

Annual Report 2024

Federally Insured by NCUA



Board of Directors

Chairman | Arland A. White Jr.

Vice Chair | James F. Kalkbrenner

Treasurer | Monte S. Dzurenko

Secretary | Pankaj R. Belani

Assistant Secretary | Marcus S. Parker Sr.

Director | Jason R. Bailey

Director | Scott Brown

Director | Harley Parkes

Director | Janelle Romano

Director | Kaitlyn Schnieders

Director | Thomas E. Woods Jr.

Financial Highlights

Tower Federal Credit Union and Subsidiary

(Dollars in thousands)

for the years ended December 31,

	2024	2023	% Change
Members	223,720	222,061	0.7%
Assets	\$4,544,434	\$4,451,862	2.1%
Members' savings	\$3,865,262	\$3,734,447	3.5%
Loans	\$3,415,677	\$3,245,142	5.2%
Members' equity	\$556,007	\$482,817	10.8%
Net interest income	\$160,644	\$138,676	15.8%
Provision for loan losses	\$4,820	\$3,926	22.8%
Non-interest income	\$29,407	\$28,624	2.5%
Non-interest expense	\$123,875	\$112,731	9.8%
Net income	\$61,356	\$50,643	21.2%

Consolidated Statements of Income

Tower Federal Credit Union and Subsidiary

(Dollars in thousands)

for the years ended December 31,

	2024	2023
Interest income		
Interest on loans receivable	\$195,086	\$167,411
Interest on investments	38,211	27,547
Total interest income	233,297	194,958
Interest expense		
Dividends on members' share and savings accounts	66,374	47,836
Interest on borrowed funds	6,279	8,446
Total interest expense	72,653	56,282
Net interest income	160,644	138,676
Provision for loan losses	4,820	3,926
Net interest income after provision for loan losses	155,824	134,750
Non-interest income		
Interchange income	16,049	16,130
Commission income	5,187	4,178
Fees and charges	4,470	4,209
Other non-interest income	3,701	4,107
Total non-interest income	29,407	28,624
Non-interest expense		
Compensation and employee benefits	72,130	67,507
Office operations	18,016	16,121
Legal and professional expense	12,860	10,275
Operating expense	6,431	4,996
Loan servicing expense	5,438	5,401
Occupancy	5,124	4,678
Members insurance expense	3,876	3,753
Total non-interest expense	123,875	112,731
Net income	\$61,356	\$50,643

Consolidated Statements of Financial Condition

Tower Federal Credit Union and Subsidiary

(Dollars in thousands)

for the years ended December 31,

	2024	2023
Assets		
Cash and cash equivalents	\$539,826	\$527,274
Investments-available for sale	444,968	531,391
Loans to members, net of allowance for loan losses	3,415,677	3,245,142
Accrued interest receivable	16,717	14,842
Premises and equipment, net	37,528	38,454
National Credit Union Share Insurance Fund deposit	34,685	33,697
Life insurance	21,985	22,006
Prepaid and other assets	33,048	39,056
Total assets	\$4,544,434	\$4,451,862
Liabilities and Members' Equity		
Liabilities		
Members' share and savings accounts	\$3,865,262	\$3,734,447
Borrowed funds	100,000	200,000
Accrued expenses and other liabilities	23,165	34,598
Total liabilities	3,988,427	3,969,045
Members' Equity		
Undivided earnings	626,800	565,444
Equity acquired in merger	1,126	1,126
Accumulated other comprehensive income	(71,919)	(83,753)
Total members' equity	556,007	482,817
Total Liabilities and Members' Equity	\$4,544,434	\$4,451,862

Message from the Board Chair

2024 was an exciting year for Tower. We launched several new products and initiatives to benefit and enhance your member experience.

New Digital Banking platform

One of our biggest undertakings this year was our Digital Banking conversion, which took place in July. We enhanced our online banking services with a refreshed design and helpful new features including improved navigation, real-time delivery of account alerts, improved card controls, and new financial wellness tools. We launched our new mobile app at the same time, with improved browsing capabilities, and a more modern, streamlined appearance.

With any major change there are always a few hiccups, but overall, the conversion was successful and the response from our members has been overwhelmingly favorable. As always, your Board of Directors and I appreciate your patience when we implement new technologies to improve our services.

Fraud prevention remains a top priority

Your Board of Directors and Senior Management team are vigilant about protecting your accounts and information against fraud and scammers. Protecting the security of our members' accounts is a top priority for Tower year-round. Your security remains our top priority.

We continue to invest in the latest technologies, to help fight fraud and keep your accounts secure, while at the same time offering the conveniences you've come to expect from your credit union. One excellent resource for our members is the Fraud & Security Center at towerfcu.org. The site is full of information and resources to help you and your loved ones avoid and prevent fraud.

The Fraud & Security Center also features the current scams and threats impacting Tower members and what we are doing every day to protect your accounts. We also added a Fraud & Cybersecurity Checklist in November, to help you take steps to secure your accounts. We all need to work together to build a safer digital world.

New ID Smart Shield identity theft protection

In March, we added a significant free benefit to your Tower membership—ID Smart Shield. ID Smart Shield, powered by IdentityForce®, a TransUnion® brand, offers award-winning identity theft protection, at no cost to you, including ongoing fraud monitoring and alerts, free credit score monitoring and reports, and recovery service if you are a victim of identity theft.

New Member Referral program

This year, we launched a new member referral program, which provided a monetary incentive for sharing the benefits of Tower membership with friends, relatives, and colleagues. Both the Tower member and the person referred earned \$150. Members could earn up to \$500 for their referrals last year. The program was a good

way for our members to put some money back in their pockets, while at the same time giving your friends and family the benefits of lifetime Tower membership. The program will continue in 2025, with a few updates.

New faces on the Board

This year we had four open positions on Tower's volunteer Board of Directors, and four nominees, so it was an uncontested election. As Board Chair, I declared the nominees elected by acclimation, which saved our members the cost of a formal election process.

Long-serving Directors Jim Kalkbrenner and Harley Parkes were elected to serve additional three-year terms. The Board welcomed new Board members Kaitlyn Schnieders and Jason Bailey. Kaitlyn has served the past two years as an Associate Board member and Jason has served for the past nine years as the Chairman of Tower's Supervisory Committee. Nora Davis also joined the Board as an Associate Board member. Nora brings a wealth of knowledge and experience that will serve our members and benefit Tower.

Stepping down from the Board were Tammy Lumsden and Ross Brinson, after several years of service. Both are commended for their selfless volunteer service to the Board and our membership.

The Tower Advantage

Providing a high level of member value is a priority for your Board of Directors. In fact, Tower members earned and saved on average \$78.6 million more just by banking with us this year. We also did not follow the industry trend to raise interest rates on our Home Equity Line of Credit (HELOC), and our members with a HELOC saved millions because of it. Our Money Market savings account and Share Certificate rates were also some of the highest in Tower's history, so our members earned even more on their deposits.

I am proud to say that Tower consistently ranks high in independent industry surveys, which is especially meaningful because they are voluntary surveys taken by you, our members.

Thank you for your trust and continued support of Tower. We stand ready to serve you, and to provide a safe, secure harbor for your accounts. Your volunteer Board of Directors along with the Senior Management team will continue to seek out opportunities to improve your member experience and keep your information safe.

We ended 2024 strong, with over \$4.5 billion in assets, and are considered well-capitalized by credit union regulators. Your credit union is strong and growing, and we are committed to providing the best financial services for our members for generations to come.

Arland A. White, Jr.
Board of Directors Chairman

Supervisory Committee Report

Thomas Jester, Chair

The Supervisory Committee has two main purposes: to ensure that management's financial reporting is in accordance with generally accepted accounting principles; and that its practices and procedures safeguard members' assets. These goals are met, in part, by ensuring that Tower's management properly administers policies established by the Board of Directors, and maintains effective procedures to comply with laws and regulations, minimize the risk of fraud, and avoid conflicts of interest.

The Supervisory Committee, through Tower's internal audit staff and consultants, performs assessments of business processes using a risk-based approach, to ensure policies are effective and properly administered, and that ongoing improvements are implemented to safeguard assets. The Committee engaged the services of the certified public accounting firm Doeren Mayhew Advisors, LLC, to perform the required audit of Tower's 2024 financial statements.

The National Credit Union Administration (NCUA), the regulatory agency for all federally-chartered credit unions, performs periodic examinations.

I am pleased to report that, as a result of the various assessments, external audit, and our NCUA examination, Tower continues to be financially sound and has sufficient risk management controls. The Supervisory Committee also serves as an ombudsman for members, responding confidentially to concerns, questions or complaints that have not otherwise been satisfactorily resolved. If any member has such a concern they should write to: Tower Federal Credit Union, Attn: Chairman, Supervisory Committee, P.O. Box 1280, Laurel, Maryland 20725-1280.

Loan Review Committee Report

Shawn M. Cribb, Chair

The Loan Review Committee, made up of five volunteers appointed by the Board of Directors, reviews loan appeals on a regular basis. Only credit unions offer the opportunity to appeal prior loan decisions by written request to a committee.

Tower's Loan Review Committee uses a process that allows Tower members a simple and streamlined way to present their loan review requests to the committee. Tower recognizes that a credit union's best investment is a loan to a member. The character and capacity of the member to repay a loan are carefully considered in order to protect members' assets. Tower members have consistently proven to be good credit risks. This is evidenced by the consistency displayed with a net charge-off rate of just 0.14% (up from 0.09% in 2023), significantly lower than the average for all federally-insured credit

unions, which stands at 0.80%. Additionally, while the national average charge-off ratio increased by 19 basis points from Q4 2023 to Q4 2024, Tower experienced a modest rise of just five basis points. This positive trend is indicative of the strong health of our portfolio and the overall stability of the credit union moving forward.

The Loan Review Committee in 2024 reviewed a total of 51 loans, with the original decisions upheld for 49 of the loans. Of the remaining two, the committee recommended overturning the original decisions, resulting in approval. However, both members ultimately declined the credit extension offers.

Treasurer's Report

Monte S. Dzurenko,
Treasurer

As of December 31, 2024, total assets grew to \$4.544 billion, an increase of \$92.6 million or 2.1% over the previous year's total of \$4.452 billion. During the course of 2024, total loan and members' savings increased by \$170.5 million and \$19.4 million, respectively. Loans made to members in 2024 totaled \$1.0 billion, driven primarily by \$539.5 million in residential mortgage and home equity loans and \$474.8 million in auto loans.

Tower's regulatory net worth to assets ratio was 13.9% as of December 31, 2024. This ratio significantly exceeds the 7% level required by NCUA regulations to be considered well-capitalized. Tower's strong capital base provides the ability for us to compete successfully in a highly competitive environment, allowing us to expand and improve our product and service offerings, make needed investments in systems and information security, take advantage of future business opportunities and promote the safety and soundness of Tower. These ongoing efforts enable us to respond quickly to members' changing financial needs and to maintain the level of excellent service and information security they have come to expect.

Interest rates began declining in September 2024 following the Federal Reserve's decision to reduce rates in response to a slowing economy and a cooling labor market. Tower was well positioned to navigate this shifting rate environment, and as a result, net interest income increased substantially. Our net income grew to \$61.4 million, an increase of \$10.7 million or 21.2% over 2023.

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