



EXCHANGE



U.S. Department of War

2025 MISSION REPORT



**COMMITTED TO WARFIGHTER
READINESS, RESILIENCY & LETHALITY**

THE EXCHANGE BENEFIT: STRONGER THAN EVER



The Army & Air Force Exchange Service secured record results in 2025, further strengthening the hard-earned benefits the organization is privileged to provide our Nation's military community.

A self-sustaining nonappropriated fund instrumentality of the Department of War, the Exchange recorded \$8.6 billion in revenue with \$513 million in dividend-eligible earnings during 2025, the highest annual earnings total in the Exchange's 130-year history.

100% of Exchange earnings support the military community. In 2025, the Exchange contributed \$307 million to the Services' Quality-of-Life programs, critical efforts that tangibly enhance military recruiting, retention and lethality.

Exchange customer satisfaction remains high with a 2025 score of 95, representing an increase of 2 points vs. prior year.

Fiscally, the Exchange's balance sheet is stronger than ever as organizational debt has been eliminated (from \$2.4 billion in 2012 to zero in 2025). Reduced borrowing costs provide increased flexibility to modernize stores and invest in new technologies to further improve the customer experience, mission support and dividends to the Services.

2025 Exchange highlights:

- Deployed enhanced services, such as prepaid gift cards for 16,000 recruits across four Army installations and a MILITARY STAR no payment/interest offer for commissary purchases to supplement support during the 43-day government shutdown.
- Saved military shoppers \$53 million through the military resale joint buying alliance, a partnership among military exchanges and the Defense Commissary Agency.
- Supported more than 50 military exercises at the tip of the spear.
- Provided expeditionary support for troops in Puerto Rico, Oregon and Illinois via mobile field Exchanges.
- Integrated automation to improve logistics productivity.
- Conducted a highly successful test, in coordination with Army Materiel Command, of the Army's Flexible Eating & Expanded Dining initiative at Fort Hood.
- Added more than 35 restaurants, all with better-for-you options.
- Opened more than 70 24/7 self-serve stores.
- Installed more than 15 cell towers that augment cellular service, boosting connectivity for military communities.
- Funded major PX and BX improvements at Laughlin Air Force Base, Fort Jackson and Camp Walker, as well as upgrades of 20 Expresses. More than 40 facilities received major improvements in 2025.

Including tax savings; the MILITARY STAR® benefit; U.S. payroll and benefits for military spouses, Veterans and family members; and dividends, the Exchange now provides \$1.6 billion in total annual value for our Nation's military community.

We Go Where You Go!

A handwritten signature in black ink that reads "Tom Shull".

Tom Shull
Director/Chief Executive Officer

2025 BOARD OF DIRECTORS

EXECUTIVE COMMITTEE



LT GEN CAROLINE M. MILLER, USAF
CHAIRMAN
Deputy Chief of Staff, Manpower,
Personnel & Services (HQ USAF/AI)



LTG MICHELLE K. DONAHUE, USA
VICE CHAIR
Deputy Chief of Staff, G-4, HQDA
(DALO-ZA)



MR. TOM SHULL, SES
DIRECTOR/CEO
Army & Air Force Exchange Service
(AAFES)

BOARD MEMBERS*



LTG MARK S. BENNETT, USA
Military Deputy for Budget
(HQDA ASA FM)



SMA MICHAEL R. WEIMER, USA
Sergeant Major of the Army
(DACS/SM)



CMSSF JOHN F. BENTIVEGNA, USSF
Chief Master Sergeant of the
Space Force (HQSF/OCMSSF)



MAJ GEN FRANK R. VERDUGO, USAF
Deputy Assistant Secretary of the
Air Force, Budget (SAF/FMB)



MG KELLY M. DICKERSON, USA
Commander, 84th Training Command
(FRTK-CG)



MR. HORACE L. "H.L." LARRY, SES
Director, Air Force Services
(HQ USAF/AIS)



MR. TODD L. REMINGTON, SES
Deputy Chief Human Capital Officer,
U.S. Space Force (HQ USSF/SI)



MR. JOHN H. STONEBURG IV, SES
Deputy Assistant Secretary of the Army
(Military Personnel & Quality of Life)
(ASA M&RA)



BRIG GEN TARA E. NOLAN, USAF
Mobilization Assistant to
the Commander, 12 AF
(AFSOUTH)/CC (MA)



MR. ANDREW K. WEAVER
Executive Secretary

Per Army Regulation 215-8/Department of the Air Force Instruction 34-110(I), the Secretary of the Army and the Secretary of the Air Force have oversight responsibility of the Army & Air Force Exchange Service Board of Directors and Exchange operations.
* One Department of the Army board position was vacant in FY25.

MILITARY COMMUNITY SUPPORT

The Department of War’s largest retailer, the Exchange offers military-exclusive pricing and tax-free shopping to Soldiers, Airmen, Guardians and their families. Active duty and all honorably discharged Veterans can also use their hard-earned benefit at ShopMyExchange.com—tax-free for life. The Exchange is self-sustaining through the sale of goods and services. 100% of Exchange earnings support military communities.

RETAIL, RESTAURANTS AND SERVICES

30+

COUNTRIES AND
NATIONWIDE

118

PXs AND BXs

15M

SQUARE FEET OF
RETAIL SPACE

162

MILITARY CLOTHING
STORES



4,139

MALL STORES AND KIOSKS,
INCLUDING WELLNESS
SERVICES LIKE OPTOMETRY
AND DENTISTRY

527

CONVENIENCE STORES
(EXPRESSES, GAS STATIONS
AND TROOP, SPECIALTY AND
CLASS SIX STORES)

367.1M

GALLONS OF
FUEL DISPENSED

1,500+

RESTAURANTS

60

RESTAURANTS
OPENED

81M

MEALS SERVED

390K

INTERNET SUBSCRIBERS
SERVED DAILY

120K+

SMARTPHONES
ACTIVATED

35

MOVIE THEATERS



MISSION SUPPORT



MILITARY CLOTHING & SALES — FORT HOOD

300

FACILITIES IN
SOUTHWEST ASIA AND
EASTERN EUROPE

35K

TROOPS SERVED IN
AUSTERE LOCATIONS

690K

COMBAT UNIFORMS
OUTFITTED AT COST

3.6M

MEALS SERVED IN
DEPARTMENT OF WAR
EDUCATION ACTIVITY SCHOOLS

7

BAKERIES AND WATER PLANTS
FOR SAFE, QUALITY PRODUCTS
AT DoW AGENCIES

4.7M

BAKED GOODS
PRODUCED

VETERAN & MILITARY SPOUSE EMPLOYMENT

45%

OF THE WORKFORCE REPRESENTS
VETERANS, MILITARY SPOUSES
OR DEPENDENTS

67K+

VETERANS AND
MILITARY SPOUSES

80%+

OF 24,000 ASSOCIATES
CONNECTED TO THE MILITARY

2,417

WOUNDED WARRIORS
HIRED SINCE 2010



JOHN HOLE, NAVY VETERAN — FORT HOOD

TOTAL
SUPPORT

100%

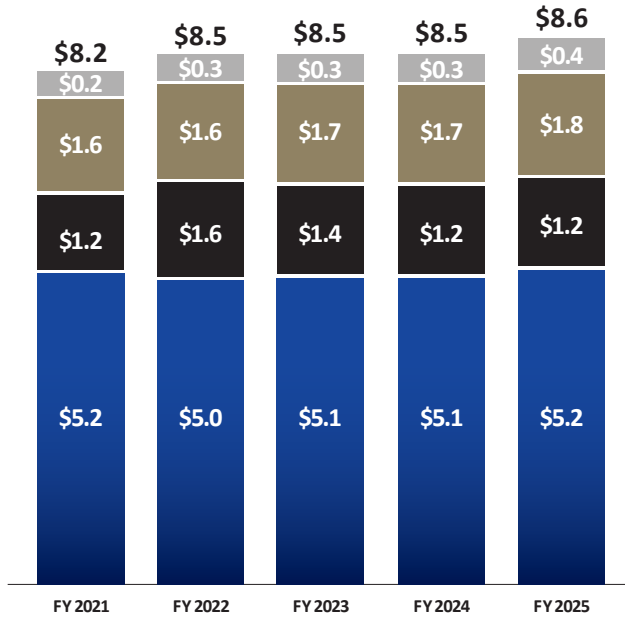
OF EARNINGS
SUPPORT
THE MILITARY
COMMUNITY

\$15B+

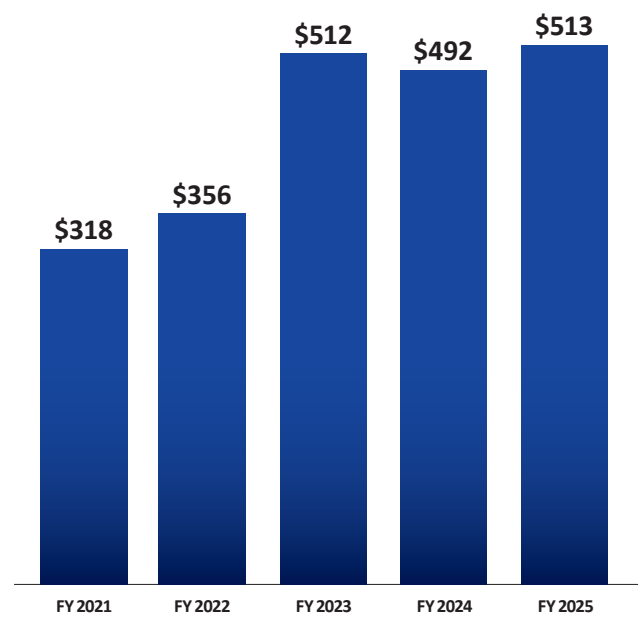
IN VALUE FOR
THE MILITARY
COMMUNITY IN
THE LAST 10 YEARS

FINANCIAL HIGHLIGHTS

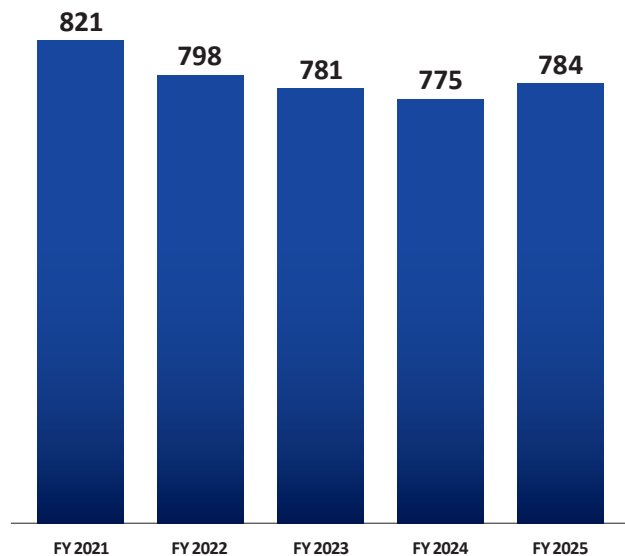
FINANCE REVENUE & OTHER INC.
 CONCESSION SALES
 GAS SALES
 SALES EXCLUDING GAS



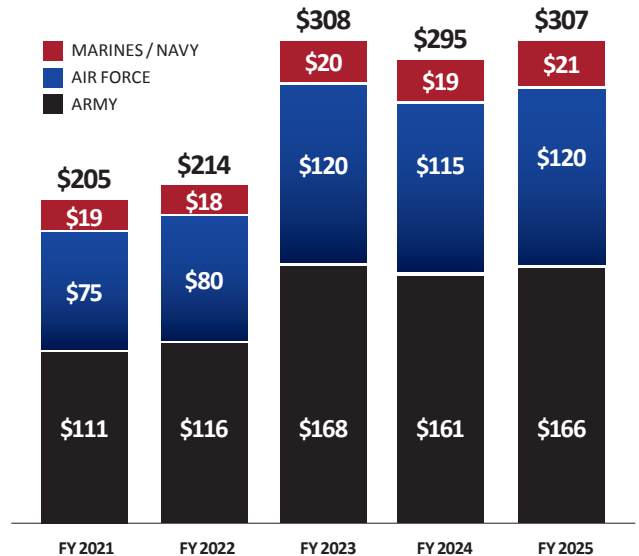
TOTAL REVENUE*
(\$ BILLIONS)



EARNINGS SUBJECT TO DIVIDENDS**
(\$ MILLIONS)



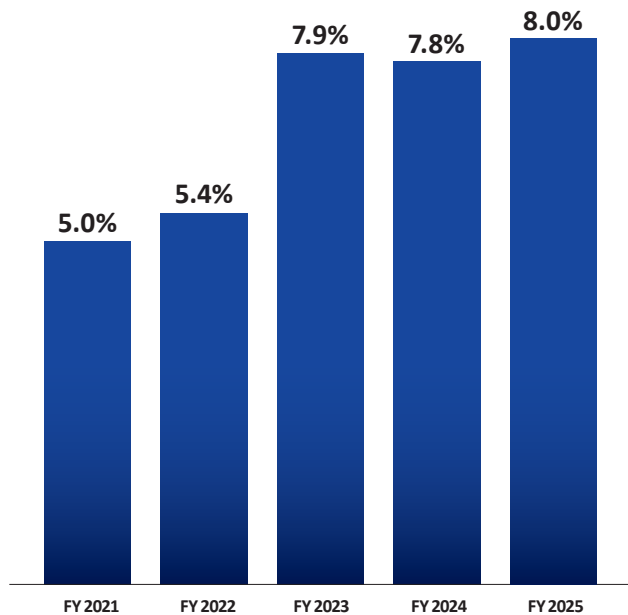
ACTIVE-DUTY ARMY, AIR FORCE & SPACE FORCE
(THOUSANDS)



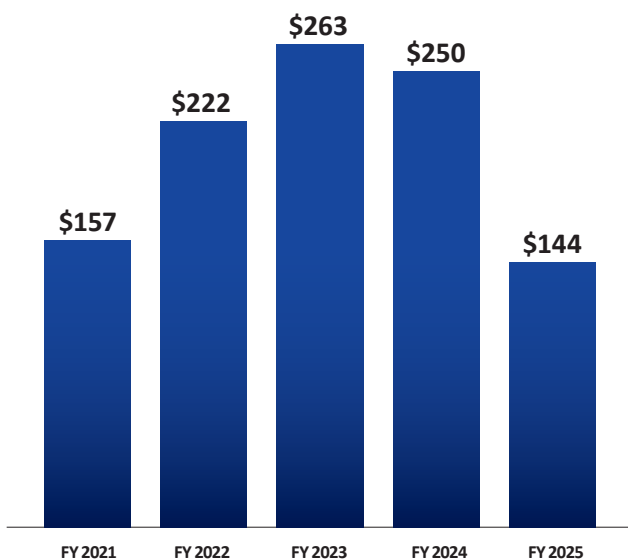
ARMY, AIR FORCE, MARINES/NAVY DIVIDENDS
(\$ MILLIONS)

* Total Revenue includes concession sales (non-GAAP measure).

** Earnings Subject to Dividends and Earnings % of Sales reports show adjusted earnings pursuant to AAFES BoD dividend policy and exclude certain non-operating expenses.

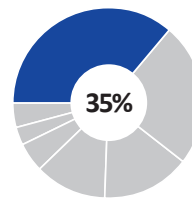


EARNINGS PERCENT OF SALES**

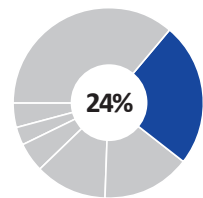


**CAPITAL EXPENDITURES
(\$ MILLIONS)**

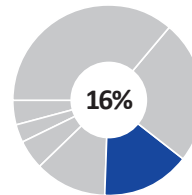
TOTAL 2025 REVENUE COMPOSITION



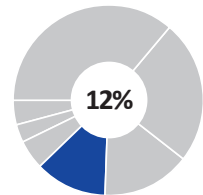
**CONVENIENCE
WITH GAS**



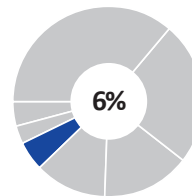
PX/BX



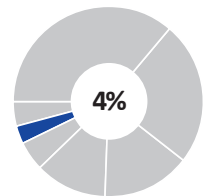
SERVICES



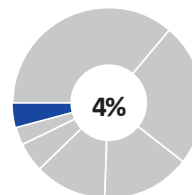
RESTAURANTS/FOOD



E-COMMERCE

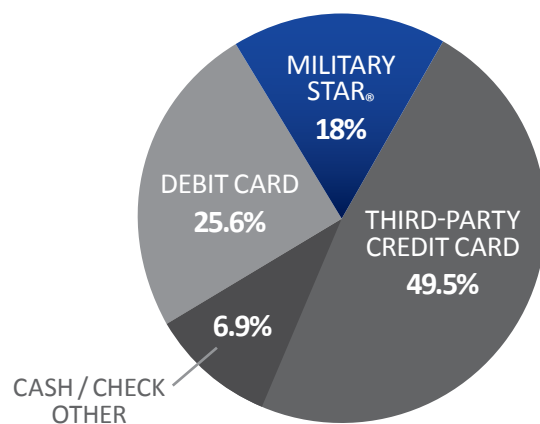


MILITARY CLOTHING



**MILITARY STAR®
FINANCE REVENUE**

% SALES BY TENDER TYPE



CORPORATE RECOGNITION & STANDINGS



51ST
LARGEST

U.S. RETAILER



4-STAR
EMPLOYER

2025

5TH STRAIGHT YEAR



AA- / A-1+

2025 RATING

LONG/SHORT TERM
WITH A STABLE
OUTLOOK



BEST FOR VETS

EMPLOYER

12TH STRAIGHT YEAR



MILITARY FRIENDLY[®]
EMPLOYER

16TH YEAR

MILITARY FRIENDLY[®]
SPOUSE EMPLOYER

13TH YEAR



TOP
VETERAN FRIENDLY
EMPLOYER

2025



72

ASSOCIATE ENGAGEMENT
& JOB SATISFACTION
SCORE

95

CUSTOMER SATISFACTION
INDEX SCORE

UP 2 POINTS
FROM 2024

SERVING AT THE TIP OF THE SPEAR

The Exchange lives its We Go Where You Go mission through mobile field Exchanges, small storefronts and imprest fund activities overseas.

EUROPE / SOUTHWEST ASIA /
NORTH AFRICA

8

EXERCISES

59K

TROOPS SUPPORTED

BEMOWO PISKIE TRAINING AREA EXCHANGE — POLAND



PACIFIC

45

EXERCISES

66K

TROOPS SUPPORTED

OSAN MFE — PYEONGTAEK, SOUTH KOREA



CAMP BUEHRING EXCHANGE — KUWAIT



31

COUNTRIES WITH
EXCHANGE-SUPPORTED
EXERCISES

FINANCIAL LIFELINE AMID SHUTDOWN

90-DAYS-NO-INTEREST OFFER ON COMMISSARY PURCHASES WITH MILITARY STAR



During the six-week government shutdown in October and November, the Exchange remained open, supporting the military community when the hard-earned benefit was needed most.

The MILITARY STAR card rolled out a 90-days-no-interest offer for all Defense Commissary Agency purchases. The Exchange also worked with U.S. Financial Management Command to provide prepaid gift cards to trainees at Forts Benning, Jackson, Leonard Wood and Sill.

MILITARY STAR MINIMUM PAYMENTS WAIVED



188K

CARDHOLDERS PURCHASED
INTEREST-FREE GROCERIES
BETWEEN OCT. 6 AND NOV. 30

\$68M+

IN GROCERIES
PURCHASED

GIFT CARD DISBURSEMENT — FORT LEONARD WOOD



\$2.7M

BENEFIT TO THE
MILITARY COMMUNITY

440K+

MINIMUM PAYMENTS WAIVED
FOR MORE THAN 260,000
MILITARY STAR ACCOUNTS

15.5K

GIFT CARDS ISSUED

\$6.9M

TOTAL VALUE OF GIFT CARDS

In less than 48 hours ... AAFES and the Army were able to get new recruits arriving on Fort Sill the mission-essential items that they needed to in-process and start basic training.

JIM LUCAS

434TH FIELD ARTILLERY BRIGADE DEPUTY COMMANDING OFFICER,
FORT SILL



MISSION SUPPORT DEPLOYMENTS



OPERATION SOUTHERN SPEAR – PUERTO RICO

Exemplifying its We Go Where You Go motto, the Exchange deployed mobile field Exchanges (MFEs) to provide mission support to troops in 2025.

Puerto Rico: An MFE served Marines and Airmen supporting Operation Southern Spear.

Camp Withycombe: A mobile rodeo—a tightly coordinated merchandise delivery—supported the National Guard at Camp Withycombe in Oregon.

Chicago area: An MFE supplied the National Guard at Joliet Local Training Area in Elwood, Illinois.



CAMP WITHYCOMBE, OREGON



ELWOOD, ILLINOIS

THE MILITARY STAR CARD: A MISSION-ESSENTIAL BENEFIT

The MILITARY STAR® card provided \$483 million in value to the military community in 2025. Acceptance is growing across installations, including restaurants, concessionaires, Morale, Welfare and Recreation activities and more. MILITARY STAR's APR is significantly lower than the industry average of 30.14%. The low rate is available to all cardmembers, regardless of credit score.

13.74%

INDUSTRY LOW APR

1.5M

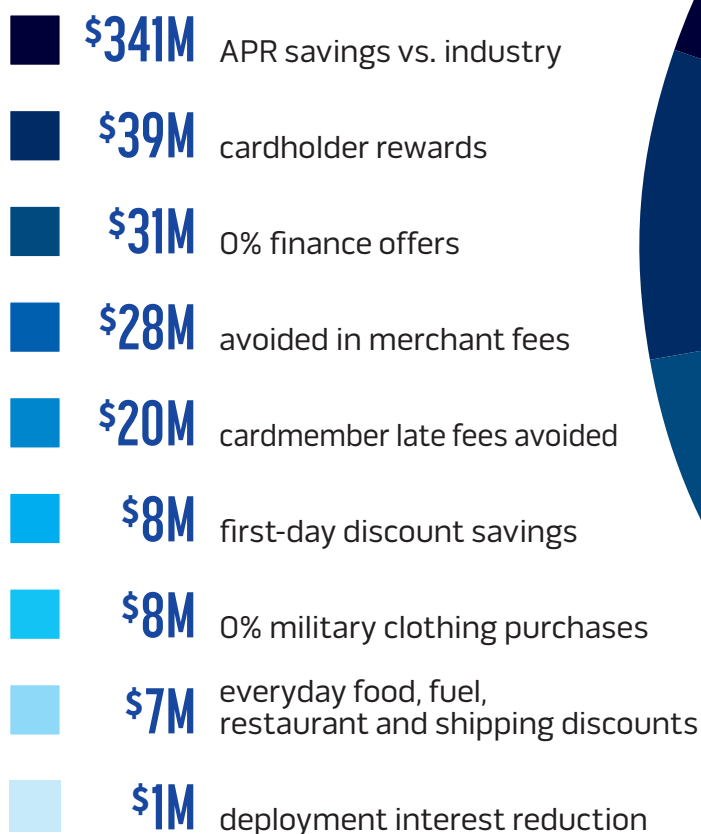
CARDHOLDERS

111K+

NEW ACCOUNTS

13K

NEW ACCEPTING
FACILITIES



QUALITY GRAB-AND-GO

The Exchange's Express restaurants—including Express Kitchen, Hunt Brothers Pizza, Chopz, Hot Stuff Kitchen, Eddie Pepper's and Paavo's Pizza—served up convenience in 2025.

218

TOTAL
RESTAURANTS

23

LOCATIONS OPENED
IN 2025

\$66.7M

IN 2025
SALES

25%

INCREASE FROM
PREVIOUS YEAR



PULASKI EXPRESS CHOPZ — VOGELWEH



SELF-SERVE MARKET — JB LEWIS-MCCHORD

The Exchange opened dozens of self-serve markets, automated stores with 24/7 convenience for shoppers in a remote part of an installation or working second or third shifts.

721

TOTAL MARKETS

70

ADDED IN 2025

\$43M

IN 2025
SALES

31%

INCREASE FROM
PREVIOUS YEAR

We're proud to celebrate the opening of [our] 12th self-serve 24/7 store. The Exchange has been a valued partner in making sure our team is equipped to serve effectively and efficiently.

COL DOUGLAS J. CURTIS
COMMANDER, ARMY CORRECTIONS BRIGADE
FORT LEAVENWORTH



COMMITTED TO NUTRITIONAL READINESS

The Exchange opened more than 35 name-brand restaurants in 2025. All Exchange restaurants offer better-for-you options, such as salads, vegetables, balanced protein plates and more.

SERVING UP

\$1.1B

SALES

\$12.6M

DOORDASH SALES

\$31.8M

MYEXCHANGEFOOD
APP SALES (OCONUS)

81M

MEALS

549K

DOORDASH ORDERS

1.1M

MYEXCHANGEFOOD
APP ORDERS

KEY OPENINGS

Panera
BREAD®

6

CUPBOP
KOREAN BBQ IN A CUP

6

NYC.1956
SBARRO

6

PANDA EXPRESS
CHINESE KITCHEN

5

QDOBA
MEXICAN EATS®

3

Knowing the Exchange has our backs with a new national brand restaurant—it's familiar. It's comforting. It shows Team Exchange cares.

BRIG GEN RANDY OAKLAND
502ND AIR BASE WING COMMANDER,
AT THE OPENING OF A PANERA BREAD AT JBSA-LACKLAND



FLEXIBLE EATING & EXPANDED DINING INITIATIVE — FORT HOOD



Fort Hood (above): Five restaurants at Fort Hood completed a test of the Army's Flexible Eating & Expanded Dining (FEED) initiative, delivering a campus-style dining experience to a select group of Soldiers who used their meal entitlements at name-brand restaurants for better-for-you meals. Military dietitians reviewed menus to determine which items met nutritional qualifications. Almost 80% of participating Soldiers chose healthier options.

USAG Humphreys (above right): Custom cakes and catering can now be ordered from the Exchange's USAG Humphreys bakery via the MyExchangeFood app, with plans to expand to all OCONUS bakeries.

Yokota AB (right): The Exchange's airline catering service conducted a pilot program in which bento-style meals are made at Yokota, then flash-frozen and shipped to remote locations, providing service members with fresh, healthy meal alternatives.

EXPANDED BAKERY ORDERING — USAG HUMPHREYS



FRESH MEAL ALTERNATIVES PILOT PROGRAM — YOKOTA AB



BOOSTING THE BEST BRANDS

The Exchange expanded its lineup of national brands, delivering an even more compelling selection in stores and online—tax-free and at military-exclusive prices. In 2025, ShopMyExchange.com broadened The Home Depot's offerings beyond appliances, while also growing its assortment from Bass Pro Shops. (Photo by Airman 1st Class Harrison Sullivan)

NEWLY RENOVATED BX — LAUGHLIN AFB

AMERICAN EAGLE



NATIVE

KYLIE
COSMETICS
KYLIE JENNER

DUDE
WIPES

GATORADE





PERSONAL CARE



LEVI'S & MANY OTHER FAVORITE BRANDS



PRESTIGE COSMETICS



OUTDOOR LIVING



MAJOR BRAND ELECTRONICS AT POWERZONE

INVESTING IN THE SHOPPING EXPERIENCE

Exchange construction projects improve Quality of Life for military communities. In 2025, the Exchange completed 50 projects totaling more than \$110 million, including full upgrades of seven Express convenience stores.



LAUGHLIN AFB EXCHANGE



FORT JACKSON MINI MALL



CAMP WALKER EXCHANGE



WHITE SANDS MISSILE RANGE TROOP STORE



DUGWAY PROVING GROUND EXPRESS



MINOT AFB EXPRESS

A key component of taking care of our people is ensuring they have access to the essential services they need, conveniently and affordably. The Exchange plays a fundamental role in that Quality of Life, and this newly renovated service station is a testament to that commitment.

COL BRIAN SANSOM

DUGWAY PROVING GROUND COMMANDER



COMMITTED TO HEALTHCARE SERVICES

The Exchange has more than 195 health-and-wellness services supporting the military community.

HEALTH & WELLNESS AT A GLANCE



1.5M+

PATIENTS
SEEN



195+

HEALTH AND
WELLNESS LOCATIONS



134

OPTICAL AND
OPTOMETRY CENTERS



32

DURABLE MEDICAL
EQUIPMENT SHOPS



26

DENTAL OFFICES



3

CHIROPRACTIC CLINICS



1

CRYOTHERAPY CLINIC



DOCS DENTAL — RAMSTEIN AB



VISTA OPTICAL — FORT HOOD

COMMITTED TO CONNECTIVITY

The Exchange improves the Quality of Life for service members and families by delivering stronger, more reliable connectivity across installations.

In a milestone for overseas military communities, the Exchange put into service a new temporary cell tower at Ramstein Air Base in Germany while installation of four new permanent 5G-capable cellular towers was being completed.

In conjunction with stakeholders, the Exchange added 19 cellular infrastructure poles at seven installations during 2025.

390K+

INTERNET SUBSCRIBERS
SERVED DAILY

120K+

SMARTPHONES
ACTIVATED WORLDWIDE

19

CELL TOWERS ADDED



AT&T



hulu

dish

Spectrum



“We’re connected, whether it’s our devices, our TV, connecting with family and friends across the world. So getting updated to fiber to all the houses is going to be a tremendous uplift to the community. The community has been asking for this for some time now, so with AAFES and our private partners making this happen... it’s going to be awesome for the installation.”

COMMAND SGT MAJ DAN DURETTE
FORT GORDON



COMMITTED TO IMPROVING EFFICIENCY THROUGH TECHNOLOGY

DAN DANIEL DISTRIBUTION CENTER – NEWPORT NEWS, VA



ELECTRONIC SHELF LABEL



Exemplifying the Exchange's commitment to innovation and efficiency, the Dan Daniel Distribution Center and IT teams brought a goods-to-person automation center online. As the system ramps, shuttles and conveyor systems will bring merchandise to associates, reducing physical strain and optimizing workflow.

Nearly 200 PXs, BXs and Expresses now have electronic shelf labels, improving productivity and reducing expenses.

SELF-CHECKOUT AT ROBINS AFB EXPRESS



Improvements to self-checkout registers allow for add-ons such as AppleCare and gift card purchases, enabling faster checkout. An updated checkout dashboard has a streamlined menu and is more specific to the items carried by each store. These improvements benefit customers, help store teams manage traffic and free up associates to assist shoppers.

STRATEGIC COLLABORATIONS

MILITARY RESALE JOINT BUYING ALLIANCE

Military exchanges and the Defense Commissary Agency (DeCA) entered the seventh year of the military resale joint buying alliance, which leverages buying power and resale experience to benefit customers. The alliance continues to look for new ways of strengthening exchange and commissary benefits through exceptional value, exclusive pricing and more.

\$53M

CUSTOMER SAVINGS
IN FY25

\$308M

TOTAL SAVINGS
SINCE 2019



COLLABORATIVE EVENTS

The exchanges and DeCA collaborated on National Vietnam War Veterans Day ceremonies, the MILITARY STAR Your Holiday Bill is On Us sweepstakes, Veterans Day challenge coin giveaway and more.



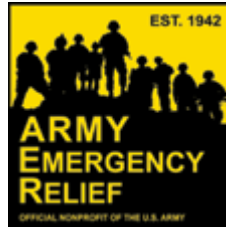
BAUMHOLDER EXCHANGE



DOVER AFB EXCHANGE

MILITARY RELIEF FUNDS

Since 2017, the Exchange has collaborated with Army Emergency Relief and the Air Force Assistance Fund to provide financial assistance, sponsor educational scholarship grants for family members and offer community programs that improve Quality of Life for service members and their families. In the Pacific, the Exchange has a partnership with the Navy-Marine Corps Relief Society. Shoppers donated to the relief funds at PX, BX and Express registers and at ShopMyExchange.com.



\$2.5M

DONATED IN FY25

\$14.3M

DONATED SINCE 2017

SUPPORTING VETERANS & MILITARY FAMILIES

The Exchange partners with several organizations to increase employment opportunities for military spouses and Veterans.



MILITARY ONESOURCE COLLABORATION



1.8M

RADIO ADS
AIRED

440K

VIEWS ACROSS
23 WEEKLY SALES FLYERS

15

MILITARY ONESOURCE
SOCIAL MEDIA POSTS

The Exchange collaborates with Military OneSource to share messaging via weekly ads, the in-store radio network and social media at no additional cost. Information shared via radio and sales flyers is specific to Military OneSource's resources for PCSing and navigating military life. Military OneSource also shared Exchange content related to the Exchange school meal program, the MILITARY STAR Military Clothing plan and expanded shopping benefits for Common Access Card holders.

HIRING VETERANS & MILITARY SPOUSES

Since 2013, the Exchange has hired more than 67,000 Veterans and military spouses, who bring valuable experience. Providing career opportunities for military spouses supports military recruiting and retention. Exchange careers are portable, improving the Quality of Life for military families as associates build toward retirement.



“I get to serve the Veteran and active-duty community.”

MICHAEL DUVALL

ARMY VETERAN

SUPERVISOR / CUSTOMER EXPERIENCE SPECIALIST



“I love this job because it has enabled me to grow in my career as well as be close to my spouse. It allows me to support him in a new way.”

CHAYRALEE PAGAN

MILITARY SPOUSE

LABORER / STOCKER



“Being a military spouse at the Exchange allows me to stay connected with the Soldier life. The Exchange has allowed my kids to be able to work at the Exchange as well. We keep that family serving family connection.”

ANDREA GRANT

MILITARY SPOUSE

SALES & MERCHANDISE MANAGER

QUALITY-OF-LIFE FORCE MULTIPLIERS



During the 126th Army-Navy Game, the Exchange presented the fifth annual Quality-of-Life Force Multiplier Award to noted conservationist Johnny Morris and racing legend Richard Childress for their support of Warfighters and families.



JOHNNY MORRIS

Morris' lifelong respect for the military was inspired by his father, a decorated World War II Soldier who fought at the Battle of the Bulge. The Exchange has partnered with Morris to bring Bass Pro Shops' outdoor gear to ShopMyExchange.com.



RICHARD CHILDRESS

Childress advocates for service members and Veterans. He hosts events to share support and resources and foster connections for the military community.

THE BENEFIT IN ACTION





7



8



9



10

① During November, the Exchange honored those who serve and have served during Salute to Service Month. Active-duty military, retirees and Veterans received exclusive limited-edition tokens of appreciation—including Exchange POGs, collectible challenge coins and Vet for Life patches and decals—at their local PX or BX. ② Team Exchange joined the celebration at the Army 250th Birthday Festival on June 14 on the National Mall in Washington, D.C. The Exchange's showpiece mobile field Exchange featured the history of the We Go Where You Go mission. ③ Exchanges worldwide held lapel-pinning ceremonies on March 29, Vietnam War Veterans Day, to honor all Vietnam-era Veterans. ④ Fort Bragg customers joined the Exchange's worldwide celebration of its 130th anniversary. ⑤ More than 700 people attended a Super Bowl LIX tailgate party at the Kaiserslautern Military Community Center Exchange on Ramstein Air Base. ⑥ Camp Walker associates supported the nation's youngest heroes during the Exchange's worldwide celebration of Month of the Military Child in April. ⑦ The Exchange marked its 70th year of providing nutritious school meals for Department of War Education Activity schools overseas, including Ramstein High School in Germany. ⑧ Leo Velez, a fifth grader from Fort Worth, Texas, celebrated his second-place win in the Exchange's worldwide You Made the Grade sweepstakes at the NAS JRB Fort Worth Exchange. The program celebrates military students' academic achievements and resilience. ⑨ More than 2,600 Air Force Basic Military Trainees were treated to holiday cheer at the Joint Base San Antonio-Lackland Exchange during the BX's annual shopping extravaganza. The trainees were brought to the Exchange on Dec. 6 to shop for holiday gifts for loved ones. ⑩ Amazon customers in the military community can now take advantage of package pickup and label-free, box-free returns at more than 90 Army, Air Force and Space Force Exchange locations.

FINANCIAL STATEMENTS

Army and Air Force Exchange Service
Years Ended January 31, 2026 and February 1, 2025
With Report of Independent Auditors



The better the question.
The better the answer.
The better the world works.



**Shape the future
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Army and Air Force Exchange Service

Financial Statements

Years Ended January 31, 2026 and February 1, 2025

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Report of Independent Auditors

The Board of Directors
Army and Air Force Exchange Service

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Army and Air Force Exchange Service (the Exchange), which comprise the balance sheets as of January 31, 2026 and February 1, 2025, and the related statements of earnings, comprehensive income, changes in net assets and cash flows for the years then ended, and the related notes (collectively referred to as the “financial statements”).

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Exchange at January 31, 2026 and February 1, 2025, 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) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). 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 Exchange 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 of 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 Exchange’s ability to continue as a going concern for one year after the date that the financial statements are available to be issued.



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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 and *Government Auditing Standards* 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 and *Government Auditing Standards*, 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 Exchange'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 Exchange'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.



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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 20, 2026 on our consideration of the Exchange's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Exchange's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Exchange's internal control over financial reporting and compliance.

Ernst & Young LLP

May 20, 2026



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Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Management and the Audit Committee
Army and Air Force Exchange Service

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of Army and Air Force Exchange Service (the Exchange), which comprise the balance sheet as of January 31, 2026, and the related statements of earnings, comprehensive income, changes in net assets and cash flows for the year then ended, and the related notes (collectively referred to as the “financial statements”), and have issued our report thereon dated May 20, 2026.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Exchange’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Exchange’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Exchange’s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.



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Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Exchange's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Exchange's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Exchange's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Ernst & Young LLP

May 20, 2026

Army and Air Force Exchange Service

Balance Sheets

(Dollars in Thousands, Unless Otherwise Noted)

	January 31, 2026	February 1, 2025
Assets		
Current assets:		
Cash and cash equivalents	\$ 443,175	\$ 167,814
Trade and other accounts receivable, less allowance for uncollectible accounts of \$38,980 and \$36,231 at January 31, 2026 and February 1, 2025, respectively	2,619,262	2,557,853
Merchandise inventories	1,003,537	1,089,294
Short-term investments	54,500	54,290
Supplies and other current assets	131,283	139,094
Total current assets	4,251,757	4,008,345
Property and equipment:		
Buildings and improvements	3,484,658	3,377,888
Fixtures and equipment	1,391,340	1,392,861
Construction-in-progress	71,085	158,024
Total property and equipment, gross	4,947,083	4,928,773
Less accumulated depreciation	(3,516,245)	(3,367,490)
Total property and equipment, net	1,430,838	1,561,283
Operating lease right-of-use assets	7,962	9,971
Other assets	857	599
Overfunded retirement plans	2,692,314	2,426,538
Long-term investments and supplemental plan assets	29,261	27,024
Total assets	\$ 8,412,989	\$ 8,033,760

	January 31, 2026	February 1, 2025
Liabilities and net assets		
Current liabilities:		
Accounts payable	\$ 355,590	\$ 395,101
Current maturities of long-term debt	—	25,000
Accrued salaries and other employee benefits	131,530	140,576
Dividends payable	60,498	53,764
Operating lease liabilities	1,995	2,009
Other current liabilities	221,345	209,847
Total current liabilities	<u>770,958</u>	<u>826,297</u>
Long-term debt, less current portion	—	—
Noncurrent operating lease liabilities	5,967	7,962
Accrued pension and other benefits	27,511	27,876
Other noncurrent liabilities	47,061	55,955
Total liabilities	<u>851,497</u>	<u>918,090</u>
Net assets:		
Accumulated other comprehensive gain (loss):		
Pension and postretirement benefit liability	355,165	331,676
Derivative instruments	(82)	(1,911)
Total accumulated other comprehensive gain	<u>355,083</u>	<u>329,765</u>
Retained earnings	7,206,409	6,785,905
Total net assets	<u>7,561,492</u>	<u>7,115,670</u>
Total liabilities and net assets	<u><u>\$ 8,412,989</u></u>	<u><u>\$ 8,033,760</u></u>

See accompanying notes.

Army and Air Force Exchange Service

Statements of Earnings

(Dollars in Thousands, Unless Otherwise Noted)

	Year Ended	
	January 31, 2026	February 1, 2025
Net sales	\$ 6,240,607	\$ 6,239,037
Finance revenue	303,803	322,311
Concession revenue	256,267	245,319
Other revenue	55,000	43,070
Total revenue	6,855,677	6,849,737
Cost of sales and operating expenses:		
Cost of goods sold	4,612,991	4,703,686
Selling, general, and administrative:		
Employee compensation and benefits	1,058,015	998,453
Depreciation and amortization	240,819	239,453
Other	547,688	512,228
Total selling, general, and administrative expenses	1,846,522	1,750,134
Interest income, net	(7,613)	(7,332)
Bad debt expense	20,663	20,656
Total expenses	6,472,563	6,467,144
Operating income	383,114	382,593
Other income	23,947	17,377
Non-service pension and postretirement income	320,472	378,845
Net earnings	\$ 727,533	\$ 778,815

See accompanying notes.

Army and Air Force Exchange Service

Statements of Comprehensive Income (Dollars in Thousands, Unless Otherwise Noted)

	Year Ended	
	January 31, 2026	February 1, 2025
Net earnings	\$ 727,533	\$ 778,815
Other comprehensive income (loss):		
Reclassification of unrealized income (loss) on derivative instruments to earnings	1,829	(1,196)
Pension and postretirement benefits adjustments:		
Actuarial gain arising during the period	113,117	110,813
Amortization of net gain	(89,628)	85,467
Other comprehensive income	25,318	195,084
Comprehensive income	\$ 752,851	\$ 973,899

See accompanying notes.

Army and Air Force Exchange Service

Statements of Changes in Net Assets (Dollars in Thousands, Unless Otherwise Noted)

	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Net Assets
Balance at February 3, 2024	\$ 6,301,626	\$ 134,681	\$ 6,436,307
Net earnings	778,815	—	778,815
Pension and postretirement benefits adjustments	—	196,281	196,281
Reclassification of unrealized loss on derivative instruments to earnings	—	(1,196)	(1,196)
Dividends to the Central Welfare Funds, Departments of the Army, the Air Force, the Navy, and the Marine Corps	(294,537)	—	(294,537)
Balance at February 1, 2025	6,785,905	329,765	7,115,670
Net earnings	727,533	—	727,533
Pension and postretirement benefits adjustments	—	23,489	23,489
Reclassification of unrealized loss on derivative instruments to earnings	—	1,829	1,829
Dividends to the Central Welfare Funds, Departments of the Army, the Air Force, the Navy, and the Marine Corps	(307,029)	—	(307,029)
Balance at January 31, 2026	\$ 7,206,409	\$ 355,083	\$ 7,561,492

See accompanying notes.

Army and Air Force Exchange Service

Statements of Cash Flows

(Dollars in Thousands, Unless Otherwise Noted)

	Year Ended	
	January 31, 2026	February 1, 2025
Operating activities		
Net earnings	\$ 727,533	\$ 778,815
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	267,166	263,519
Loss on impairment and disposal of property and equipment	11,073	—
Loss on supplemental pension plan assets	2,896	2,930
Bad debt expense	20,663	20,656
Change in operating assets and liabilities:		
Accounts receivable	(82,072)	(57,337)
Merchandise inventories	85,757	145,798
Supplies and other assets	9,562	(1,430)
Pension assets and liabilities	(242,648)	(299,316)
Long-term investments and supplemental plan assets	(2,896)	(2,930)
Accounts payable	(38,139)	(34,096)
Accrued salaries and other employee benefits	(8,589)	(48,490)
Other liabilities	591	(1,354)
Net cash provided by operating activities	750,897	766,765
Investing activities		
Purchases of property and equipment	(150,198)	(266,510)
Proceeds from the sale of property and equipment	2,405	—
Purchases of investments	(3,452)	(48,740)
Proceeds from the disposition of investments	1,004	49,735
Net cash used in investing activities	(150,241)	(265,515)
Financing activities		
Proceeds from line-of-credit and commercial paper agreements	21,000	1,071,315
Payments from line-of-credit and commercial paper agreements	(46,000)	(1,186,315)
Payment of long-term debt	—	(6,255)
Payment of dividends	(300,295)	(327,753)
Net cash used in financing activities	(325,295)	(449,008)
Net increase (decrease) in cash and cash equivalents	275,361	52,242
Cash and cash equivalents at beginning of year	167,814	115,572
Cash and cash equivalents at end of year	\$ 443,175	\$ 167,814

See accompanying notes.

Army and Air Force Exchange Service

Notes to Financial Statements (Dollars in Thousands, Unless Otherwise Noted)

January 31, 2026

1. Description of Business and Summary of Significant Accounting Policies

General

The Army and Air Force Exchange Service (the Exchange) is a joint non-appropriated fund instrumentality of the United States (U.S.) organized under the Departments of the U.S. Army and the U.S. Air Force. The Exchange provides retail services (including e-commerce, food, fuel and other offerings) to soldiers, airmen, and their families through a network of stores located on government installations in the U.S., Europe, the Pacific Rim, and the Middle East. In addition to providing merchandise and services of necessity and convenience to authorized patrons at competitively low prices, the Exchange's mission is to generate reasonable earnings to supplement (APF) for the support of Army and Air Force morale, welfare, and recreation programs. The Exchange maintains custody of and control over its non-appropriated funds (NAFs). Funds that are not distributed as dividends are reinvested in the Exchange's operations. The Exchange is exempt from direct state taxation and from state regulatory laws. Such laws include licensing and price control statutes.

The Exchange utilizes accounting principles generally accepted in the United States of America (U.S. GAAP) applicable to "for-profit" organizations because of the nature of its commercial-type operations. The Exchange's financial statements include the operations of all Exchange activities worldwide.

Fiscal Year

The Exchange's fiscal year-end is the Saturday nearest January 31. Fiscal year 2025 and fiscal year 2024 herein correspond to the fiscal years ended January 31, 2026 and February 1, 2025, respectively.

Army and Air Force Exchange Service

Notes to Financial Statements (continued) (Dollars in Thousands, Unless Otherwise Noted)

1. Description of Business and Summary of Significant Accounting Policies (continued)

Net sales by geographic region are summarized below:

	Year Ended	
	January 31, 2026	February 1, 2025
Continental U.S., including Alaska	\$ 4,185,868	\$ 4,256,464
Europe, primarily Germany	640,546	630,004
Pacific Rim	951,304	907,875
Middle East	142,651	138,667
Other countries	320,238	306,026
Total net sales	<u>\$ 6,240,607</u>	<u>\$ 6,239,037</u>

Appropriated Funds

In accordance with applicable U.S. Army and Air Force regulations and other Department of Defense instructions, the Exchange is not required to pay rent for the use of properties owned by the U.S. government or utility costs associated with overseas exchanges and contiguous U.S. (CONUS) facilities; however, the Exchange will pay for CONUS utilities only when it has verified that appropriated funds (APF) are not available. Permanent structures that are constructed by the Exchange and paid for from Exchange funds become the property of the U.S. government. These structures cannot be used for purposes other than those of the Exchange purposes without prior approval by the Exchange Director/Chief Executive Officer and the appropriate department of the U.S. government. As such, the Exchange has included the cost of the structures on its balance sheets and depreciates them on a straight-line basis over their estimated useful lives. Services, such as ocean transportation of merchandise to certain locations on U.S. chartered vessels and performance of administrative and supervisory functions by military personnel, have been provided without charge to the Exchange.

Management has estimated the value of transportation costs paid by the U.S. government for Exchange materials shipped to and from overseas Exchange facilities (excluding the Middle East) to be approximately \$101,441 and \$89,205 for fiscal years 2025 and 2024, respectively. In addition, Middle East transportation costs of \$8,535 and \$6,186 were paid by the U.S. government for fiscal years 2025 and 2024, respectively.

Army and Air Force Exchange Service

Notes to Financial Statements (continued)

(Dollars in Thousands, Unless Otherwise Noted)

1. Description of Business and Summary of Significant Accounting Policies (continued)

The Exchange receives reimbursements from the U.S. government for certain incremental costs incurred in providing support to operations within the United States Central Command (CENTCOM) area of responsibility. APF reimbursements are recorded when an incremental cost that qualifies for reimbursement has been incurred and reimbursement by responsible agency is probable. APF reimbursement receivables are classified as trade and other accounts receivable on the accompanying balance sheets and are recorded as offsets to the related expenses (as described below) on the statement of earnings. In fiscal years 2025 and 2024, the Exchange recorded APF reimbursements of \$14,718 and \$14,944, respectively. These amounts include incremental costs-related to inventory markdowns and shortages, personnel costs, in-theater transportation, and other expenses.

In compliance with the Biden Administration's Executive Order 14003, "Protecting the Federal Workforce," which the Office of Personnel Management was directed, under, all special salary and wage rate authorities in title 5, to implement a \$15 minimum wage for all federal employees, effective January 31, 2022. Since implementation, the Exchange has worked in close coordination with the Under Secretary of Defense for Personnel and Readiness, as well as the Office of the Comptroller's office, to secure APF support. In fiscal year 2025 and 2024, the Exchange recognized the final APF support of \$38,585 and \$90,544, respectively. The APFs received have no associated commitments or contingencies.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the accompanying financial statements and notes. Key estimates made by Exchange management include discount rates, long-term rate of return on assets, health care trend assumptions, and mortality assumptions used to determine obligations associated with pension plans and postretirement benefit plans.

Army and Air Force Exchange Service

Notes to Financial Statements (continued) (Dollars in Thousands, Unless Otherwise Noted)

1. Description of Business and Summary of Significant Accounting Policies (continued)

In pension accounting, the most significant actuarial assumptions are the discount rate, the long-term rate of return on plan assets, health care trend assumptions, and mortality rates. In determining the long-term rate of return on plan assets, the Exchange considers the nature of the plans' investments, an expectation of the plans' investment strategies, and the expected rate of return. Pension assets include investments in limited partnerships; real estate properties; and private equity, timber, agriculture, and debt, which do not have readily available market values. These investments are valued based on amounts reported to management by the respective general partners, investment managers, or appraisers, using net asset value as a practical expedient for fair value or an equivalent measure. See Note 4 for additional information about benefit plans.

Cash and Cash Equivalents and Short-Term Investments

Cash and cash equivalents represent cash on hand in stores, deposits in banks, and third-party credit card receivables, which generally are collected within a week. Cash and cash equivalents are carried at cost, which approximates fair value.

The Exchange's short-term investment portfolio consists of U.S. Treasury Bill and US Treasury Note classified as available-for-sale, with unrealized gains and losses reported in other comprehensive income. Investments reported on the balance sheet are measured at fair value.

Accounts Receivable, Finance Revenue, and Allowance for Credit Losses

As of January 31, 2026 and February 1, 2025, \$2,223,347 and \$2,167,545, respectively, of the Exchange's accounts receivable balance represents amounts due from cardholders under its in-house credit program, the MILITARY STAR® Card. The MILITARY STAR® Card program extends credit to eligible Exchange customers for the purchase of retail goods and services at Exchange activities worldwide.

Minimum payments are calculated based on 1% of the unpaid balance plus accrued interest charges based on the unpaid balance as of the closing date for the billing cycle. These payments are applied in accordance with the Credit CARD Act of 2009.

Concentrations of credit risk, related to customer accounts receivable, are limited due to the large and geographically dispersed customer base associated with the MILITARY STAR® Card program. The Exchange believes the carrying amount of existing customer receivables approximated its fair value due to the short-term nature of those receivables.

Army and Air Force Exchange Service

Notes to Financial Statements (continued)

(Dollars in Thousands, Unless Otherwise Noted)

1. Description of Business and Summary of Significant Accounting Policies (continued)

The Exchange's trade and accounts receivable balance also includes \$143,427 and \$139,310 in receivables from the Marine Exchange for outstanding Marine MILITARY STAR[®] Card balances and related processing fees as of January 31, 2026 and February 1, 2025, respectively.

Finance revenue is calculated based upon the customer's outstanding account balance during the period after the applicable grace period, typically 30 days following the billing date. The finance rate charged is a variable interest rate calculated based on a fixed rate above the U.S. prime rate reported in *The Wall Street Journal*. The standard annual percentage rate for retail purchases was 13.74% and 14.49% as of January 31, 2026 and February 1, 2025, respectively. Beginning at 90 days past due, the delinquency rate of 21.74% applies. Finance revenue is recorded unless an account balance has been without any activities on individual accounts for an extended period of time, generally 150 days. Customer receivables past due 90 days or more and still accruing interest were approximately \$32,656 and \$36,592 as of January 31, 2026 and February 1, 2025, respectively.

Accounts past due for 30 days or more are considered delinquent. Accounts delinquent for 150 days are placed on nonaccrual status whereby finance income is no longer accrued or submitted to the Exchange's collection department. The Exchange utilizes various means to collect past-due accounts, as well as nonaccrual status accounts, including some methods not available to other commercial credit card financial institutions. The Exchange has agreements with other U.S. government entities that allow the Exchange to garnish wages of service personnel, as well as claim the debtors' future payments from such U.S. government entities, including U.S. Treasury income tax refunds. Personal contact, external collection agencies, and letters to service personnel superiors are also used to pursue delinquent accounts. The outstanding receivables related to accounts previously charged off (previously submitted to the collection department) were \$147,302 and \$147,626 at January 31, 2026 and February 1, 2025, respectively. These accounts are at least 150 days past due and are generally outstanding for one to five years.

The Exchange's credit card portfolio consists of smaller-balance, homogeneous loans. Due to the homogeneous nature of the credit card portfolios, a provision for credit loss is recorded related to the Exchange's current credit card portfolio based on a percentage of total projected charge-offs that are considered uncollectible.

Army and Air Force Exchange Service

Notes to Financial Statements (continued) *(Dollars in Thousands, Unless Otherwise Noted)*

1. Description of Business and Summary of Significant Accounting Policies (continued)

The Exchange periodically evaluates the adequacy of the allowance using such factors as prior account loss experience, changes in the volume of the account portfolio, changes in the estimates of anticipated recoveries on delinquent or written-off balances, and changes in credit policy. Credit loss accounting standard requires the Exchange to incorporate current and future economic conditions as well as external qualitative factors, which might increase or decrease the reserves for credit losses on the account portfolio.

These factors were considered in establishing the Exchange's allowance for credit losses, and the net receivable related to accounts previously written off as of January 31, 2026 and February 1, 2025. It is reasonably possible that the amounts the Exchange will ultimately recover on delinquent balances could differ materially in the near term from the net receivable related to accounts previously written off. Bad debt expense of \$20,663 recorded in fiscal year 2025 is primarily related to the Exchange's current credit card portfolio, compared with \$20,656 in bad debt expense recorded in fiscal year 2024.

With respect to accounts previously charged off, the Exchange records and evaluates collectability of a net receivable using a portfolio approach pooled by year based on estimated probable recoveries. Finance income and cash collections are applied to outstanding balances until 100% of the net receivables from each portfolio year have been collected. Subsequent cash collections in excess of amounts previously charged off are recorded as finance revenue upon collection. Collections on accounts previously written off and submitted to U.S. government entities totaled approximately \$111,383 and \$109,657 in fiscal years 2025 and 2024, respectively. Finance revenue recognized in fiscal year 2025 related to nonaccrual accounts totaled approximately \$19,545 compared with approximately \$21,796 in fiscal year 2024.

Army and Air Force Exchange Service

Notes to Financial Statements (continued) (Dollars in Thousands, Unless Otherwise Noted)

1. Description of Business and Summary of Significant Accounting Policies (continued)

The following table sets forth the age of the Exchange's credit card receivables that have not yet been submitted to U.S. government entities for collection:

	January 31, 2026		February 1, 2025	
	Amount	Percentage of Receivables	Amount	Percentage of Receivables
	(In Millions)		(In Millions)	
Current	\$ 2,022	85.6%	\$ 1,984	86.3%
1–29 days past due	236	10.0	160	7.0
30–59 days past due	45	1.9	77	3.3
60–89 days past due	26	1.1	43	1.9
90+ days past due	32	1.4	36	1.6
Period-end gross credit card receivables	\$ 2,361	100%	\$ 2,300	100%

Generally, an account is considered past due if payment due is not received by the billing statement due date. The following table sets forth the provision for possible credit loss related to the Exchange's current credit card portfolio and does not include the net receivable related to accounts submitted to U.S. government entities for collection. In addition, this table does not include the allowance for credit losses for other trade accounts receivable that are unrelated to the Exchange's credit card portfolio.

	Year Ended	
	January 31, 2026	February 1, 2025
	(In Millions)	
Allowance at beginning of period	\$ 26	\$ 27
Provision for bad debt	21	21
Net write-offs	(20)	(22)
Allowance at end of period	\$ 27	\$ 26

Army and Air Force Exchange Service

Notes to Financial Statements (continued) (Dollars in Thousands, Unless Otherwise Noted)

1. Description of Business and Summary of Significant Accounting Policies (continued)

The following table sets forth the credit scores of the Exchange's credit card portfolio that have not yet been submitted to U.S. government entities for collection as reported by the Fair Isaac Corporation (FICO).

	January 31, 2026	February 1, 2025
	<i>(In Millions)</i>	
Nondelinquent accounts (current and 1–29 days past due):		
FICO score of 700 or above	\$ 897	\$ 860
FICO score of 600 to 699	963	952
FICO score below 600	398	331
Total nondelinquent accounts	2,258	2,143
Delinquent accounts (30+ days past due)	103	157
Period-end gross credit card receivables	\$ 2,361	\$ 2,300

Merchandise Inventories

The Exchange's inventories are valued at the lower of cost or net realizable value, as determined by the retail inventory method of accounting (RIM). Certain warehousing and distribution expense costs are included in the cost of inventory, which amounted to \$8,700 and \$9,903 at January 31, 2026 and February 1, 2025, respectively.

Inherent in the RIM calculation are certain management judgments and estimates, including, among others, merchandise mark-ons, markups, markdowns, and shrinkage, which significantly impact the ending inventory valuation at cost, as well as resulting gross margins. The methodologies utilized by the Exchange in the application of the RIM calculation are consistent for all periods presented. Such methodologies include the development of the cost-to-retail ratios, the groupings of homogenous classes of merchandise, the development of shrinkage and obsolescence reserves, and the accounting for price changes.

Army and Air Force Exchange Service

Notes to Financial Statements (continued)

(Dollars in Thousands, Unless Otherwise Noted)

1. Description of Business and Summary of Significant Accounting Policies (continued)

Buildings and Improvements

Buildings and improvements primarily represent permanent structures constructed and paid for by the Exchange and owned by the U.S. government. These assets are recorded by the Exchange at cost with depreciation provided using the straight-line method over the estimated useful lives of the assets. The useful lives are governed, to a large extent, by the deployment of Army and Air Force personnel and, to some extent, by the requirements of the Departments of the Army and the Air Force with respect to space occupied by the Exchange. Buildings are generally depreciated over 30 years, and improvements are depreciated over periods from 7 to 15 years. The Exchange loses its rights to buildings and improvements in the event of base closures and accelerates depreciation of its assets when such closures are probable.

The carrying value of long-lived assets, including property and equipment, is evaluated annually or whenever events or changes in circumstances indicate that a potential impairment has occurred relative to a given asset or asset group. Factors that could result in an impairment review include, but are not limited to, a current period cash flow loss combined with a history of cash flow losses or a projection that demonstrates continuing losses associated with the use of a long-lived asset, significant changes in the manner of use of the assets, or significant changes in business strategies. An impairment loss is recognized when the estimated undiscounted cash flows expected to result from the use of the asset plus net proceeds expected from disposition of the asset (if any) are less than the carrying value of the asset. When an impairment loss is recognized, the carrying amount of the asset is reduced to its estimated fair value. The Exchange recorded long-lived asset impairment charges during fiscal years 2025 of \$2,654 and none in 2024.

Fixtures and Equipment

Fixtures and equipment are carried at cost with depreciation provided using the straight-line method over the estimated useful lives of the assets. Motor vehicles are depreciated over periods from 5 to 10 years, and equipment is depreciated over periods from 2 to 15 years.

Army and Air Force Exchange Service

Notes to Financial Statements (continued) (Dollars in Thousands, Unless Otherwise Noted)

1. Description of Business and Summary of Significant Accounting Policies (continued)

Self-Insurance

The Exchange self-insures for property, automobile, public liability, workers' compensation, comprehensive casualty losses, ocean marine, and other casualty losses. However, the Exchange has commercial property insurance covering the buildings, contents, and inventories at certain locations. The reserve for certain self-insurance losses is based on calculations performed by the Exchange's independent actuarial consultants using loss development factors to estimate ultimate loss. The Exchange's self-insurance reserves were \$47,932 and \$48,291 as of January 31, 2026 and February 1, 2025, respectively.

Reserves were discounted at the following weighted average rates:

	January 31, 2026	February 1, 2025
Workers' compensation	5.33%	5.63%
Property liability	3.92	4.66
Public liability	3.85	4.72
General liability	3.89	4.69

Separation Pay and Vacation Leave Accruals

Separation pay and vacation leave for local national employees in foreign countries are accrued as earned based upon the labor laws of host countries and upon agreements between the U.S. and foreign governments. In order to estimate this liability, the Exchange and its actuaries make certain assumptions, including the amounts considered recoverable from foreign governments under existing agreement terms. Actual results may vary from these assumptions. Additionally, the liability for vacation leave earned by U.S. citizens is accrued as earned.

Army and Air Force Exchange Service

Notes to Financial Statements (continued) *(Dollars in Thousands, Unless Otherwise Noted)*

1. Description of Business and Summary of Significant Accounting Policies (continued)

Advertising Costs

Advertising costs are expensed when the advertisement first occurs. Advertising expenses were \$29,979 and \$30,957 for the years ended January 31, 2026 and February 1, 2025, respectively, and are included in selling, general, and administrative expenses. The Exchange's cooperative advertising allowances are accounted for as a reduction in the purchase price of inventory. In fiscal year 2025 and 2024, the Exchange recognized cooperative advertising allowances of \$157,622 and \$135,211 respectively.

Revenue Recognition

The Exchange recognizes revenue when control of the merchandise is transferred to customers in an amount that reflects the consideration received in exchange for such merchandise. For sales at the retail locations, control is transferred at the point at which the customer receives and pays for the merchandise at the register. For e-commerce sales, control is transferred when merchandise is tendered to a third-party carrier for delivery to the customer. Cash is typically received on the day of or, in the case of credit or debit card transactions, within several days of the related sales. Finance revenue includes finance charges and administrative fees on credit sales. Concession income includes fees charged to concessionaires based on a percentage of their sales and is recognized at the time of sale.

Income Taxes

The Exchange is a non-appropriated fund instrumentality of the U.S. and, as such, is not subject to the payment of income taxes, to include federal, state, local, and foreign taxes.

401(k) Plan

The Exchange has a 401(k) voluntary savings and investment plan open to regular full- and part-time employees who meet certain minimum requirements. New hire associates are automatically enrolled in the 401(k) savings plan after a 30-day waiting period during which they may opt out. The employees can make voluntary contributions to the plan not to exceed the lesser of 99% of eligible participant compensation or the applicable 401(k) maximum deferral contribution limit for the year.

Army and Air Force Exchange Service

Notes to Financial Statements (continued) (Dollars in Thousands, Unless Otherwise Noted)

1. Description of Business and Summary of Significant Accounting Policies (continued)

Benefit Plans

Liabilities and expenses related to the Exchange's benefit plans are determined based on a number of actuarial assumptions, which are reviewed and determined on an annual basis. These assumptions include discount rates, health care cost trend rates, compensation increase rate, benefits earned, mortality rates, number of participants, certain demographics, and other factors. Actual results that differ from assumptions are accumulated and amortized to expense over future periods and, therefore, generally affect recognized expense in future periods. The projected benefit obligation is recognized on the accompanying balance sheets. Actuarial gains and losses are recognized as components of accumulated other comprehensive loss in net assets until amortized as a component of net periodic benefit cost.

Fair Value Measurements

Under Accounting Standards Codification (ASC) 820, *Fair Value Measurement*, fair value is considered to be the exchange price in an orderly transaction between market participants to sell an asset or transfer a liability at the measurement date. The fair value definition under ASC 820 focuses on an exit price, which is the price that would be received to sell an asset or paid to transfer a liability vs. an entry price, which would be the price paid to acquire an asset or received to assume a liability. See Note 2 for additional information regarding fair value measurements.

Financial instruments that potentially subject the Exchange to concentrations of credit risk consist principally of investments held by a noncontributory supplement deferred compensation plan (Supplemental Plan) and derivative financial instruments. The Exchange uses high-credit-quality counterparties when executing derivative transactions.

Army and Air Force Exchange Service

Notes to Financial Statements (continued) *(Dollars in Thousands, Unless Otherwise Noted)*

2. Fair Value Measurements

ASC 820 establishes a framework for measuring fair value. The inputs used to measure fair value are prioritized based on a three-level hierarchy as follows:

- Level 1 – Quoted prices in active markets for identical assets or liabilities. The Exchange uses the unadjusted quoted prices in active markets for identical assets or liabilities to which the Exchange has access. An active market for the asset or liability is one in which transactions for the asset or liability occur with sufficient frequency and volume to provide ongoing pricing information.
- Level 2 – Observable inputs other than quoted prices in Level 1. The Exchange determines the value of the investment holding by evaluating its pro rata share of investments where it does not own the underlying securities but rather a proportional share of the fund, such as mutual fund and common collective trusts. Significant inputs, other than quoted market prices included in Level 1 that are observable, impact either directly or indirectly the asset or liability. Level 2 inputs include, but are not limited to, quoted prices for similar assets or liabilities in an active market, quoted prices for identical or similar assets or liabilities in markets that are not active, and inputs other than quoted market prices that are observable for the asset or liability, such as interest rate curves and yield curves observable at commonly quoted intervals, volatilities, credit risk, and default rates.
- Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. The Exchange invests only with managers that provide financial statements that are independently audited at least once a year. The financial statements are accompanied by a report from the independent audit firm, which discloses the accounting basis as well as an opinion regarding the reliability of the financial statements. In addition to the audited financial statements, the fund managers have provided the type of investments as well as the methods used to value and appraise all investments in the fund's portfolio. The Exchange's benefit plan Level 3 assets and liabilities are measured at fair value on a recurring basis.

Army and Air Force Exchange Service

Notes to Financial Statements (continued) *(Dollars in Thousands, Unless Otherwise Noted)*

2. Fair Value Measurements (continued)

Cash and cash equivalents, accounts payable, and accrued liabilities are reflected on the accompanying balance sheets at cost, which approximates fair value due to the short-term nature of these instruments. Trade and other accounts receivable are reflected on the accompanying balance sheets at cost less an allowance for credit losses, which approximates fair value due either to the short-term nature of the instruments or the variable market rate of interest that is charged on outstanding credit card balances. The Exchange's short-term investment portfolio consists of U.S. Treasury Bill and U.S. Treasury Note categorized as Level 2 within the fair value hierarchy.

The Exchange holds investments related to the Supplemental Plan totaling \$29,625 and \$27,283 at January 31, 2026 and February 1, 2025, respectively, which are included in long-term investments and supplemental plan assets on the accompanying balance sheets. Supplemental Plan assets are classified as trading securities since gains and losses from these investments are intended to offset the cost of the Supplemental Plan. Earnings on trading securities were \$2,896 and \$2,930 in fiscal years 2025 and 2024, respectively. The cost of securities sold is determined primarily on a specific identification method. Refer to Note 4 for further discussion of the supplemental plan.

3. Indebtedness

Lines of Credit

The Exchange maintains three lines of credit with aggregate availability of \$1,500,000. As of fiscal year-end 2025, there were no outstanding borrowings under any of these facilities.

The first facility is a \$750,000 committed unsecured revolving credit facility with a nine-bank syndicate led by Wells Fargo Bank, N.A., entered into on May 19, 2022, and maturing on May 19, 2027. The agreement includes an accordion feature that permits the Exchange to request up to an additional \$250,000, subject to lender approval. There were no borrowings under this facility during fiscal year 2025.

The second facility is a \$500,000 committed line of credit with Installation Management Command G9 (IMCOM G9), renewed on December 5, 2023, for a five-year term. As of February 1, 2025, \$25,000 was outstanding under this facility; however, the balance was fully repaid on March 18, 2025. Accordingly, there was no outstanding balance as of fiscal year-end 2025 or as of the date of issuance.

Army and Air Force Exchange Service

Notes to Financial Statements (continued) *(Dollars in Thousands, Unless Otherwise Noted)*

3. Indebtedness (continued)

The third facility is a \$250,000 uncommitted Master Note Facility with New York Life, originally entered into on October 15, 2020, and renewed on June 13, 2023, for a five-year term. There were no borrowings under this facility during fiscal year 2025, and no balance was outstanding as of fiscal year-end.

Commercial Paper

In June 2013, the Exchange implemented a commercial paper program. As of January 31, 2026 and February 1, 2025, there were no outstanding commercial paper obligations, inclusive of original issue discount. The commercial paper program is an open-ended agreement; however, outstanding balances, have maturity dates that range from 1 to 270 days and, as such, are classified as current. Borrowings under the commercial paper program had interest rates ranging from 4.33% to 4.50% during fiscal year 2025, and from 4.33% to 5.50% during fiscal year 2024.

Senior Notes

In October 2009, the Exchange completed a private placement debt offering of \$90,000 of 4.95% senior notes due in 2024 (the senior notes), which comprise a 15-year amortization of principal. The final payment was recorded on October 15, 2024, in the amount of \$709. As of February 1, 2025, there was no remaining obligation under the senior notes as the debt agreement had been terminated.

The average interest rates for all indebtedness, including lines of credit (both committed and uncommitted), commercial paper, senior notes, and term loans, were 4.33% and 4.50% for the years ended January 31, 2026 and February 1, 2025, respectively.

Cash paid for interest for fiscal years 2025 and 2024 was approximately \$288 and \$2,329, respectively. The Exchange has complied with all financial and nonfinancial covenants per loan agreements with Wells Fargo as of January 31, 2026, and expects to comply through the period ending January 30, 2027.

Army and Air Force Exchange Service

Notes to Financial Statements (continued) (Dollars in Thousands, Unless Otherwise Noted)

4. Benefit Plans

The Exchange has a defined benefit pension plan, the Retirement Annuity Plan (the Basic Plan), covering regular full-time civilian employees of the Exchange who are citizens or residents of the U.S. In addition, the Supplemental Plan provides for selected benefits to employees in the Executive Management Program. The Exchange's policy is to annually fund actuarially determined postretirement expense unless the respective plan is fully funded or unless an asset-liability model has shown the respective plan will likely become fully funded even in the absence of future contributions.

In addition to the Exchange's benefit plans discussed above, certain medical and dental (health care) and life insurance benefits are also provided to retired employees through the Postretirement Medical/Dental and Life Insurance (Postretirement) plans for employees of the Exchange. All regular full-time U.S. civilian employees who are paid on the U.S. dollar payroll may become eligible for these benefits if they satisfy eligibility requirements during their working lives. The Exchange's policy is to annually fund actuarially determined postretirement expense unless the respective plan is fully funded or unless an asset-liability model has shown the respective plan will likely become fully funded, even in the absence of future contributions.

The Exchange also provides certain life insurance and other disability benefits for active employees. Benefits are paid from a Voluntary Employee Beneficiary Association plan maintained by the Exchange and to which the Exchange contributes each year. As of January 31, 2026, the Exchange recorded a net asset of approximately \$58,345, which represents trust assets of \$81,252 net of an estimated liability of \$22,907. As of February 1, 2025, the Exchange recorded a net asset of approximately \$66,202, which represents trust assets of \$80,578 net of an estimated liability of \$14,376.

In addition, the Exchange provides a noncontributory defined benefit pension plan to its employees in the United Kingdom (UK Plan). With the UK Plan, the Exchange also provides postemployment benefits (e.g., separation pay) through its Local National benefit plans to employees in Germany, Japan, Okinawa, Azores, Italy, and Turkey (collectively, referred to as Foreign Plans).

The Exchange measures the cost of its pension plans and other postretirement benefit plans in accordance with ASC 715, *Compensation – Retirement Benefits*. As the Exchange's fiscal year-end does not coincide with a month-end, the Exchange has elected to measure plan assets and

Army and Air Force Exchange Service

Notes to Financial Statements (continued) (Dollars in Thousands, Unless Otherwise Noted)

4. Benefit Plans (continued)

benefit obligations using the month-end that is closest to the Exchange's fiscal year-end. The assets of the Supplemental Plan are not effectively restricted from being used by the Exchange for other purposes. Therefore, these assets do not qualify as plan assets as defined in ASC 715 and, as a result, are accounted for in accordance with ASC 320, *Investments – Debt Securities*.

The following table provides a reconciliation of the changes in the plans' benefit obligations and fair value of assets for fiscal years 2025 and 2024. Amounts are stated in millions.

	Pension Benefits				Other Benefits			
	The Basic Plan		Supplemental Plan		Postretirement		Foreign Plans	
	2025	2024	2025	2024	2025	2024	2025	2024
Change in projected benefit obligations (PBO)								
PBO at prior measurement date	\$ 4,241	\$ 4,346	\$ 13	\$ 15	\$ 1,053	\$ 1,087	\$ 46	\$ 55
Service cost	68	73	1	1	11	12	1	1
Interest cost	237	229	1	1	58	57	2	2
Plan participants' contributions	4	4	—	—	—	—	—	—
Actuarial gain	96	(92)	(1)	(3)	97	(35)	(2)	(4)
Foreign exchange impact	—	—	—	—	—	—	4	(2)
Benefits paid	(305)	(302)	(1)	(1)	(74)	(68)	(2)	(3)
Administrative expenses paid	(17)	(17)	—	—	—	—	—	(2)
Settlements	—	—	—	—	—	—	(1)	(1)
PBO at current measurement date	4,324	4,241	13	13	1,145	1,053	48	46
Change in plan assets								
Fair value of assets at prior measurement date	5,527	5,312	—	—	2,189	2,061	39	40
Actual return on assets	603	530	—	—	229	196	1	—
Employer contributions	—	—	1	1	—	—	3	3
Plan participants' contributions	4	4	—	—	—	—	—	—
Benefits paid	(305)	(302)	(1)	(1)	(74)	(68)	(3)	(3)
Foreign exchange impact	—	—	—	—	—	—	(1)	(1)
Settlements	—	—	—	—	—	—	4	(1)
Administrative expenses paid	(17)	(17)	—	—	—	—	—	—
Fair value of assets at current measurement date	5,812	5,527	—	—	2,344	2,189	43	39
Over/(under)-funded status at fiscal year-end	\$ 1,488	\$ 1,286	\$ (13)	\$ (13)	\$ 1,199	\$ 1,136	\$ (5)	\$ (9)

Supplemental Plan assets do not qualify as plan assets as discussed above.

Army and Air Force Exchange Service

Notes to Financial Statements (continued) (Dollars in Thousands, Unless Otherwise Noted)

4. Benefit Plans (continued)

The following table reflects amounts recognized on the balance sheets as of fiscal years 2025 and 2024. Amounts are stated in millions.

	Pension Benefits				Other Benefits			
	The Basic Plan		Supplemental Plan		Postretirement		Foreign Plans	
	2025	2024	2025	2024	2025	2024	2025	2024
Amounts recognized on the balance sheets								
Other current liabilities	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	(2)	(2)
Net accrued pension and other benefits asset (liability)	1,488	1,286	(13)	(13)	1,199	1,136	(7)	(9)
Accumulated other comprehensive gain (loss)	170	291	(10)	(10)	(526)	(624)	10	9

A summary of the components of net periodic benefit (income) cost for the benefit plans is as follows for fiscal years 2025 and 2024. Amounts are stated in millions.

	Pension Benefits				Other Benefits			
	The Basic Plan		Supplemental Plan		Postretirement		Foreign Plans	
	2025	2024	2025	2024	2025	2024	2025	2024
Net periodic benefit (income) cost								
Service cost	\$ 68	\$ 73	\$ 1	\$ 1	\$ 12	\$ 13	\$ 1	\$ 1
Interest cost	237	229	1	1	58	57	2	2
Expected return on assets	(386)	(422)	—	—	(142)	(158)	(3)	(3)
Other adjustments	—	—	—	—	(82)	(84)	—	—
Net loss amortization	—	—	(1)	(1)	(4)	—	—	—
Net periodic benefit (income) cost	\$ (81)	\$ (120)	\$ 1	\$ 1	\$ (158)	\$ (172)	\$ —	\$ —

Army and Air Force Exchange Service

Notes to Financial Statements (continued) (Dollars in Thousands, Unless Otherwise Noted)

4. Benefit Plans (continued)

Information for benefit plans with an accumulated benefit obligation in excess of plan assets is as follows for fiscal years 2025 and 2024. Amounts stated in millions.

	The Basic Plan				Supplemental Plan			
	The Basic Plan		Supplemental Plan		Postretirement		Foreign Plans	
	2025	2024	2025	2024	2025	2024	2025	2024
Projected benefit	\$ 4,324	\$ 4,241	\$ 13	\$ 13	\$ 1,145	\$ 1,053	\$ 50	\$ 48
Accumulated benefit obligation	4,158	4,077	6	6	1,145	1,053	48	45
Fair value of plan assets	5,812	5,527	—	—	2,344	2,189	43	39

Amounts included in accumulated other comprehensive loss for all plans as of January 31, 2026, consist of a net actuarial gain of \$355,165. Amortization of this amount expected to be recognized in fiscal year 2026 is \$85,747.

Actuarial Assumptions

Actuarial weighted average assumptions used in determining plan obligations and the related expense are as follows for fiscal years 2025 and 2024:

	Pension Benefits				Other Benefits	
	The Basic Plan		Supplemental Plan		Postretirement	
	2025	2024	2025	2024	2025	2024
Assumptions used to determine expense and liabilities:						
Discount rate	5.73%	5.35%	5.73%	5.35%	5.75%	5.37%
Long-term rate of return on assets	7.06	7.85	—	—	6.84	7.91
Compensation increase rate	4.22	4.24	10.25	10.24	—	—
Assumptions used at disclosure:						
Discount rate	5.74	5.73	5.74	5.73	5.78	5.75
Compensation increase rate	4.12	4.24	10.39	10.38	—	—

Army and Air Force Exchange Service

Notes to Financial Statements (continued) (Dollars in Thousands, Unless Otherwise Noted)

4. Benefit Plans (continued)

Assumed Health Care Cost Trend Rates at Fiscal Year-End

	2025	2024
Pre-65 current health care cost trend rate	7.50%	6.50%
Post-65 current health care cost trend rate assumed beginning for next year	23.20%	6.25%
Rate to which the cost trend rate is assumed to decline (ultimate trend rate):		
Pre-65	4.50%	4.50%
Post-65	4.50%	4.50%
Year that the rate reaches the ultimate trend rate	2034	2033

	Other Pension Benefits		Other Pension Benefits	
	UK Plan		Local National Plan	
	2025	2024	2025	2024
Assumptions used to determine expense:				
Discount rate	5.40%	4.80%	3.22%	2.62%
Long-term rate of return on assets	6.20	5.10		—
Compensation increase rate	2.90	2.80	2.37	2.29
Assumptions used at disclosure:				
Discount rate	5.60	5.40	2.59	2.36
Compensation rate increase	2.60	2.90	2.37	2.29

Actuarial assumptions are based on management's best estimates and judgment. The Exchange reassesses its benefit plan assumptions on a regular basis. The expected rate of return for the plan assets represents the average rate of return to be earned on the plan assets over the period that the benefits included in the benefit obligation are to be paid. In developing the expected rate of return, the Exchange considers the impact of long-term compound annualized returns on the plan assets.

Army and Air Force Exchange Service

Notes to Financial Statements (continued) (Dollars in Thousands, Unless Otherwise Noted)

4. Benefit Plans (continued)

Pension Plan Assets

The Exchange's investment objectives for the benefit plans are designed to generate asset returns that will enable the plans to meet their future benefit obligations. The precise amount for which these obligations will be settled depends on future events, including interest rates, salary increases, and the life expectancy of the plans' members. The obligations are estimated using actuarial assumptions, based on the current economic environment. The benefit plans seek to achieve total returns sufficient to meet expected future obligations, as well as returns greater than their policy benchmark reflecting the target weights of the asset classes used in their targeted strategic asset allocation. The plans' targeted strategic allocation to each asset class was determined through an asset-liability modeling study. The benefit plans began transitioning to the new target allocation in 2025 using a phased approach.

The following table sets forth the target allocations of plan assets for fiscal years 2025 and 2024:

	Pension Benefits		Other Benefits			
	The Basic Plan		Postretirement Plan		UK Plan	
	2025	2024	2025	2024	2025	2024
Domestic equity securities	10%	10%	8%	8%	—%	—%
International equity securities	7	7	5	5	20	20
Emerging market equity securities	2	2	2	2	—	—
Low-volatility global equity	6	6	5	5	—	—
Investment-grade fixed income	38	38	45	45	80	80
High-yield fixed income	5	5	5	5	—	—
Treasury inflation protected securities (TIPS)	—	—	—	—	—	—
Real estate – private	3	3	3	3	—	—
Real estate – public	1	1	1	1	—	—
Private equity	8	8	7	7	—	—
Commodities	3	3	3	3	—	—
Alternative debt	8	8	7	7	—	—
Global listed infrastructure	3	3	3	3	—	—
Master limited partnerships (MLPs)	3	3	3	3	—	—
Timber/farmland	3	3	3	3	—	—
Total	100%	100%	100%	100%	100%	100%

Army and Air Force Exchange Service

Notes to Financial Statements (continued) (Dollars in Thousands, Unless Otherwise Noted)

4. Benefit Plans (continued)

The Exchange's benefit plan actual asset allocations at January 31, 2026 and February 1, 2025, by asset class category, are as follows:

	Pension Benefits		Other Benefits			
	The Basic Plan		Postretirement Plan		UK Plan	
	2025	2024	2025	2024	2025	2024
Domestic equity securities	10%	10%	8%	8%	—%	—%
International equity securities	7	7	5	5	21	20
Emerging market equity securities	2	2	2	2	—	—
Low-volatility global equity	6	7	5	5	—	—
Investment-grade fixed income	38	38	45	42	79	80
High-yield fixed income	5	4	5	1	—	—
Real estate – private	3	3	3	3	—	—
Real estate – public	1	1	1	1	—	—
Private equity	8	11	7	13	—	—
Commodities	3	3	3	3	—	—
Alternate debt	8	7	7	8	—	—
MLPs	3	4	3	5	—	—
Global listed infrastructure	3	—	3	—	—	—
Timber/farmland	3	3	3	4	—	—
Total	100%	100%	100%	100%	100%	100%

The Exchange uses the fair value hierarchy discussed in Note 2 to measure the fair value of assets held by pension and postretirement benefit plans.

Equity securities are diversified across various industries and comprise common and preferred stocks of U.S. and international companies and equity positions in privately held companies controlled through limited partnerships. Common and preferred stocks are based on market quotations and are classified as Level 1 in the fair value hierarchy. The fair values of the investments in the collective investment funds represent the net asset values of the shares or units of such funds as determined by the issuer. Limited partnerships are valued based on net asset value as determined by the general partners and represent the plans' proportionate share of the estimated fair value of the underlying net assets limited partnership. The limited partnerships are valued based on purchase price when recently acquired; valuation models, such as discounted cash flows or market multiples; financial measures, such as free cash flow or earnings before interest, taxes, depreciation, and amortization or Level 3 investments. Foreign obligations are foreign equities traded on U.S. exchanges as American Depositary Receipts or Level 1 investments.

Army and Air Force Exchange Service

Notes to Financial Statements (continued) *(Dollars in Thousands, Unless Otherwise Noted)*

4. Benefit Plans (continued)

Debt securities comprise corporate bonds, government securities, and asset-backed or collective investment funds and limited partnerships with underlying debt securities. U.S. government obligations are valued at the closing price reported on the active market on which the individual securities are traded. U.S. government obligations are classified as Level 1 investments. U.S. government agency securities are usually traded in active markets; however, they may not trade with sufficient frequency to rely on a single price of the same security. As such, broker quotes may be used based on similar assets in active markets with these assets classified as Level 2.

Corporate bonds are usually traded in active markets; however, they may not trade with sufficient frequency to rely on a single price of the same security. As such, broker quotes may be used based on similar assets in active markets. Asset-backed securities are publicly traded securities with coupon payments based on the performance of the underlying assets and are usually traded in active markets; however, they may not trade with sufficient frequency to rely on a single price of the same security. As such, broker quotes may be used based on similar assets in active markets. Corporate bonds and asset-backed securities are classified as Level 2 investments.

Real estate and commodities comprise investments whose underlying value is based on real estate or commodities. Publicly traded securities are equity shares in real estate investment trusts (REITs) or MLPs and are valued based on market quotations. Collective investment funds with underlying investments in exchange-traded positions are classified as Level 2 investments. The net asset values of collective investment funds and limited partnerships with underlying investments in real estate are based on the selling price of the property, income the property is expected to generate, and the market values of any commodities currently on the land.

Other investments consist primarily of investment contracts and are valued at the quoted price as determined by the issuer. Such contracts are classified as Level 2 investments.

Army and Air Force Exchange Service

Notes to Financial Statements (continued) (Dollars in Thousands, Unless Otherwise Noted)

4. Benefit Plans (continued)

The following table sets forth, by level within the fair value hierarchy, the Exchange's benefit plan assets and liabilities that are measured at fair value as of January 31, 2026:

	Benefit Plans			
	Total	Level 1	Level 2	Level 3
Assets				
Temporary investments ^(a)	\$ 553	\$ 553	\$ –	\$ –
Equity securities:				
Common and preferred stock ^(b)	597,005	597,005	–	–
Debt securities:				
Common and preferred stock ^(b)	6,710	6,710	–	–
Corporate bonds ^(c)	677,643	–	677,643	–
U.S. government obligations ^(d)	53,279	53,279	–	–
Real estate and commodities:				
Common and preferred stock ^(b)	238,914	238,914	–	–
Other investments ^(l)	3,616	–	3,616	–
Total investments at fair value	1,577,720	\$ 896,461	\$ 681,259	\$ –
Investments measured at net asset value:				
Collective investment funds:				
Equity securities ^(f)	1,589,755			
Debt securities ^(g)	2,409,225			
Real estate and commodities ^(h)	877,815			
Short-term investment funds ⁽ⁱ⁾	105,544			
Limited partnerships:				
Equity securities ^(j)	912,704			
Debt securities ^(j)	595,280			
Real estate and commodities ^(j)	102,307			
Total investments measured at net asset value	6,592,630			
Plan assets not measured at fair value or net asset value ^(k)	718			
Total assets	\$ 8,171,068			

Army and Air Force Exchange Service

Notes to Financial Statements (continued) (Dollars in Thousands, Unless Otherwise Noted)

4. Benefit Plans (continued)

The following table sets forth, by level within the fair value hierarchy, the Exchange's benefit plan assets and liabilities that are measured at fair value as of February 1, 2025:

	Benefit Plans			
	Total	Level 1	Level 2	Level 3
Assets				
Temporary investments ^(a)	\$ 358	\$ 358	\$ —	\$ —
Equity securities:				
Common and preferred stock ^(b)	593,708	593,708	—	—
Debt securities:				
Common and preferred stock ^(b)	5,858	5,858	—	—
Corporate bonds ^(c)	666,109	—	666,109	—
U.S. government obligations ^(d)	39,436	39,436	—	—
Real estate and commodities:				
Common and preferred stock ^(b)	346,218	346,218	—	—
Other investments ^(l)	6,527	—	6,527	—
Total investments at fair value	1,658,214	\$ 985,578	\$ 672,636	\$ —
Investments measured at net asset value:				
Collective investment funds:				
Equity securities ^(f)	2,210,446			
Debt securities ^(g)	1,279,960			
Real estate and commodities ^(h)	982,830			
Short-term investment funds ⁽ⁱ⁾	94,555			
Limited partnerships:				
Equity securities ^(j)	872,822			
Debt securities ^(j)	553,663			
Real estate and commodities ^(j)	104,563			
Total investments measured at net asset value	6,098,839			
Plan assets not measured at fair value or net asset value ^(k)	(1,373)			
Total assets	\$ 7,755,680			

Army and Air Force Exchange Service

Notes to Financial Statements (continued) (Dollars in Thousands, Unless Otherwise Noted)

4. Benefit Plans (continued)

- (a) Primarily consists of cash held in foreign currencies.
- (b) 2025: Holdings are diversified as a percentage of total equity as follows: Domestic Markets (80%) and Developed International Markets (20%). Domestic Markets are diversified by Large Cap (24%), Small Cap (4%), Public Real Estate – REIT (12%), low-volatility investments (24%), and MLPs (36%). There are no significant concentrations of holdings by the Exchange.

2024: Holdings are diversified as a percentage of total equity as follows: Domestic Markets (84%) and Developed International Markets (16%). Domestic Markets are diversified by Large Cap (21%), Small Cap (4%), Public Real Estate – REIT (11%), low-volatility investments (20%), and MLPs (44%). There are no significant concentrations of holdings by the Exchange.
- (c) 2025: Includes 88% and 12% of investments in corporate high-yield debt with a Standard and Poor's (S&P) rating of B- and below as of January 31, 2026. The remaining investments are in investment-grade corporate bonds.

2024: Includes 88% and 12% of investments in corporate high-yield debt with a Standard and Poor's (S&P) rating of B- and below as of February 1, 2025. The remaining investments are in investment-grade corporate bonds.
- (d) Includes fixed-income treasury securities backed by the full faith and credit of the U.S. government. There are no significant foreign currency risks within this segment.
- (e) 2025: 54% of holdings consist of BlackRock index funds, which are passive in nature and employ a strategy of investing in securities that provide beta (market) exposure to a specific index, including the S&P 500 and MSCI EAFE. The remaining 46% consists of international, small cap, and low-volatility investments in the form of mutual funds. The collective investment funds consist of Domestic (43%) and International (57%). Investments have a required notice of three days for any sales or liquidation. The fund's management may impose restrictions on cash redemptions in the fund outside the normal course of business. Distributions may be made in cash or in kind or partly in cash or partly in kind at the sole discretion of the fund's trustee. There are no restrictions on withdrawals.

2024: 57% of holdings consist of BlackRock index funds, which are passive in nature and employ a strategy of investing in securities that provide beta (market) exposure to a specific index, including the S&P 500 and MSCI EAFE. The remaining 43% consists of international, small cap, and low-volatility investments in the form of mutual funds. The collective investment funds consist of Domestic (56%) and International (44%). Investments have a required notice of three days for any sales or liquidation. The fund's management may impose restrictions on cash redemptions in the fund outside the normal course of business. Distributions may be made in cash or in kind or partly in cash or partly in kind at the sole discretion of the fund's trustee. There are no restrictions on withdrawals.

Army and Air Force Exchange Service

Notes to Financial Statements (continued) (Dollars in Thousands, Unless Otherwise Noted)

4. Benefit Plans (continued)

- (f) 2025: 93% of the holdings consist of two core fixed-income index funds, which both employ a strategy that seeks to match the performance of the Barclays Long Credit Index, and a Loomis Sayles high yield fund (7%), which employs a strategy that seeks to match the performance of the CS High Yield Index. Issuances and redemptions are made on each business day. Distributions may be made in cash or in kind or partly in cash or partly in kind at the sole discretion of the fund's trustee. The BlackRock funds have a required notice of three days for any sales or liquidation.

2024: 88% of the holdings consist of two core fixed-income index funds, which both employ a strategy that seeks to match the performance of the Barclays Long Credit Index, and a Loomis Sayles high yield fund (12%), which employs a strategy that seeks to match the performance of the CS High Yield Index. Issuances and redemptions are made on each business day. Distributions may be made in cash or in kind or partly in cash or partly in kind at the sole discretion of the fund's trustee. The BlackRock funds have a required notice of three days for any sales or liquidation.

- (g) 2025: Investments include both commodities and real estate, which provide diversified returns relative to stocks and bonds. The underlying commodity investments are actively traded futures, which have full pricing transparency and daily liquidity and are reported at net asset value. Real estate holdings include direct real estate investments in properties that are valued by appraisal and reported as Level 3. The investments are diversified by core 25% and value-added or opportunistic 9% investments. Commodity investments include farmland and timber, which represent 66% of the allocation. There is quarterly redemption available for the real estate investments with a 60-day notice.

2024: Investments include both commodities and real estate, which provide diversified returns relative to stocks and bonds. The underlying commodity investments are actively traded futures, which have full pricing transparency and daily liquidity and are reported at net asset value. Real estate holdings include direct real estate investments in properties that are valued by appraisal and reported as Level 3. The investments are diversified by core 17% and value-added or opportunistic 44% investments. Commodity investments include farmland and timber, which represent 39% of the allocation. There is quarterly redemption available for the real estate investments with a 60-day notice.

- (h) The Northern Trust Bank Short-Term Investment Fund employs a strategy to provide safety of principal, daily liquidity, and a competitive yield by investing in high-quality money market instruments. Issuances and redemptions are made on each business day. The fund's management may impose restrictions on cash redemptions in the fund outside the normal course of business. Distributions may be made in cash or in kind or partly in cash or partly in kind at the discretion of the fund's trustee.
- (i) Includes limited partnerships that invest primarily in U.S. buyout opportunities, as well as opportunistic debt of a range of privately held companies. The fund does not have to redeem its limited partnership investment at its net asset value. Instead, the fund receives distributions as the underlying assets of the fund are liquidated.
- (j) Holdings consist of net amounts due to or from brokers for the sale of securities as of the balance sheet date.
- (k) Includes one immediate participation guarantee contracts at contract value.

Army and Air Force Exchange Service

Notes to Financial Statements (continued) (Dollars in Thousands, Unless Otherwise Noted)

4. Benefit Plans (continued)

At January 31, 2026, the Exchange had commitments to fund limited partnerships held by the Exchange's benefit plans of \$2,669.

Estimated Future Benefit Payments

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid as follows:

Fiscal Years	Basic Plan	Supplemental Plan	Postretirement	Foreign Plans
2027	\$ 304,602	\$ 556	\$ 66,236	\$ 5,288
2028	307,419	557	73,319	4,320
2029	310,295	556	74,315	4,529
2030	312,983	554	76,099	4,356
2031	315,436	549	78,063	4,207
2032–2036	1,597,427	2,704	406,570	19,460

5. Dividends

The Exchange is required, under various agreements, to distribute a portion of each year's net earnings before performance bonuses in the form of dividend payments to the Central Welfare Funds, Departments of the Army, the Air Force, the Navy, and the Marine Corps.

Under the current dividend policy, noncash pension expenses, noncash pension income, and employee benefit plan expenses are excluded from net earnings subject to dividends. The Exchange Board of Directors is responsible for establishing dividend policy.

The Exchange's policy is to annually fund actuarially determined postretirement expense unless the plan is fully funded or unless an asset-liability model has shown the plan will likely become fully funded, even in the absence of future contributions. Therefore, each year, pension expense generally reduces the net earnings subject to dividends to the extent cash contributions have actually been made.

Army and Air Force Exchange Service

Notes to Financial Statements (continued) *(Dollars in Thousands, Unless Otherwise Noted)*

6. Commitments and Contingencies

The Exchange is a defendant in various lawsuits and claims. In the opinion of management, the amounts, if any, which might ultimately be paid in connection with settlement of the litigation would not have a material effect on the financial condition, results of operations, or cash flows of the Exchange.

7. Subsequent Events

The Exchange has evaluated subsequent events through May 20, 2026, the date at which the accompanying financial statements were available to be issued. Subsequent to year-end on April 30, 2026, the Exchange entered into a \$750,000 committed credit agreement, which replaced the \$750,000 committed unsecured revolving credit facility with Wells Fargo Bank, N.A., as described in Note 3.

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2025 BY THE NUMBERS

\$8.6B

REVENUE

\$513M

EARNINGS

\$307M

DIVIDENDS

\$144M

CAPITAL INVESTMENTS

169.9M

TOTAL TRANSACTIONS

690K

COMBAT UNIFORMS
OUTFITTED AT COST

1,500+

RESTAURANTS

81M

MEALS SERVED AT
EXCHANGE RESTAURANTS

3.6M

SCHOOL MEALS SERVED

7

PLANTS PROVIDING WATER
AND BAKED GOODS OVERSEAS

4.7M

BAKERY ITEMS
PRODUCED

4.1M

GALLONS OF
WATER BOTTLED

5.2M

HAIRCUTS

367.1M

GALLONS OF
FUEL DISPENSED

10

DISTRIBUTION CENTERS

8M

FLEET MILES DRIVEN

80%+

ASSOCIATES CONNECTED
TO THE MILITARY

67,403

VETERANS/SPOUSES
HIRED SINCE 2013

5,026

ASSOCIATES DEPLOYED
SINCE 9/11

2,405

WOUNDED WARRIORS
HIRED SINCE 2010