit Union's financial statements.

In January 2016, the FASB issued ASU 2016-01, *Financial Instruments-Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*, which updates certain aspects of recognition, measurement, presentation and disclosure of financial instruments. ASU 2016-01 will be effective for the Credit Union for fiscal years beginning after December 15, 2018. The Credit Union elected to early adopt a provision of the amendment for non-public business entities, which no longer requires disclosure of the fair value of financial instruments and as such, this disclosure is not included herein.

Subsequent events: The Credit Union has evaluated subsequent events through March 15, 2016, the date on which the financial statements were available to be issued.

Note 2. Investments

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

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
December 31, 2015:				
Government agencies	$ 239,416	$ 226	$ (137)	$ 239,505
Negotiable certificates	541,928	-	(943)	540,985
Mortgage-backed securities	988,240	1,660	(1,042)	988,858
	$1,769,584	$ 1,886	$ (2,122)	$1,769,348
December 31, 2014:				
Government agencies	$ 759,720	$ 728	$ (55)	$ 760,393
Negotiable certificates	343,071	117	(17)	343,171
Mortgage-backed securities	1,180,477	3,461	(475)	1,183,463
	$2,283,268	$ 4,306	$ (547)	$2,287,027

Mortgage-backed securities held by the Credit Union are issued by US government sponsored enterprises.

Gross realized gains and losses on sales of investments available for sale were $865,000 and $0 in 2015 and $474,000 and $0 in 2014, respectively.

Note 2. Investments (Continued)

Investments by maturity as of December 31, 2015, are summarized as follows (in thousands):

	Available for Sale	
	Amortized Cost	Fair Value
Less than 1 year maturity	$ 328,185	$ 327,887
1-5 years maturity	453,159	452,603
Mortgage-backed securities	988,240	988,858
	$ 1,769,584	$ 1,769,348

As of December 31, 2015 and 2014, 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, 2015 and 2014, are as follows (in thousands):

		Continuous Unrealized Losses Existing For		
Description of Securities	Fair Value	Less Than 12 Months	More Than 12 Months	Total Unrealized Losses
Available for Sale				
2015:				
Government agencies	$ 100,042	$ 33	$ 104	$ 137
Negotiable certificates	540,985	943	-	943
Mortgage-backed securities	394,385	428	614	1,042
	$ 1,035,412	$ 1,404	$ 718	$ 2,122
2014:				
Government agencies	$ 61,658	$ 53	$ 2	$ 55
Negotiable certificates	172,983	17	-	17
Mortgage-backed securities	229,102	64	411	475
	$ 463,743	$ 134	$ 413	$ 547

As of December 31, 2015, the investment portfolio included 123 securities, 28 of which had unrealized losses that existed for longer than one year. As of December 31, 2014, the investment portfolio included 122 securities, 16 of which had unrealized losses that existed for longer 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. 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.

Note 2. Investments (Continued)

Should the impairment of any of these securities become other than temporary, the cost basis of the investment will be reduced and the resulting loss recognized in net income in the period in which the other than temporary impairment is identified. The Credit Union has not recognized any other than temporary impairment on any securities for the years ended December 31, 2015 or 2014.

Other investments consist of the following (in thousands):

	2015	2014
Share certificate in other credit union	$ 250	$ 250
Member capital accounts in corporate credit unions	750	750
Federal Home Loan Bank (FHLB) stock	2,294	2,286
	$ 3,294	$ 3,286

As of December 31, 2015, FHLB stock of $2,294,000 and Catalyst Corporate Federal Credit Union Perpetual Contributed Capital of $750,000 are classified with no contractual maturity. A certificate of $250,000 in a natural person credit union is classified with less than one year maturity.

FHLB of Dallas stock: 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, 2015 and 2014.

Note 3. Loans and Allowance for Loan Losses

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

	2015	2014
Real estate loans:		
Mortgage loans	$ 1,499,034	$ 1,408,757
Home equity loans	106,121	110,096
Total real estate loans	1,605,155	1,518,853
Consumer and business loans:		
Vehicle loans	487,788	411,389
Other consumer loans, including purchased loans	1,238,331	1,212,068
Total consumer and business loans	1,726,119	1,623,457
Total loans receivable	3,331,274	3,142,310
Deferred net loan origination fees	(1,325)	(1,465)
Allowance for loan losses	(24,955)	(24,314)
	$ 3,304,994	$ 3,116,531

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 credit worthiness of the borrowing member.

Note 3. Loans and Allowance for Loan Losses (Continued)

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 15 years and home equity lines of credit with maturities up to 25 years may also be offered. Acceptable property types include: single-family detached or attached housing, single condominium units, single units in a planned-unit-development, and 1- 4 family residences. The Credit Union requires an analysis of collateral value and credit worthiness 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 requires an analysis of credit worthiness to determine the capacity of the borrower to repay the obligation.

Business: The Credit Union grants loans to business members which consist of 1- 4 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, 2015 and 2014, total business loans amounted to $4,822,000 and $4,193,000 respectively.

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, loan refinance, or troubled debt restructuring (TDR) for real estate loans.

Impairment: A loan is considered impaired when, based on current information and events, it is probable that the Credit Union will be unable to collect the scheduled payments of principal and interest when due according to the contractual terms of the loan agreement. The Credit Union assesses real estate loans that are four or more months past due for impairment. Impairment is considered to exist when the unpaid balance of the loan exceeds the appraised property value less estimated costs to sell. Real estate loans considered a troubled debt restructuring are also evaluated for impairment. Impairment is the greater of the difference between the original loan contract and the present value of future discounted cash flows of the restructured loan contract versus the difference between the outstanding loan balance and the market value of the property less costs to sell (assuming the outstanding loan balance is higher).

Note 3. Loans and Allowance for Loan Losses (Continued)

The schedule below is impaired loans and non-performing loans by class at December 31 (in thousands):

	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
2015:					
Impaired loans with no related allowance recorded	$ -	$ -	$ -	$ -	$ -
Impaired loans with an allowance recorded:					
Real estate loans:					
Mortgage loans	14,972	14,972	1,730	16,090	310
Home equity loans	2,044	2,044	329	2,038	64
Total real estate loans	17,016	17,016	2,059	18,128	374
Consumer and business loans:					
Vehicle loans	4,449	4,449	2,867	3,746	114
Other consumer loans, including purchased loans	4,592	4,592	2,787	4,354	117
Total consumer and business loans	9,041	9,041	5,654	8,100	231
Impaired loans with an allowance recorded	26,057	26,057	7,713	26,228	605
Total impaired loans	$ 26,057	$ 26,057	$ 7,713	$ 26,228	$ 605
2014:					
Impaired loans with no related allowance recorded	$ -	$ -	$ -	$ -	$ -
Impaired loans with an allowance recorded:					
Real estate loans:					
Mortgage loans	17,208	17,208	2,504	22,932	366
Home equity loans	2,032	2,032	314	3,021	78
Total real estate loans	19,240	19,240	2,818	25,953	444
Consumer and business loans:					
Vehicle loans	3,045	3,045	1,812	3,219	125
Other consumer loans, including purchased loans	4,115	4,115	2,354	3,457	103
Total consumer and business loans	7,160	7,160	4,166	6,676	228
Impaired loans with an allowance recorded	26,400	26,400	6,984	32,629	672
Total impaired loans	$ 26,400	$ 26,400	$ 6,984	$ 32,629	$ 672

A summary of impaired loans also classified as TDRs at December 31 is as follows (in thousands):

	2015	2014
Consumer	$ 450	$ 728
Real estate	5,267	7,292
Total impaired loans also TDRs	$ 5,717	$ 8,020

Note 3. Loans and Allowance for Loan Losses (Continued)

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

	2015	2014
Mortgage loans	$ 7,073	$ 6,656
Home equity loans	1,318	1,150
Vehicle loans	1,001	909
Other consumer loans, excluding credit cards and purchased loans	1,634	1,288
	$ 11,026	$ 10,003

The following table presents the aging of the recorded investment in past due loans as of December 31 by class of loans (in thousands):

	30-59 Days Past Due	60-89 Days Past Due	90 Days or Greater Past Due	Total	Loans Not Past Due	Total Loans
2015:						
Real estate loans:						
Mortgage loans	$ 9,147	$ 2,372	$ 7,073	$ 18,592	$ 1,480,443	$ 1,499,035
Home equity loans	1,229	417	1,318	2,964	103,156	106,120
Total real estate loans	10,376	2,789	8,391	21,556	1,583,599	1,605,155
Consumer and business loans:						
Vehicle	2,410	885	1,001	4,296	483,492	487,788
Other consumer loans, including purchased loans	5,709	2,201	4,073	11,983	1,226,348	1,238,331
Total consumer and business loans	8,119	3,086	5,074	16,279	1,709,840	1,726,119
	$ 18,495	$ 5,875	$ 13,465	$ 37,835	$ 3,293,439	$ 3,331,274
2014:						
Real estate loans:						
Mortgage loans	$ 14,195	$ 2,946	$ 6,656	$ 23,797	$ 1,384,960	$ 1,408,757
Home equity loans	2,549	526	1,150	4,225	105,871	110,096
Total real estate loans	16,744	3,472	7,806	28,022	1,490,831	1,518,853
Consumer and business loans:						
Vehicle	2,780	556	909	4,245	407,144	411,389
Other consumer loans, including purchased loans	3,742	1,488	3,176	8,406	1,203,662	1,212,068
Total consumer and business loans	6,522	2,044	4,085	12,651	1,610,806	1,623,457
	$ 23,266	$ 5,516	$ 11,891	$ 40,673	$ 3,101,637	$ 3,142,310

The Credit Union generally recommends a charge-off when a loan has been past due for over 180 days. Loans are classified by delinquency status.

During the periods ended December 31, 2015 and 2014, the terms of certain loans were modified as troubled debt restructurings. The modification of such loans was a reduction of the stated interest rate or extension of the loan term. Real estate troubled debt restructures are included in the allowance as either the greater of the difference between the present value of the original loan contract and the present value of future discounted cash flows of the restructured loan contract or the difference between the outstanding loan balance and the market value of the property less costs to sell (assuming the outstanding loan balance is higher). Consumer loan troubled debt restructures are included in the allowance when the outstanding balance of the loan exceeds the total remaining bankruptcy court ordered loan repayments. The troubled debt restructures are considered in default when the borrower becomes three months past due under the new contract terms.

Note 3. Loans and Allowance for Loan Losses (Continued)

The following is a summary of troubled debt restructurings during the twelve months ended December 31, 2015 and 2014 and loans that have been restructured during the previous twelve months ended December 31, 2014 and 2013 that subsequently defaulted during the twelve months ended December 31 2015 and 2014: (dollar amount in thousands).

	Troubled Debt Restructurings During the 12 Months Ended December 31			Troubled Debt Restructurings During the Previous 12 Months That Subsequently Defaulted During the 12 Months Ended December 31	
	Number of Contracts	Pre-Restructuring Outstanding Recorded Investment	Post-Restructuring Outstanding Recorded Investment	Number of Contracts	Recorded Investment
2015:					
Real estate loans:					
Mortgage loans	4	$ 703	$ 699	2	$ 362
Home equity loans	2	63	60	1	41
Consumer and business loans:					
Vehicle	13	203	87	18	190
Other consumer loans	-	-	-	-	-
	19	$ 969	$ 846	21	$ 593
2014:					
Real estate loans:					
Mortgage loans	13	$ 3,047	$ 2,350	-	$ -
Home equity loans	5	118	109	-	-
Consumer and business loans:					
Vehicle	34	418	260	38	387
Other consumer loans	7	37	34	-	-
	59	$ 3,620	$ 2,753	38	$ 387

Allowance for loan losses: Management categorizes loans into risk categories based on class of loans (e.g., real estate, consumer and business). Loan risk categories are reserved based on historical loss ratios, delinquency status, and legal status of the loan (bankruptcy).

The general component of the allowance for loan losses covers unimpaired loans and is based on the historical loss experience of the Credit Union adjusted for other qualitative factors. The factors used by management to establish a qualitative reserve are: unemployment trends, primary sponsor status, changes to lending policies and underwriting standards. The reserve for non-bankrupt delinquent consumer loans relates to loans that are classified as 60 or more days past due. When the Credit Union restructures a real estate loan there is an additional component to its allowance calculation. This component will be the greater of the difference between the original loan contract and the present value of the future discounted cash flows of the restructured loan contract versus the difference between the market value less costs to sell of the impaired loan and the current balance of the loan secured by the property. Factors considered by management in determining impairment include, collateral value and the probability of collecting scheduled principal and interest payments when due.

Note 3. Loans and Allowance for Loan Losses (Continued)

The table below presents the activity in the allowance for loan losses and the recorded investment in loans by portfolio segment based on impairment method as of and for the year ended December 31 (in thousands).

	Real Estate		Consumer and Business		
	Mortgage	Home Equity	Vehicle	Other	Total
2015:					
Allowance for loan losses:					
Balance, beginning of the year	$ 6,622	$ 664	$ 4,153	$ 12,875	$ 24,314
Provision for loan losses	(1,188)	320	1,414	8,633	9,179
Loans charged to allowance	(276)	(590)	(2,176)	(8,581)	(11,623)
Recoveries of loans previously charged-off	813	60	822	1,390	3,085
Balance, end of the year	$ 5,971	$ 454	$ 4,213	$ 14,317	$ 24,955
Period-ended amount allocated to:					
Individually evaluated for impairment	$ 1,730	$ 329	$ 2,867	$ 2,787	$ 7,713
Collectively evaluated for impairment	4,241	125	1,346	11,530	17,242
Ending balance	$ 5,971	$ 454	$ 4,213	$ 14,317	$ 24,955
Loans:					
Individually evaluated for impairment	$ 14,972	$ 2,044	$ 4,449	$ 4,592	$ 26,057
Collectively evaluated for impairment	1,484,062	104,077	483,339	1,233,739	3,305,217
Total ending loan balance	$ 1,499,034	$ 106,121	$ 487,788	$ 1,238,331	$ 3,331,274
2014:					
Allowance for loan losses:					
Balance, beginning of the year	$ 9,931	$ 865	$ 4,700	$ 13,793	$ 29,289
Provision for loan losses	(3,313)	28	1,075	5,874	3,664
Loans charged to allowance	(349)	(284)	(2,232)	(8,293)	(11,158)
Recoveries of loans previously charged-off	353	55	610	1,501	2,519
Balance, end of the year	$ 6,622	$ 664	$ 4,153	$ 12,875	$ 24,314
Period-ended amount allocated to:					
Individually evaluated for impairment	$ 2,504	$ 314	$ 1,812	$ 2,354	$ 6,984
Collectively evaluated for impairment	4,118	350	2,341	10,521	17,330
Ending balance	$ 6,622	$ 664	$ 4,153	$ 12,875	$ 24,314
Loans:					
Individually evaluated for impairment	$ 17,208	$ 2,032	$ 3,045	$ 4,115	$ 26,400
Collectively evaluated for impairment	1,391,549	108,064	408,344	1,207,953	3,115,910
Total ending loan balance	$ 1,408,757	$ 110,096	$ 411,389	$ 1,212,068	$ 3,142,310

Note 4. Property and Equipment

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

	2015	2014
Land	$ 1,711	$ 1,711
Building	17,982	17,982
Furniture and equipment	28,853	30,239
Leasehold improvements	12,918	11,596
Construction in process	393	483
	61,857	62,011
Accumulated depreciation and amortization	(38,724)	(39,536)
	$ 23,133	$ 22,475

During the periods ended December 31, 2015 and 2014, $4,995,000 and $1,362,000, respectively, of property and equipment were retired.

The Credit Union leases multiple offices. 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 at December 31, 2015, are as follows (in thousands):

Years ending December 31:	
2016	$ 1,137
2017	952
2018	545
2019	354
2020	214
Subsequent years	250
	$ 3,452

Rental expense for the years ended December 31, 2015 and 2014, for all facilities leased under operating leases totaled $1,138,000 and $1,023,000, respectively.

Note 5. Members' Shares

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

	2015	2014
Regular shares	$ 2,790,970	$ 2,661,790
Share draft accounts	346,070	268,157
401(k) shares	1,225,573	1,101,090
Individual retirement account shares	162,294	167,450
Certificates	773,890	789,227
	$ 5,298,797	$ 4,987,714

Note 5. Members' Shares (Continued)

Shares by maturity as of December 31, 2015 are summarized as follows (in thousands):

No contractual maturity	$ 4,524,907
0-1 year maturity	248,424
Greater than 1 year to 2 years maturity	199,121
Greater than 2 years to 3 years maturity	144,455
Greater than 3 years to 4 years maturity	88,753
Greater than 4 years to 5 years maturity	93,137
	$ 5,298,797

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

NCUSIF insures members' share accounts up to a maximum federal deposit insurance level of $250,000. This includes all account types, such as regular share, share draft, and share certificates. 401(k) shares and individual retirement account coverage at $250,000 is separate from other types of accounts owned. 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, 2015 and 2014 is approximately $21,110,000 and $22,794,000, respectively.

Note 6. Borrowings

The Credit Union has a $1,069,867,000 and $944,152,000 line of credit available with the Federal Home Loan Bank at December 31, 2015 and 2014, 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, 2015 and 2014, 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, 2015 and 2014. 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, 2015 and 2014, there were no amounts outstanding under this line of credit.

Note 7. 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.

Note 7. Commitments and Contingencies (Continued)

Outstanding mortgage loan commitments at December 31, 2015 and 2014, total approximately $79,772,000 and $52,513,000, respectively.

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

	2015	2014
Home equity	$ 54,598	$ 41,673
Credit card	259,097	232,901
Other consumer	440,948	416,312
	$ 754,643	$ 690,886

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 upon, 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 and overdraft protection agreements are commitments for possible future extensions of credit to existing members. These 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 8. 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 below) of net worth to total assets. Further, credit unions with over $10,000,000 in assets are also required to calculate a Risk-Based Net Worth (RBNW) requirement which establishes whether or not the Credit Union will be considered "complex" under the regulatory framework. The minimum requirement to be considered "complex" under the regulatory framework is 6 percent. The Credit Union's RBNW requirements as of December 31, 2015 and 2014 were 4.46% and 4.43%, respectively. Management believes, as of December 31, 2015 and 2014, that the Credit Union meets all capital adequacy requirements to which it is subject.

Note 8. Regulatory Matters (Continued)

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

	2015		2014	
	Amount	Ratio/ Requirement	Amount	Ratio/ Requirement
Amount needed to be classified as "adequately capitalized"	$ 357,672	6.0%	$ 337,726	6.0%
Amount needed to be classified as "well capitalized"	417,284	7.0%	394,013	7.0%
Actual net worth	623,381	10.5%	600,670	10.7%

Because the RBNW requirement is less than the net worth ratio, the Credit Union retains its original category of "well capitalized." Further, in performing its calculation of total assets, the Credit Union used the quarter-end balance option, as permitted by regulation.

Note 9. Related Party Transactions

Compensation and benefits of approximately $44,028,000 and $42,864,000 in 2015 and 2014, 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 $2,419,000 and $2,067,000 in 2015 and 2014, respectively.

In the normal course of business, the Credit Union extends credit to Directors, Supervisory Committee members and executive officers (related parties) on the same terms and conditions as to other Credit Union members, with the exception of limited discounts offered to employees. The aggregate loans to related parties at December 31, 2015 and 2014 were approximately $4,738,000 and $4,173,000, respectively. Member shares from related parties at December 31, 2015 and 2014 amounted to approximately $6,479,000 and $4,840,000, respectively.

Note 10. 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 upon 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.

Note 10. Fair Value Measurements (Continued)

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.

Impaired loans: Impaired loans represent certain loans for which an allowance for loan losses has been calculated as the greater of the difference between the original loan contract and the present value of future discounted cash flows of the restructured loan contract or the difference between the market value of the collateral less costs to sell of the impaired loan and the current balance of the loan secured by the property if the loan balance is higher. When significant adjustments have been made to unobservable inputs, the resulting fair value measurement is categorized as a Level 3 measurement.

Other real estate owned (OREO): OREO is initially recorded and subsequently carried at fair value and generally based on a current independent third party appraisal. The use of significant unobservable inputs by which to assess or estimate appraised values of collateral resulted in a Level 3 classification.

There have been no changes in valuation techniques used for any assets or liabilities measured at fair value during the year ended December 31, 2015.

Note 10. Fair Value Measurements (Continued)

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

		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)
2015:				
Measured on a recurring basis:				
Assets:				
Government agencies	$ 239,505	$ -	$ 239,505	$ -
Negotiable certificates	540,985	-	540,985	-
Mortgage-backed securities	988,858	-	988,858	-
Measured on a non-recurring basis:				
Assets:				
Impaired loans	18,344	-	-	18,344
OREO	489	-	-	489
2014:				
Measured on a recurring basis:				
Assets:				
Government agencies	760,393	-	760,393	-
Negotiable certificates	343,171	-	343,171	-
Mortgage-backed securities	1,183,463	-	1,183,463	-
Measured on a non-recurring basis:				
Assets:				
Impaired loans	19,416	-	-	19,416
OREO	2,156	-	-	2,156